

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

**IN THE MATTER OF THE  
APPLICATION FOR  
APPROVAL OF THE FEED-  
IN TARIFF ALLOWANCE  
FOR CALENDAR YEAR 2017  
PURSUANT TO THE  
GUIDELINES FOR THE  
COLLECTION OF THE  
FEED-IN TARIFF  
ALLOWANCE AND  
DISBURSEMENT OF THE  
FEED-IN TARIFF  
ALLOWANCE FUND, WITH  
PRAYER FOR  
PROVISIONAL AUTHORITY,**

**ERC CASE NO. 2016-192 RC**

**NATIONAL TRANSMISSION  
CORPORATION (TRANSCO),  
Applicant.**

**D O C K E T E D**  
Date: APR 27 2017  
By: JK

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**NOTICE OF PUBLIC HEARING**

**TO ALL INTERESTED PARTIES:**

Notice is hereby given that on 1 December 2016, National Transmission Corporation (TRANSCO) filed an application dated 28 November 2016 seeking the Commission's approval of the Feed - In Tariff Allowance for Calendar Year 2017 pursuant to the Guidelines for the Collection of the Feed-In Tariff Allowance and Disbursement of the Feed-In Tariff Allowance Fund, with prayer for provisional authority.

TRANSCO alleged the following in its Application:

**THE APPLICANT**

1. TransCo is a government instrumentality created pursuant to **Republic Act (R.A.) No. 9136**, otherwise known as the

**Electric Power Industry Reform Act of 2001 (EPIRA)**, with principal office address at TransCo Main Building, Quezon Avenue corner BIR Road, Diliman, Quezon City, where it may be served with summons and other processes of this Honorable Commission.

**NATURE OF THE APPLICATION**

2. This Application is being filed by Applicant TransCo in its capacity as FIT-All Fund Administrator tasked with the establishment, management/administration and disbursement/settlement (thru the Trustee Bank) of the FIT-All Fund pursuant to **ERC Resolution No. 15, Series of 2012** issued on 19 November 2012 and on the bases of relevant laws, rules and regulations as will be discussed hereafter.
3. On 16 December 2008, **R.A. No. 9513** entitled “**An Act Promoting the Development, Utilization and Commercialization of Renewable Energy Resources and for other purposes**” (**RE Law**) was enacted to (1) accelerate the exploration and development of renewable energy resources to achieve energy self-reliance by reducing the country’s dependence on fossil fuels and thereby minimize the country’s exposure to price fluctuations in the international markets; (2) increase the utilization of renewable energy by providing fiscal and non-fiscal incentives; (3) encourage the development and utilization of renewable energy resources as tools to effectively prevent or reduce harmful emissions and thereby balance the goals of economic growth and development with the protection of health and the environment; and (4) establish the necessary infrastructure and mechanism to carry out the mandates specified in the Act and other existing laws.
4. To achieve these state policies, Section 7 of the RE Law mandates the establishment of a Feed-in Tariff System (FIT System) for electricity produced from wind, solar, ocean, run-of-river hydropower and biomass. The FIT System is an incentive scheme that, among others, grants priority connections to the grid, priority purchase and transmission of, and payment for, electricity generated, and fixed tariff for a period not less than twelve (12) years to be determined by the Energy Regulatory Commission (ERC)<sup>1</sup> for eligible RE generation.
5. On 12 July 2010, the ERC, in consultation with the National Renewable Energy Board (NREB) and other stakeholders, issued **Resolution No. 16, Series of 2010** entitled **Resolution Adopting the Feed-in Tariff Rules (FIT Rules)** where it established, among others, the FIT System,

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<sup>1</sup> See Section 5, RE Law IRR.

**ERC CASE NO. 2016-192 RC**  
**NOTICE OF PUBLIC HEARING/ 26 April 2017**  
**Page 3 of 22**

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the method of establishing and approving the FIT and the Feed-in Tariff Allowance (FIT-All).

6. Under the FIT Rules, the FIT System guarantees all eligible renewable energy plants an entitlement to the applicable FITs for a period of twenty (20) years.<sup>2</sup>
7. Further, Section 2.2 of the FIT Rules provides that the ERC shall approve technology-specific FITs based on such FITs to be recommended by the NREB. Accordingly, on 27 July 2012, the ERC issued its “**Decision**” in **ERC Case No. 2011-006** and “**Resolution No. 10, Series of 2012**” entitled “**Resolution Approving the Feed-in Tariff Rates**” where it approved the following initial FIT Rates:

<b>TECHNOLOGY</b>	<b>ERC-APPROVED FIT RATES (PhP/kWh)</b>	<b>ERC-APPROVED DEGRESSION RATES</b>
<b>WIND</b>	8.53	0.5% after year 2 from effectivity of FIT
<b>BIOMASS</b>	6.63	0.5% after year 2 from effectivity of FIT
<b>SOLAR</b>	9.68	6% after year 1 from effectivity of FIT
<b>HYDRO</b>	5.90	0.5% after year 2 from effectivity of FIT

8. On 27 March 2015, the ERC issued **Resolution No. 06, series of 2015** entitled “**Resolution Adopting the New Solar Feed-In Tariff Rate**” setting a new Solar FIT Rate of PhP8.69/kWh (herein referred to as “Solar FIT 2”). The Solar FIT 2 was issued as a result of the revised installation target for solar energy generation from 50 MW to 500 MW and shall be applied to new Solar Plants that have been commissioned after the effectivity of said Resolution and until 15 March 2016.
9. On 06 October 2015, the ERC likewise issued **Resolution No. 14, series of 2015** also known as “**Resolution Adopting the Wind Feed-in Tariff (Wind-FIT2) Rate**” setting a new Wind FIT Rate of P7.40/kWh (herein referred to as “Wind FIT 2”). The Wind FIT 2 shall only be applied to three (3) wind power projects namely: San Lorenzo, Nabas and Pililia Power Projects which have already commenced commercial operations as certified by the DOE.
10. The FIT-All, on the other hand, is a uniform charge (in PhP/kWh) billed to all on-grid electricity consumers who are supplied with electricity through the distribution or transmission network. The FIT-All shall be established and set by the ERC on an annual basis and taking into account

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<sup>2</sup> Section 4, FIT Rules.

**ERC CASE NO. 2016-192 RC**  
**NOTICE OF PUBLIC HEARING/ 26 April 2017**  
**Page 4 of 22**

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- the following: the forecasted annual required revenue of the Eligible RE Plants; previous year's over or under recoveries; administration costs; forecasted annual electricity sales and such other relevant factors to ensure that no stakeholder is allocated with additional risks in the implementation of the FITs.<sup>3</sup>
11. On 19 November 2012, the ERC issued "**Resolution No. 15, Series of 2012**" designating **TransCo** as the **FIT-All Fund Administrator** tasked with the establishment, management/ administration and disbursement/settlement (thru the Trustee Bank) of the FIT-All Fund.
  12. The imposition, collection and disbursement of the FIT-All is further covered by the "**Guidelines on the Collection of the Feed-in Tariff Allowance (FIT-All) and the Disbursement of the FIT-All Fund**" (**Guidelines**) issued and approved by the ERC in its **Resolution No. 24** dated 16 December 2013.
  13. Under the FIT-All Guidelines, TransCo has to make an annual determination of the FIT-All rate and file its application with the ERC not later than end of July of each year for the FIT-All rate that will be implemented for the following year.
  14. On 18 December 2015, TransCo filed the application for the 2016 FIT-All Rate<sup>4</sup>. Correspondingly, on 16 February 2016, the ERC granted TransCo's application for Provisional Authority to implement a 2016 FIT-All rate of PhP/kWh 0.1240 which was implemented starting the April 2016 billing period.
  15. For the 2017 FIT-All Rate, TransCo was supposed to file its application by the end of July 2016. However, due to change in the national administration by virtue of the national election and in order to give the new members of the TransCo Board ample time to study the present application, TransCo requested the ERC for an extension of time within which to file the 2017 FIT-All Rate Application which the latter favorably granted.
  16. Therefore, by and pursuant to the RE Law, Resolution No. 16 Series of 2010 (FIT Rules), as amended by Resolution No. 15 Series of 2012, in connection with the Guidelines and other pertinent laws, rules and regulations, the instant *Application* is submitted to the Honorable Commission for its due consideration of the herein applied for FIT-All Rate for the year 2017.

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<sup>3</sup> Section 2.5, FIT Rules.

<sup>4</sup> Docketed as ERC Case No. 2015-216 RC

**FEED-IN TARIFF ALLOWANCE FOR 2017**

17. TransCo has computed a **FIT-All Rate** of **PhP/kWh 0.2481** for 2017, determined using the formula provided in Section 1.3 of the Guidelines, as follows:

$$FIT-All = \frac{FD + WCA + AA + DA}{FNS}$$

Where:

<b>DESCRIPTION</b>	
<b>FIT-All</b>	is the Feed-in Tariff Allowance to be implemented in Year <sub>t+1</sub> in PhP/kWh, as provided for in the FIT Rules and the Guidelines.
<b>FD</b>	is the estimated Total FIT Differential required for Year <sub>t+1</sub> in PhP, and as further described in Section 1.4.1 of the Guidelines.
<b>WCA</b>	is the estimated Working Capital Allowance required for Year <sub>t+1</sub> in PhP, and as further described in Section 1.4.2 of the Guidelines.
<b>AA</b>	is the Administration Allowance to be implemented in Year <sub>t+1</sub> in PhP, and as further described in Section 1.4.3 of the Guidelines.
<b>DA</b>	is the Disbursement Allowance to be implemented in Year <sub>t+1</sub> in PhP, and as further described in Section 1.4.3 of the Guidelines.
<b>FNS</b>	is the Forecast National Sales, in kWh, to be applied for Year <sub>t+1</sub> and as further described in Section 1.4.4.2 of the Guidelines.
<b>T</b>	is the year the application for setting the FIT-All is filed with the ERC.
<b>t+1</b>	is the year following t

18. Whenever Year<sub>t+1</sub> (implementation year) is used in any formula in the present Application, the same shall refer to the year 2017. Correlatively, the Year<sub>t+2</sub> whenever used in any formula in this Application shall refer to the year 2018.

**COMPONENTS OF THE FIT-ALL**

**I. Forecast National Sales**

19. The Forecast National Sales (FNS) is the denominator in the FIT-All formula. The estimated level for 2017 is presented first since it is best to present the determined value of the other FIT-All components in terms of PhP/kWh, where this FNS is the kilowatt-hours (kWh) denominator.
20. The FNS refers to an estimated total kilowatt-hours of electricity billed to consumers who are supplied with electricity in all On-Grid areas in the Philippines for a given year.
21. The FNS, in kWh, shall be equal to the latest available Electricity Sales as stated in the Philippine Power Statistics,

**ERC CASE NO. 2016-192 RC**  
**NOTICE OF PUBLIC HEARING/ 26 April 2017**  
**Page 6 of 22**

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excluding Utilities Own Use and Power Losses, or as otherwise certified by the DOE, and as adjusted by the historical growth rate published for the immediately preceding three (3) years.

22. From the historical data sourced from the Philippine Power Statistics until 2015<sup>5</sup>, TransCo computed for the compounded annual growth rate (CAGR) of Electricity Sales for a 3-year period using the formula:

$$CAGR_{t_0,t_n} = \left( \frac{V_{t_n}}{V_{t_0}} \right)^{\frac{1}{t_n-t_0}} - 1$$

Where:

$V(t_0)$  = start value  
 $V(t_n)$  = finish value  
 $t_n-t_0$  = number of years

23. TransCo computed the projected 2016 level by increasing the historical 2015 level by the computed CAGR (2012-2015). Then, TransCo again computed for the rolling 3-year CAGR and so on.<sup>6</sup> TransCo came up with the following Forecast National Electricity Sales for 2016-2017:

**Table 1. Forecast National Electricity Sales, kWh**

2016	2017
70,942,401,477	74,375,251,500

**II. Total FIT Differential**

24. The Total FIT Differential represents the difference between: (1) the forecast applicable FIT Rate for Year<sub>t+1</sub> that each Eligible RE Plant is forecasted to receive for each kWh delivered, and (2) the forecast applicable cost recovery rate as determined under the Guidelines, multiplied by the projected annual energy generation from Eligible RE Plant for year<sub>t+1</sub>. In setting the FIT-All for Year<sub>t+1</sub>, the FIT Differential is represented by the following formula:

$$FD = \left[ \sum_x (ForecastREGen_{x,t+1} (ForecastFITRate_{x,t+1} - ForecastCostRecoveryRate_{x,t+1})) \right] + FD_{t-1,(over)/under}$$

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<sup>5</sup>The DOE Memorandum dated 21 July 2015 providing for the Electricity and Sales Consumption, in MWh for years 2003 to 2014 is attached hereto as **Annex "A"** to **"A-1"** and the DOE Memorandum dated 15 June 2016 for the Electricity & Sales Consumption for year 2015 as **"Annex B to B-1"** to form an integral part hereof.

<sup>6</sup>The FNS computation for 2015-2016 is attached hereto as **Annex "C"** to form an integral part hereof.

Where:

<b>DESCRIPTION</b>	
<b>Forecast Gen<sub>x,t+1</sub></b>	<b>RE</b> is the Forecast RE Generation of Eligible RE Plant <sub>x</sub> (in kWh).
<b>Forecast Rate<sub>x,t+1</sub></b>	<b>FIT</b> is FIT Rate, as degressed (if applicable) and adjusted for local inflation and foreign exchange (FOREX) as forecasted for year <sub>t+1</sub> , in PhP/kWh, that Eligible RE Plant <sub>x</sub> is forecasted to receive for each kWh delivered.
<b>Forecast Recovery</b>	<b>Cost</b> is the applicable Forecast Cost Recovery Rate to be implemented in Year <sub>t+1</sub> for Eligible RE Plant <sub>x</sub> , in PhP kWh.
<b>FD<sub>t-1</sub> (over)/under</b>	is the variance between the actual FIT Differential for year <sub>t-1</sub> (Actual FD <sub>t-1</sub> ) and the FIT Differential collected for year <sub>t-1</sub> (Collected FD <sub>t-1</sub> ). There is over recovery if Collected FD <sub>t-1</sub> > Actual FD <sub>t-1</sub> and under recovery if Collected FD <sub>t-1</sub> < Actual FD <sub>t-1</sub> .

25. Alternatively, the formula in Paragraph 24 can be viewed or rewritten as:

$$FD = TotalFITRevenue - TotalForecastCostRecoveryRevenue + FD_{t-1,(over)/under}$$

### **II.1. Forecast Annual Renewable Energy Generation**

26. TransCo primarily used the most updated list of RE Projects that are projected to be eligible/already eligible under the FIT System in 2014-2018 and forecast data as provided by the DOE<sup>7</sup>. TransCo likewise tapped its own database containing historical information and the available submissions of RE Developers on actual/forecast generation.<sup>8</sup>
27. With the list from DOE providing the best estimate of the timing of entry of Eligible RE Plants, TransCo aims to be able to adequately provide for the corresponding payout requirements. However, the list does not in any way give preemptive right to the identified projects to be counted under the final FIT-eligible projects. Neither does it limit the payment of FITs to these projects.
28. For those Eligible RE Developers already billing the FIT-All Fund, TransCo generally adopted their 2016 to 2018 energy generation forecast submissions. (See Annexes “F” to “F-32”.)

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<sup>7</sup>The DOE letter dated 20 June 2016 and 16 August 2016 providing “Information/Data for filing of the 2017 FIT-All Rate Petition”, including attachments, are attached hereto as **Annexes “D” to “D-8” and Annex E to E-13**, respectively, to form integral parts hereof.

<sup>8</sup>The 2016 to 2018 energy forecast generation per eligible RE Plant are summarized in the “List of FIT Eligible Renewable Energy Developer Generation” and its attachments marked hereto as **Annexes “F” to “F-32”** to form an integral part hereof.

**ERC CASE NO. 2016-192 RC**  
**NOTICE OF PUBLIC HEARING/ 26 April 2017**  
**Page 8 of 22**

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29. For some Biomass projects, TransCo adopted the monthly energy generation forecast provided by DOE (See Annexes “E-3” to “E-10”.)
30. For Solar and Hydro plants without forecast submission, TransCo generally followed the annual projection from DOE. The same seasonality indices used as in the 2014-2015 Application were applied<sup>9</sup>.
31. The 2018 projects were also considered, but only in the computation of the WCA, which requires the estimated payout for year+2, which in this case is 2018.
32. TransCo limited the determination of the FIT-All rate to include only Eligible/projected Eligible RE capacities up to the installation targets set by the DOE as follows: 500 MW for Solar up to March 15, 2016, 400 MW for Wind, 250 MW for Hydropower and 250 MW for Biomass.
33. At the same time, the principle of commercial and technical indivisibility of projects was observed. Hence, the installation target could be exceeded if the last plant to complete the same renders the total to go beyond the target. This happened in the case of Solar.
34. Based on the foregoing, the applicable Forecast Annual Renewable Energy Generation of Eligible RE Plants (kWh) for the years 2012-2015 (lumped)<sup>10</sup>, 2016, 2017 and 2018 are as follows:

**Table 2. Forecast Annual Renewable Energy Generation, MWh**

Technology	2012-2015	2016	2017	2018
Biomass	280,005	589,077	954,272	968,110
Hydropower	93,271	118,029	244,438	520,223
Solar	155,694	657,899	778,824	775,546
Wind	776,988	993,882	1,082,943	1,082,943
Total	1,305,957	2,358,887	3,060,478	3,346,823

**II.2. Forecast Applicable FIT Rate and Forecast FIT Revenue**

35. Forecast Applicable FIT Rate refers to the prevailing ERC-approved and published schedule of rates in PhP/kWh for each emerging renewable energy technology, as degressed by the relevant degression rates, if applicable, and adjusted for Consumer Price Index (CPI) and Foreign Exchange (FOREX), in accordance with Section 2.10 of the FIT Rules.<sup>11</sup>
36. Currently, the prevailing FIT Rates are based on the ERC Decision dated 27 July 2012 in ERC Case No. 2011-006 RM,

<sup>9</sup>The Monthly Seasonality table used for the 2014-2015 Application is hereto attached as **Annex “G”** and forms an integral part hereof.

<sup>10</sup>The 2012 to 2016 levels are a mix of actual and forecast values.

<sup>11</sup> Section 1.4.1.1, Guidelines.



**ERC CASE NO. 2016-192 RC**  
**NOTICE OF PUBLIC HEARING/ 26 April 2017**  
**Page 9 of 22**

ERC Resolution No. 6 series of 2016 for Solar FIT 2 and ERC Resolution No. 14 series of 2015 for Wind FIT 2.

37. TransCo has made its interpretation of Section 2.10 of the FIT Rules regarding adjustment of the FIT rates in the absence of precedent approach from the ERC. At the same time, degression as provided in the decision under ERC Case No. 2011-006RM was applied.
38. Basically, TransCo's approach considered that on the year the eligible RE Plants enters the FIT system, its entitlement is to the original FIT rate, unless already degressed. Adjustment for inflation and foreign exchange movements is then applied on its second year in the FIT system and beyond<sup>12</sup>.

**Table 3. 2017 Adjusted FIT Rates, Php/kWh**

Technology	2014-2015	2016	2017
	Year 1 Entrant	Year 2 Entrant	Year 3 Entrant
<b>Biomass</b>			
Year 1	6.6300		
Year 2	7.0508	6.6300	
Year 3	7.2574	7.0508	6.5969
<b>Hydro</b>			
Year 1	5.9000		
Year 2	6.4601	5.9000	
Year 3	6.6217	6.4601	5.9000
<b>Solar</b>			
Year 1	9.6800		
Year 2	9.9067	8.6900	
Year 3	10.2550	8.8935	8.6900
<b>Wind</b>			
Year 1	8.5300		
Year 2	8.9006	7.4000	
Year 3	9.1869	7.7215	7.4000
<b>For Bangui 1 &amp; 2</b>			
Year 1	5.7600		
Year 2	6.0102		
Year 3	6.2036		

39. The Total FIT Revenue appearing in the formula in Paragraph 25 was obtained by multiplying the Eligible RE generation per technology summarized in Table 2 by the corresponding appropriate FIT rates in Table 3. This was done on a per plant basis. For 2018, which is required only for the computation of the Working Capital Allowance that will later be discussed, the same Adjusted FIT-rates as for 2017 were used for simplicity of assumption. The resulting levels are given as:

**Table 4. Total FIT Revenue by Technology, in Pesos**

Technology	2012-2015	2016	2017	2018
Biomass	1,856,432	3,952,394	6,694,332	6,794,063
Hydropower	550,889	713,274	1,520,361	3,147,497
Solar	1,496,775	5,875,465	7,031,112	7,001,381
Wind	6,319,167	7,999,989	9,197,749	9,197,749
<b>Total</b>	<b>10,223,263</b>	<b>18,541,122</b>	<b>24,443,555</b>	<b>26,140,690</b>

<sup>12</sup>Details of computation of the assumed adjusted FIT rates are hereto attached as Annex "H" to "H-2" and form integral parts hereof.

40. It is worthy to note that the implementation of the FIT system for the current year 2016, no adjustment of FIT rates has been applied for eligible RE Plants so far in the absence of any ERC issuance on the matter. Computation of actual payment for actual generation in 2016 has been based on unadjusted FIT rates.

### **II.3. Forecast Cost Recovery Rate**

41. Simply put, the Forecast Cost Recovery Rate (FCRR) is the projected generation rate that the Eligible RE Plant would likely receive had it not been under the FIT System.
42. Under Section 1.4.1.2 of the Guidelines, the manner by which the FCRR is forecasted and applied to a particular Eligible RE Plant shall be based on whether or not the Eligible RE Plant operates in a Grid where the Wholesale Electricity Spot Market (WESM) is operational or not.
43. Where WESM is operational, the FCRR for the Eligible RE Plant shall be equivalent to the average of the monthly system Ex-Ante Load Weighted Average Price (LWAP) of the WESM for the Luzon and the Visayas Grids for the thirty-six (36) months immediately preceding the filing of the application for the setting of the FIT-All.
44. The FCRR to be applied for Eligible RE Plants where WESM is non-operational (Mindanao) shall be the weighted average of the generation cost of the Host Distribution Utility (Host DU) from all its other generation sources, excluding generation from any Eligible RE Plant-Non-WESM with a Renewable Energy Supply Agreement (RESA) with the Host DU, for the nearest twelve (12) months preceding the filing of the application for the setting of the FIT-All.
45. TransCo requested the Philippine Electricity Market Corporation (PEMC) for an update on the Load Weighted Average Price (LWAP) for the period May 2013 to May 2016<sup>13</sup> which the latter provided on 04 July 4 2016.
46. On October 4, 2016 PEMC provided an updated LWAP covering the months from June 2016 to August 2016 upon the request of TransCo.<sup>14</sup>
47. Consequently, TransCo came up with the following 36 months (until August 2016) averages for Luzon and Visayas:

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<sup>13</sup>The PEMC letter dated 04 July 2016 on the "Data on Load Weighted Average Price (LWAP) for Luzon and Visayas", including a computer printout of the data in the CD submitted is attached hereto as **Annexes "I"** to "**I-1**" to form an integral part hereof.

<sup>14</sup>The PEMC letter dated 04 October 2016 on the "Data on Load Weighted Average Price (LWAP) for Luzon and Visayas", is attached hereto as **Annex "J"** to form an integral part hereof.

**Table 5. Average LWAP, PhP/kWh**

Luzon	Visayas
4.9331	3.5409

48. For Mindanao, Host DUs were identified from the lineup of projects and as listed by the DOE (Annex D-10):

Host DU	Plant Name	REDeveloper
DASURECO	Tudaya 2 Hydroelectric Power Project *	Hedcor Tudaya, Inc.
COTABATO LIGHT	15 MW Biomass Power Plant Project	Lamsan Power Corporation
COTABATO LIGHT	3 MW Biomass Power Plant Project	Philippine Trade Center, Inc.
BUSECO	Manolo Fortich 1 HEP	Hedcor Bukidnon, Inc.
BUSECO	Manolo Fortich 2 HEP	Hedcor Bukidnon, Inc.
FIBECO	Kibawe Solar Power Project	Asian Green Energy Corporation
SOCOTECO I	Centrala Solar Power Project	NV Vogt Philippines Solar Energy One, Inc.
SUKELCO	3.5 GECC MW Biomass Cogeneration System	Green Earth Enersource Corporation

49. TransCo used the 12 months average of the Actual Weighted Average Generation Cost of DASURECO, calculated at PhP 4.2638/kWh, covering the period October 2015 to September 2016. Data were lifted from the monthly submission to TransCo of DASURECO as Host DU for Tudaya 2.
50. For the other Host DUs, TransCo requested the ERC for the weighted average generation cost data through a letter dated October 20, 2015. In the meantime that said information has not been received, TransCo used figures from [www.kuryente.org](http://www.kuryente.org) (save for DASURECO) as follows<sup>15</sup>:

**Table 6. FCRR for Host DUs, PhP/kWh**

Host DU	Weighted Average Generation Cost	Data Source
DASURECO	4.2638	FIT-All Fund ACRR Payment of DASURECO
COTABATO LIGHT	2.8784	<a href="http://kuryente.org">kuryente.org</a>
BUSECO	3.7339	<a href="http://kuryente.org">kuryente.org</a>
FIBECO	4.1955	<a href="http://kuryente.org">kuryente.org</a>
SOCOTECO I	4.2586	<a href="http://kuryente.org">kuryente.org</a>
SUKELCO	3.7456	<a href="http://kuryente.org">kuryente.org</a>

51. Multiplying the Forecast Annual Eligible RE Generation summarized in Table 2 by the appropriate Forecast Cost Recovery Rates (done on a per plant basis) gives the following total FCRR in pesos:

<sup>15</sup>Printouts of DASURECO's actual Monthly CRR Rate from Oct 2015 to Sept 2016, CLPC Effective Rate for Residential Customer for the period December 2013 to November 2014, SUKELCO Effective Rate for Residential Customer for the period December 2013 to November 2014, FIBECO Effective Rate for Residential Customer for the period September 2014 to August 2015, SOCOTECO I Effective Rate for Residential Customer for the period December 2013 to November 2014, BUSECO Effective Rate for Residential Customer for the period March 2014 to February 2015 from the website [www.kuryente.org](http://www.kuryente.org) are attached hereto as Annexes "K", "L" to L-11", "M" to "M-11", "N" to "N-11", "O" to "O-11", and "P" to "P-11", respectively, to form integral parts hereof.

**Table 7. Total Forecast Cost Revenue by Technology, in Pesos**

Technology	2012-2015	2016	2017	2018
Biomass	932,054	2,089,694	4,191,602	4,252,327
Hydropower	310,756	466,026	1,015,839	2,064,748
Solar	675,299	2,625,451	3,349,654	3,335,885
Wind	2,400,497	3,261,646	5,025,909	5,025,909
<b>Total</b>	<b>4,318,606</b>	<b>8,442,818</b>	<b>13,583,004</b>	<b>14,678,870</b>

Similarly as for the FIT rates, the 2017 Forecast Cost Recovery Rates were adopted for 2018 since the same are merely intended for the determination of the Working Capital Allowance, a buffer fund, as discussed below.

52. **2016 Under-recoveries.** The last term in the formula for FIT Differential is the amount of under-recovery or over-recovery of the FIT Differential. For this Application, TransCo has determined that there will be an under-recovered FIT Differential by the end of 2016.
53. The under-recovery will arise due to the estimated collection for 2016 being less than the estimated amount of payables that will be billed to TransCo by Eligible RE Developers until the last billing month of 2016. TransCo prepared the estimates under the assumption that the provisionally approved FIT-All rate of P0.1240/kWh will prevail until the last billing month of 2016.
54. By the end of the billing and payment cycle for 2016, it is estimated that the FIT-All Fund will have a deficit in terms of collection vis-à-vis payables of **Php 3,576,811,119.08**<sup>16</sup>.
55. **FIT Differential for 2015-2016 generation charged to 2017 FIT-All Rate**<sup>17</sup>. This pertains to energy generation for years 2015-2016 that are expected to be billed to TransCo for 2017. Section 4.5 of the RE Payment Agreement (REPA) provides that the Eligible RE Developer shall only start billing TransCo for FIT Differential upon the REPA's effectivity. Where months had lapsed from the Commercial Operation Date (COD) until the Effective Date of REPA, the Actual FIT Differential shall be billed to TransCo over the number of months lapsed from COD to REPA Effective Date.
56. It is estimated that total FIT Differentials for 2015 and 2016 generation, amounting to **Php 551,704,914.27** and **Php 1,499,355,236.46**, respectively, will be due in 2017.
57. **FIT Differential.** Following the formula for FD in Paragraph 25 (first two terms), the total FCRR in Table 7 is subtracted from the corresponding FIT Revenue in Table 4,

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<sup>16</sup>Table showing the details of computation of the 2016 FIT Differential deficiency is hereto attached as **Annex "Q"** and made an integral part hereof.

<sup>17</sup>Summary of 2015- 2016 FIT Differential charged to 2017 FIT-All Rate Computation is shown as **"Annex R"** to form an integral part hereof.

on a per plant basis, and yields the following summary for 2014-2018:

**Table 8. FIT Differential (without under-recovery and accrued 2015-2016 FIT Differential), in Pesos**

Technology	2012-2015	2016	2017	2018
Biomass	924,378	1,862,700	2,502,730	2,541,736
Hydropower	240,133	247,247	504,522	1,082,748
Solar	821,476	3,250,013	3,681,458	3,665,496
Wind	3,918,670	4,738,343	4,171,840	4,171,840
<b>Total</b>	<b>5,904,657</b>	<b>10,098,304</b>	<b>10,860,551</b>	<b>11,461,820</b>

The 2018 levels are shown only for the purpose of computing the WCA which is discussed below.

58. The final FIT Differential for 2017 in P/kWh, inclusive of the under-recovery for 2016 and the accrued FIT-Differential for 2015-2016 generation charged to 2017, is as follows:

**Table 9. Total FIT Differential, in Pesos**

Particulars	Amount	P/kWh
2017 FIT Differential	10,860,550,550.44	0.1460
2017 FIT Differential -2015 Gen	551,704,914.27	0.0074
2017 FIT Differential -2016 Gen	1,499,355,236.46	0.0202
2016 Under Recovery	3,576,811,119.08	0.0481
<b>Total</b>	<b>16,488,421,820.26</b>	<b>0.2217</b>

59. It is worthy to note that for the 12-month period October 2015 to September 2016, the average effective Actual Cost Recovery Rate as derived from the FIT-All Fund database is much lower than the Forecast Cost Recovery Rate used in the 2016 FIT-All Application following the formula in the FIT-All Guidelines. This, thus, contributed to the projected under-recovery shown earlier.

**Table 10. Effective ACRR Rate vs FCRR Rate Used in the 2016 FIT-Application**

Technology	Effective ACRR, Php/kWh	FCRR as Applied*, Php/kWh
<b>Wind</b>		
Luzon	2.5372	5.5028
Visayas	2.8704	4.5278
<b>Solar</b>		
Luzon	3.1311	5.5028
Visayas	3.2244	
<b>Biomass</b>		
Luzon	2.8446	5.5028
Visayas	1.7898	4.5278
<b>Hydro</b>		
Luzon	2.6433	5.5028
Mindanao	4.2638	4.7592

*\*based on 2016 FIT-All Application*

**III. Working Capital Allowance**

60. The WCA is part of the FIT-All and serves as buffer to address any default or delay in the collection and/or remittance of the FIT-All and/or Actual Cost Recovery Revenue (ACRR) including, but not limited to, the following:
- i. Variations between the actual and forecasted (a) RE Generation from Eligible RE Plants resulting from over- and under- generation, (b) Annual National Sales and (c) applicable Forecast Cost Recovery Rates and Actual Cost Recovery Revenues;
  - ii. The timing difference of the collection and billing cycle for the FIT-All and Actual Cost Recovery Revenue; and,
  - iii. Any other collection or payment shortfall.
61. The WCA amount for collection is expressed as:

$$WCA_{t+1} = (ForecastAnnualPayout_{t+2} \times FactorRate) - WCA_{EndingBalance_t}$$

Where:

$WCA_{t+1}$	Is the Working Capital Allowance to be funded during Year <sub>t+1</sub>
Forecast Annual Payout <sub>t+2</sub>	Is the projected amount of payables out of the FIT-All Fund for year <sub>t+2</sub> consisting of forecasted Total FIT Revenues, forecasted Administration Allowance and forecasted Disbursement Allowance for Year <sub>t+2</sub> . The forecasted Total FIT Revenues for Year <sub>t+2</sub> is the sum of the product of the Forecast RE Generation of Eligible RE Plant <sub>x</sub> for Year <sub>t+2</sub> multiplied by the appropriate FIT Rate <sub>x</sub> for Year <sub>t+2</sub> . The forecasted Administration Allowance for Year <sub>t+2</sub> is the Administration Allowance for Year <sub>t+1</sub> , less any non-recurring expenditures such as those relating to the initial filing of the FIT-All, adjusted for forecast CPI for Year <sub>t+2</sub> . The forecasted Disbursement Allowance for Year <sub>t+2</sub> is the projected level of payment to the Trustee Bank in Year <sub>t+2</sub> .
WCA Ending Balance <sub>t</sub>	Is the ending balance of the Working Capital Allowance account in Year <sub>t</sub> including any interest income earned in the WCA account and all other component accounts of the FIT-All Fund; if this is not available at the time of filing, the ending balance for the month immediately preceding the month of filing, subject to updating by the ERC of the actual ending balance of the WCA account in Year <sub>t</sub> if it

**ERC CASE NO. 2016-192 RC**  
**NOTICE OF PUBLIC HEARING/ 26 April 2017**  
**Page 15 of 22**

	shall become available prior to the issuance of its Decision on the FIT-All application.
Factor Rate	Is the factor rate approved by the ERC, upon recommendation of the NREB, reflective of funding requirements of the FIT-All Fund, adjusted by (i) a period factor based on the billing and collection cycle of the Collection Agents as described in the Guidelines; and (ii) the collection efficiencies of Collection Agents. Data for the initial year shall be sourced from PSALM for its collection of the Universal Charge. Data for succeeding years shall be based on FIT-All historical collection efficiency rate.

62. From the foregoing, it may be gleaned that an initial Forecast Annual Payout for the year 2018 needs to be determined since it is envisioned that buffer requirements for the following year should be collected and built up during the current year. Hence, aside from the 2017 levels for Forecast Cost Recovery Revenue, FD, AA and DA, the 2018 projected levels were also established.
63. For the purpose of computing the WCA, the Forecast Cost Recovery Rates used by TransCo for 2018 were set at the same level as the 2017. The same holds for the FIT Rates.
64. Summarizing Table 7 and Table 8, we have the following inputs in computing the Forecast Annual Payout for 2018:

**Table 11. 2018 Forecast Cost Recovery Revenue and FIT Differential, in Pesos**

Technology	FORECAST COST RECOVERY REVENUE	FIT DIFFERENTIAL
Biomass	4,252,327	2,541,736
Hydropower	2,064,748	1,082,748
Solar	3,335,885	3,665,496
Wind	5,025,909	4,171,840
<b>Total</b>	<b>14,678,870</b>	<b>11,461,820</b>

65. The projected AA for 2018 is estimated to be **Php 8,656,332.00**<sup>18</sup>.
66. For simplicity, the estimated trustee fee/ Disbursement Allowance for 2018 is set at the 2017 level of **Php 1,095,368.36** as stated in Paragraph 77.
67. Combining the results and assumptions given in Paragraphs 64 to 66, the Forecast Annual Payout for 2018 is as follows:

<sup>18</sup>Projected Administration Allowance for years 2017 and 2018 is hereto attached as **Annex T** to form integral part hereof.

**Table 12. 2017 Forecast Annual Payout, in Pesos**

Technology	2018
Forecast Cost Recovery Revenue	14,678,869,504
FIT Differential	11,461,820,092
Administration Allowance	8,656,332
Disbursement Allowance	1,095,368
<b>Forecast Annual Payout</b>	<b>26,150,441,295</b>

68. The Guidelines further provide the use of a Factor Rate that will be multiplied to the Forecast Annual Payout for 2018.
69. Pursuant to the Guidelines, the NREB recommended a formula for the Factor Rate in the 2014-2015 FIT-All Application. Using the same formula for this Application but with updated inputs, a factor rate of **7.4309%**<sup>19</sup> was derived.
70. Further, the Guidelines define the WCA Ending Balance to be the balance of the WCA component account for the immediately preceding month prior to the month of filing. However, TransCo deemed it best to project the level up to year end 2016 for a more realistic determination. Given the deficiency in the fund balance to address even the FD to date, the WCA in fact has no balance. Truth to tell, the amounts TransCo uses to augment the ACRR remittance of PEMC and the Interest Expense billed by Eligible RE Developers, constitute negative fund balance. TransCo has estimated a WCA Ending Balance of **-PhP 14,170,578.64**, which represents the projected deficiency for ACRR by the end of 2016.

**Table 13. Determination of the WCA<sub>Ending Balance</sub>, in Pesos**

Actual ACRR Balance, Beg	12,205,450.11
2016 Forecast CRR Payable	8,442,818,044.00
2016 Total Estimated CRR Payable	8,455,023,494.11
Less: Estimated CRR Payment for 2016 @ 99.01% Collection Efficiency	8,440,852,915.47
<b>2016 CRR Deficiency</b>	<b>14,170,578.64</b>

71. From the given information, the combined buffer required for 2017, which is equivalent to the 2018 requirement multiplied by the Factor Rate less the WCA ending balance, is **PhP 1,957,387,200.46**, derived as:

**Table 14. Determination of WCA, in Pesos**

Technology	2017	2018
Forecast Annual Payout		26,150,441,295
x Factor Rate		7.4309%
Equals: Portion of Annual Payout		1,943,216,622
Less: WCA Ending Balance (Year n)	(14,170,579)	
Working Capital Allowance	1,957,387,200	
<b>WCA, Php/kWh</b>	<b>0.0263</b>	

<sup>19</sup>Factor Rate computation using the formula recommended by NREB in its Resolution No. 3 Series of 2014 is attached hereto as **Annex "S"** to form an integral part hereof.



72. The table above provides the corresponding PhP/kWh level of the WCA for 2017, which is **PhP/kWh 0.0263**.

**IV. Administration and Disbursement Allowance**

73. As provided for in Section 2.5 of the FIT Rules, the FIT- All shall also take into account the Applicant's administration costs to defray expenses of the Administrator in connection with the performance of its functions as FIT-All Fund Administrator (Administration Allowance).
74. For the year 2017, TransCo proposes an Administration Allowance of **Php 5,060,572.35**. (Please see Annex T.)
75. A similar fee may be imposed by the designated Trustee of the FIT All Fund in accordance with the Trust Agreement approved by the ERC, to defray standard administrative costs in establishing and managing the actual collection and disbursements of the FIT-All Fund and all other monetary collections authorized by the FIT Rules (Disbursement Allowance).
76. From the Trust Agreement entered into by Land Bank of the Philippines (LBP)-Trust and TransCo on 03 March 2015<sup>20</sup> and subsequently approved by the ERC, TransCo shall pay a fixed fee of P720,000 per annum plus some variable components.
77. Based on TransCo's estimates of fund balances which will be the major basis of the variable component that is the Bangko Sentral ng Pilipinas Supervision Fee, the Disbursement Allowance or the service fee of LBP for 2017 is **PhP 1,095,368.36**.<sup>21</sup>

**V. FIT-ALL RATE FOR 2017**

78. Applying the above components to the formula for FIT-All, we have the following, in **PhP/kWh**:

$$\begin{aligned} FIT-All &= \frac{FD + WCA + AA + DA}{FNS} \\ &= 0.2217 + 0.0263 + .0001 + 0.00001 \\ &= 0.2481 \end{aligned}$$

79. In more detail, the components and result of the FIT-All calculation may be summarized in the following table:

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<sup>20</sup>Copy of the Trust Agreement dated 03 March 2015 is hereto attached as **Annex "U"** to "**U-23**" and made an integral part hereof.

<sup>21</sup>Details of computation of the proposed DA is hereto attached as **Annex "V"** and made an integral part hereof.

**Table 15. Summary of 2016 FIT-All Rate Computation**

COMPONENTS	Amount (Php)	Rate (P/kWh)	Share
FD	16,488,421,820	0.2217	89.36%
2017 FD	12,911,610,701	0.1736	69.97%
2016 FD Under Recovery	3,576,811,119	0.0481	19.38%
WCA	1,957,387,200	0.0263	10.61%
AA	5,060,572	0.0001	0.03%
DA	1,095,368	0.0000	0.01%
Total	18,451,964,961	<b>0.2481</b>	
FNS, kWh	74,375,251,500		
FIT-All, Php/kWh			

80. However, TransCo would like to present some additional computations that show the 2017 FIT-All at different categories of FIT-eligible/-candidate RE Projects:

**Table16. Incremental Movement of the 2017 FIT-All for Different RE Plant/Project Categories (as of November 15, 2016)**

	With Billings As of Nov 5, 2016 Payment Date	With COE		With Nomination		Full DOE List	
		Increase/ (Decrease)	Total	Increase/ (Decrease)	Total	Increase/ (Decrease)	Total
MW	789.05	309.71	1,098.76	8.00	1,106.76	101.47	1,208.22
MWH	2,168,062	529,982	2,698,044	30,130	2,728,174	332,304	3,060,478

**FIT-ALL Rate, P/kWh**

FD	0.1528	0.0542	0.2070	0.0016	0.2086	0.0130	0.2217
2017 FD	0.1068	0.0522	0.1590	0.0015	0.1606	0.0130	0.1736
2016 Under Recovery	0.0460	0.0020	0.0480	0.0001	0.0481	0.0000	0.0481
WCA	0.0157	0.0045	0.0202	0.0001	0.0203	0.0060	0.0263
AA	0.0001	0.0000	0.0001	0.0000	0.0001	0.0000	0.0001
DA	0.00001	0.0000	0.00001	0.0000	0.00001	0.0000	0.00001
FIT-ALL Rate, P/kWh	0.1686	0.0587	0.2273	0.0018	0.2291	0.0190	0.2481

COE-Certificate of Endorsement Issued by the DOE

Nomination-Issued by the DOE when it has validated that the RE Plant has reached 80% electro-mechanical completion

A more detailed table of the FIT-All calculation above and a listing of RE Plants/Projects per category are provided in Annexes "W" and "X", respectively, and made integral part of this application.

81. TransCo has deemed it reasonable to give more weight to plants that have already been inspected by the DOE to have achieved at least 80% electromechanical completion. Further, under the Honorable Commission's Decision in ERC Case No. 2014-109 RC<sup>22</sup> limiting the forecast RE generation included in the computation of the FIT-All to those RE plants with Certificate of Endorsement (COE) for

<sup>22</sup> In the Matter of the Application for Approval of the Feed-In Tariff Allowance for Calendar Years 2014 and 2015 Pursuant to the Guidelines for the Collection of the Feed-In Tariff Allowance and Disbursement of the Feed-In Tariff Allowance Fund, with Prayer for Provisional Authority

FIT eligibility from DOE, TransCo has opted to recommend and seek the Honorable Commission's approval of a FIT-All rate lower than the total computed level of PhP/kWh 0.2481, considering project status. Inasmuch as there is only one additional plant (8MW) that has been issued a nomination for FIT eligibility by the DOE but has not yet been issued a FIT-eligible Certificate of Compliance (COC) by the ERC, TransCo has considered at least the nomination by DOE for FIT eligibility as the criterion for its recommendation.

82. The computed 2017 FIT-All rate covering RE Projects with at least nomination from the DOE as of November 15, 2016 for the FIT system is PhP/kWh 0.2291. These projects, have ongoing construction and have reached at least 80% electromechanical completion, thus, are almost sure to operate within the period under consideration, if not already operating to date.

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

83. TransCo repleads the foregoing allegations insofar as they may be applicable.
84. It is respectfully submitted that the computation of, as well as the data used by, TransCo are all in accordance with the FIT Rules and the Guidelines issued by the ERC.
85. On this basis, TransCo most respectfully moves for the immediate issuance of a "Provisional Authority" pursuant to Rule 14, Section 3<sup>23</sup> of the ERC Rules of Practice and Procedures to allow applicant TransCo to timely implement the FIT-All Rate of **PhP/kWh 0.2291** effective January 2017 without prejudice to the final and actual rate pending the final disposition of its present *Application*.
86. The grant of a Provisional Authority will allow TransCo to perform its duties to make a timely payment of the FIT Rate to RE Developers to which they are entitled thereby allowing their continued operations.
87. In support of the foregoing allegations in this Application, including those for the issuance of the provisional authority, TransCo hereby submits the Judicial Affidavit of **Ms. Dinna O. Dizon, Manager of Compliance Monitoring Department (CMD)**,<sup>24</sup>

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<sup>23</sup>"Section 3. Action on the Motion. - Motions for provisional authority or interim relief may be acted upon with or without hearing. The Commission shall act on the motion on the basis of the allegations of the application or petition and supporting documents and other evidences (sic) that applicant or petitioner has submitted and the comments or opposition filed by any interested person, if there be any."

<sup>24</sup>A copy of the Judicial Affidavit of Ms. Dinna O. Dizon is attached hereto as **Annex "Y"** to form an integral part hereof.

**PRAYER**

**WHEREFORE**, premises considered, it is most respectfully prayed of this Honorable Commission that:

- a. Pending hearing on the merits of the present Application, provisional authority to collect the FIT-ALL of **PhP/kWh 0.2291** effective January 2017 billing period be issued;
- b. The Collection Agents – DUs, RES and NGCP be directed to bill, collect and remit the FIT-All to the FIT-All Fund as provided in the FIT-All Guidelines;
- c. PEMC and the Host DUs be directed to remit the ACRR to the FIT-All Fund as provided in the FIT-All Guidelines;
- d. The Factor Rate resulting from an updating of inputs in the recommended formula by the NREB under the 2014-2015 FIT-All Application (ERC Case No. 2014-109RC) be approved and applied in the computation of the WCA and the FIT-All Rate for 2017;
- e. After due notice and hearing, a permanent approval for Applicant TransCo be granted to implement the FIT-All Rate for 2017 of **PhP/kWh 0.2291**, computed for RE Projects with at least nomination from DOE for eligibility under the FIT system, **OR IN THE ALTERNATIVE**, such other amount as may be found by the Commission to be consistent with the FIT-All Guidelines and on the basis of new and updated information not heretofore available to the Applicant at the time of the filing of the present application;
- f. TransCo be exempt from payment of permit/supervision fees, if any.

Other reliefs as may be just and equitable under the premises are likewise most respectfully prayed for.

The Commission has set the *Application* for determination of compliance with the jurisdictional requirements, expository presentation, Pre-trial Conference, and presentation of evidence on the following dates and venues:

<b>DATE</b>	<b>TIME</b>	<b>VENUE</b>	<b>PARTICULARS</b>
15 May 2017 (Monday)	9:00 A.M.	ERC Hearing Room 15 <sup>th</sup> Floor, Pacific Center Building, San Miguel Avenue, Pasig City	Jurisdictional Hearing and Expository Presentation

**ERC CASE NO. 2016-192 RC**  
**NOTICE OF PUBLIC HEARING/ 26 April 2017**  
**Page 21 of 22**

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19 May 2017 (Friday)	9:00 A.M.	ERC Visayas Field Office St. Mary's Drive, Banilad, Cebu City	Expository Presentation
2 June 2017 (Friday)	9:00 A.M.	ERC Mindanao Field Office, Mintrade Bldg., Monteverde Ave. cor. Sales St., 8000 Davao City	Expository Presentation
9 June 2017 (Friday)	9:00 A.M.	ERC Hearing Room 15 <sup>th</sup> Floor, Pacific Center Building, San Miguel Avenue, Pasig City	Pre-trial Conference and Evidentiary Hearing

All persons who have an interest in the subject matter of the instant case may become a party by filing with the Commission a verified Petition to Intervene at least five (5) days prior to the initial hearing and subject to the requirements under Rule 9 of the 2006 Rules of Practice and Procedure, indicating therein the docket number and title of the case and stating the following:


- 1) The petitioner's name and address;
- 2) The nature of petitioner's interest in the subject matter of the proceeding and the way and manner in which such interest is affected by the issues involved in the proceeding; and
- 3) A statement of the relief desired.

All other persons who may want their views known to the Commission with respect to the subject matter of the case may file their Opposition or Comment thereon at any stage of the proceeding before Applicant rests its case, subject to the requirements under Rule 9 of the 2006 Rules of Practice and Procedure. No particular form of Opposition or Comment is required, but the document, letter, or writing should contain the following:

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

All such persons who wish to have a copy of the *Application* may request from Applicant that they be furnished with the same, prior to the date of the initial hearing. Applicant is hereby directed to furnish all those making such request with copies of the *Application* and its attachments, subject to the reimbursement of reasonable photocopying costs. Any such person may likewise examine the *Application* and other pertinent records filed with the Commission during the standard office hours.

**WITNESS**, the Honorable Chairman **JOSE VICENTE B. SALAZAR**, and the Honorable Commissioners **ALFREDO J. NON**, **GLORIA VICTORIA C. YAP-TARUC**, **JOSEFINA PATRICIA A. MAGPALE-ASIRIT**, and **GERONIMO D. STA. ANA**, Energy Regulatory Commission, this 26<sup>th</sup> day of April 2017 in Pasig City.

  
**ATTY. NATHAN J. MARASIGAN**  
*Chief of Staff*  
Office of the Chairman and CEO

  
LS:PSA/PAR/APV