

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

**IN THE MATTER OF THE  
APPLICATION FOR APPROVAL  
OF THE CONTRACTS FOR THE  
SUPPLY OF ELECTRIC ENERGY  
ENTERED WITH DISTRIBUTION  
UTILITIES LOCATED IN THE  
MINDANAO GRID WITH  
PRAYER FOR ISSUANCE OF  
PROVISIONAL AUTHORITY,**

**ERC CASE NO.** \_\_\_\_\_

**POWER SECTOR ASSETS AND  
LIABILITIES MANAGEMENT  
CORPORATION,**

*Applicant.*

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**APPLICATION**

Applicant **POWER SECTOR ASSETS AND LIABILITIES MANAGEMENT CORPORATION** (“PSALM”), through undersigned counsel and unto to this Honorable Commission, most respectfully states:

1. Pursuant to Section 67 of Republic Act No. 9136, otherwise known as the “Electric Power Industry Reform Act of 2001” (“EPIRA”), PSALM respectfully submits this Application for the approval (“Application”) of the terms and conditions of the Contracts for the Supply of Electric Energy (“CSEE”) entered into by and between PSALM and twenty-one (21) Electric Cooperatives (“ECs”) and one (1) Distribution Utility (“DU”) located in the Mindanao Grid, namely:

- 1.1 Agusan del Norte Electric Cooperative, Inc. (“ANECO”);<sup>1</sup>
- 1.2 Agusan del Sur Electric Cooperative, Inc. (“ASELCO”);<sup>2</sup>

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<sup>1</sup> Hereinafter referred to as “PSALM-ANECO CSEE”.

<sup>2</sup> Hereinafter referred to as “PSALM-ASELCO CSEE”.

- 1.3 Bukidnon Second Electric Cooperative, Inc. ("BUSECO");<sup>3</sup>
- 1.4 Camiguin Electric Cooperative, Inc. ("CAMELCO");<sup>4</sup>
- 1.5 Cotabato Electric Cooperative, Inc. ("COTELCO");<sup>5</sup>
- 1.6 Davao Del Norte Electric Cooperative, Inc. ("DANECO");<sup>6</sup>
- 1.7 Davao Oriental Electric Cooperative, Inc. ("DORECO");<sup>7</sup>
- 1.8 Iligan Light and Power, Inc. ("ILPI");<sup>8</sup>
- 1.9 Lanao del Norte Electric Cooperative, Inc. ("LANECO");<sup>9</sup>
- 1.10 Misamis Occidental I Electric Cooperative, Inc. ("MOELCI I");<sup>10</sup>
- 1.11 Misamis Occidental II Electric Cooperative, Inc. ("MOELCI II");<sup>11</sup>
- 1.12 Misamis Oriental II Rural Electric Service Cooperative, Inc. ("MORESCO II");<sup>12</sup>
- 1.13 Siargao Electric Cooperative, Inc. ("SIARELCO");<sup>13</sup>
- 1.14 South Cotabato I Electric Cooperative, Inc. ("SOCOTECO I");<sup>14</sup>
- 1.15 South Cotabato II Electric Cooperative, Inc. ("SOCOTECO II");<sup>15</sup>
- 1.16 Sultan Kudarat Electric Cooperative, Inc. ("SUKELCO");<sup>16</sup>
- 1.17 Surigao del Norte Electric Cooperative, Inc. ("SURNECO");<sup>17</sup>
- 1.18 Surigao del Sur I Electric Cooperative, Inc. ("SURSECO I");<sup>18</sup>
- 1.19 Surigao del Sur II Electric Cooperative, Inc. ("SURSECO II");<sup>19</sup>

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<sup>3</sup> Hereinafter referred to as "PSALM-BUSECO CSEE".

<sup>4</sup> Hereinafter referred to as "PSALM-CAMELCO CSEE".

<sup>5</sup> Hereinafter referred to as "PSALM-COTELCO CSEE".

<sup>6</sup> Hereinafter referred to as "PSALM-DANECO CSEE".

<sup>7</sup> Hereinafter referred to as "PSALM-DORECO CSEE".

<sup>8</sup> Hereinafter referred to as "PSALM-ILPI CSEE".

<sup>9</sup> Hereinafter referred to as "PSALM-LANECO CSEE".

<sup>10</sup> Hereinafter referred to as "PSALM-MOELCI I CSEE".

<sup>11</sup> Hereinafter referred to as "PSALM-MOELCI II CSEE".

<sup>12</sup> Hereinafter referred to as "PSALM-MORESCO II CSEE".

<sup>13</sup> Hereinafter referred to as "PSALM-SIARELCO CSEE".

<sup>14</sup> Hereinafter referred to as "PSALM-SOCOTECO I CSEE".

<sup>15</sup> Hereinafter referred to as "PSALM- SOCOTECO II CSEE".

<sup>16</sup> Hereinafter referred to as "PSALM-SUKELCO CSEE".

<sup>17</sup> Hereinafter referred to as "PSALM-SURNECO CSEE".

<sup>18</sup> Hereinafter referred to as "PSALM-SURSECO I CSEE".

<sup>19</sup> Hereinafter referred to as "PSALM- SURSECO II CSEE".

- 1.20 Zamboanga del Sur I Electric Cooperative, Inc. ("ZAMSURECO I");<sup>20</sup>
- 1.21 Zamboanga del Sur II Electric Cooperative, Inc. ("ZAMSURECO II");<sup>21</sup> and
- 1.22 Zamboanga del Norte Electric Cooperative, Inc. ("ZANECO").<sup>22</sup>

The foregoing are hereinafter referred to as the "Contracting DUs" and PSALM's CSEEs with the Contracting DUs are hereinafter referred to as the "Subject CSEEs."

2. PSALM is a government-owned and controlled corporation created by virtue of the EPIRA, with principal office address at 24th Floor Vertis North Corporate Center 1, Astra corner Lux Drives, North Avenue, Quezon City.

3. Pursuant to Section 49 of the EPIRA and the consequent assignment on 11 May 2009 of all National Power Corporation ("NPC") power supply contracts to PSALM, NPC assigned and transferred to PSALM all its rights and obligations in, to, and under its CSEEs and other similarly or substantially equivalent power supply contracts with NPC power customers (collectively referred to as "Power Supply Contracts").

The NPC Assignment Letter dated 11 May 2009 is hereto attached as **Annex "A."**

4. On and from 11 May 2009, the Power Supply Contracts were deemed amended as follows: (i) all references to NPC therein shall be treated as references to PSALM; (ii) PSALM shall be deemed the Supplier under said Power Supply Contracts; and (iii) the rights and obligations of the parties shall be governed by and construed in accordance with said Power Supply Contracts, as amended by the 11 May 2009 Assignment Letter. Thus, this instant application by PSALM.

5. The Subject CSEEs were executed based on the ERC-approved template under ERC Resolution No. 08, Series of 2005 issued on 07 July 2005. On 09 August 2005, said template was later on amended by this Honorable Commission in its Resolution No. 15, Series of 2005.

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<sup>20</sup> Hereinafter referred to as "PSALM-ZAMSURECO I CSEE".

<sup>21</sup> Hereinafter referred to as "PSALM-ZAMSURECO II CSEE".

<sup>22</sup> Hereinafter referred to as "PSALM-ZANECO CSEE".

6. In ERC Resolution No. 33, Series of 2006, “Resolution Clarifying the Purpose of the Adoption of the Transition Supply Contract (“TSC”) Template,” the ERC clarified that the TSC Template should merely serve as a guide for the DUs and NPC and should not be construed as the contract contemplated under Section 67 of the EPIRA.

7. PSALM previously filed similar applications for the approval of the terms and conditions of CSEEs and/or Letters of Agreement (“LOA”) of the DUs located in the Mindanao Grid, which were subsequently **approved** by this Honorable Commission on the following dates:

<b>Date Filed</b>	<b>ERC Case No.</b>	<b>Type of Contract</b>	<b>Date of Decision</b>
15 March 2011	2011-038 RC	CSEE and LOA	24 January 2012
19 September 2011	2011-128 RC	CSEE	25 February 2013
07 October 2011	2011-139 RC	CSEE	25 February 2013
20 January 2012	2012-007 RC	CSEE	25 February 2013
01 April 2013	2013-055 RC	CSEE	09 December 2013
02 December 2013	2013-218 RC	CSEE and LOA	20 June 2017
02 December 2014	2014-175 RC	CSEE and LOA	Deliberated and approved during this Honorable Commission’s meeting on 16 August 2016. <sup>23</sup>
04 November 2016	2016-186 RC	CSEE and LOA	24 October 2017
27 July 2017	2017-067 RC	LOA	20 January 2021

**PSALM’s Pending CSEE/LOA Applications with the ERC Relative to the DUs Located in the Mindanao Grid**

**ERC Case No. 2020-016 RC**

8. On 06 July 2020, PSALM filed an application docketed as ERC Case No. 2020-016 RC for the approval of duly executed and negotiated LOAs in the Mindanao Grid with the following DUs:

<sup>23</sup> See page 13 of the Decision dated 24 October 2017 in ERC Case No. 2016-186 RC where this Honorable Commission said that the Application in ERC Case No. 2014-175 RC was “*Deliberated and approved during the Commission’s meeting on 16 August 2016.*”

- 8.1 Cagayan Electric Power and Light Company, Inc. (“CEPALCO”) and
- 8.2 COTELCO.

9. These DUs have existing CSEEs that were submitted for approval in PSALM’s application under ERC Case No. 2018-054 RC. The revisions PSALM introduced in the CSEEs under said application consist of (i) those found in Annex I of the CSEEs (which reflects the Contracted Energy and the corresponding Equivalent Demand); and (ii) the amendment of Section 3.1 on Contract Duration.

10. The above LOAs reflect a change on the Contract Energy and Equivalent Demand (in Annex I of their respective CSEEs) based on the generation forecast and allocation as requested and concurred by the DUs by maintaining the match between the total revised allocation of the Mindanao customers and the generation forecast. In addition, the above LOAs have a duration that maintains the existing CSEE contract duration which is set to expire on 25 December 2020.

11. The said application is pending resolution before this Honorable Commission.

ERC Case No. 2018-054 RC

12. On 08 June 2018, PSALM filed an application docketed as ERC Case No. 2018-054 RC for the approval of several duly executed and negotiated CSEEs in the Mindanao Grid with the following DUs:

- 12.1 ANECO;
- 12.2 ASELCO;
- 12.3 BUSECO;
- 12.4 CAMELCO;
- 12.5 CEPALCO;
- 12.6 COTELCO;
- 12.7 DANECO;
- 12.8 Davao del Sur Electric Cooperative, Inc. (“DASURECO”);
- 12.9 DORECO;
- 12.10 First Bukidnon Electric Cooperative, Inc. (“FIBECO”);
- 12.11 ILPI;
- 12.12 LANECO;
- 12.13 MOELCI I;

- 12.14 Misamis Oriental I Rural Electric Service Cooperative, Inc. ("MORESCO I");
- 12.15 MORESCO II;
- 12.16 SIARELCO;
- 12.17 SOCOTECO II;
- 12.18 SUKELCO;
- 12.19 SURNECO
- 12.20 SURSECO I;
- 12.21 SURSECO II;
- 12.22 Zamboanga City Electric Cooperative, Inc. ("ZAMCELCO");
- 12.23 ZAMSURECO I
- 12.24 ZAMSURECO II
- 12.25 ZANECO
- 12.26 Cotabato Light and Power Company ("CLPC");
- 12.27 Davao Light and Power Company, Inc. ("DLPC");
- 12.28 Lanao del Sur Electric Cooperative, Inc. ("LASURECO");
- 12.29 Maguindanao Electric Cooperative, Inc. ("MAGELCO");
- 12.30 MOELCI II; and
- 12.31 SOCOTECO I.

13. The foregoing CSEEs were executed based on the template approved by this Honorable Commission under Resolution No. 8, Series of 2005 as amended by Resolution No. 15, Series of 2005. Likewise, the CSEEs incorporated the changes previously proposed by PSALM and approved by the DUs, which changes were contained in the CSEEs approved by this Honorable Commission in PSALM's application in ERC Case No. 2013-055 RC and subsequent applications.

14. The revisions made in the CSEEs under said application consist of (i) those found in Annex I of the CSEEs (which reflects the Contracted Energy and the corresponding Equivalent Demand); and (ii) the amendment of Section 3.1 on Contract Duration.

15. The said application is pending resolution before this Honorable Commission.

**The Subject CSEEs Between PSALM and the Contracting DUs**

16. Pursuant to Section 5, Article III of the ERC's Guidelines for the Recovery of Costs for the Generation Component of the Distribution Utilities' Rate, PSALM is filing the instant Application for

the approval of the Subject CSEEs duly negotiated with the Contracting DUs.

Copies of the Subject CSEEs are attached hereto as **Annexes “B”** to **“B-21,”** respectively.

17. As mentioned above, PSALM previously executed separate CSEEs with the Contracting DUs, which were included in PSALM’s pending application for approval docketed under ERC Case No. 2018-054 RC.

18. Further, the Subject CSEEs were executed based on the ERC-approved template under ERC Resolution No. 08, Series of 2005. Likewise, these CSEEs incorporated the minor changes previously proposed by PSALM and approved by the DUs, which changes were contained in the CSEEs approved by this Honorable Commission in PSALM’s Application in 2013-055 RC and subsequent applications.

### **Salient Provisions of the Subject CSEEs**

19. The respective Contract Durations of the Subject CSEEs are identified below:

	<b>CSEE</b>	<b>Contract Duration</b>
1	PSALM-ANECO	26 December 2020 to 25 December 2025
2	PSALM-ASELCO	26 December 2020 to 25 December 2023
3	PSALM-BUSECO	26 December 2020 to 25 December 2023
4	PSALM-CAMELCO	26 February 2021 to 25 December 2023
5	PSALM-COTELCO	26 December 2020 to 25 December 2022
6	PSALM-DANECO	26 December 2020 to 25 December 2025
7	PSALM-DORECO	26 February 2021 to 25 December 2023
8	PSALM-ILPI	26 December 2020 to 25 December 2023
9	PSALM-LANECO	26 February 2021 to 25 December 2023
10	PSALM-MOELCI I	26 December 2020 to 25 December 2023
11	PSALM-MOELCI II	26 February 2021 to 25 December 2023
12	PSALM-MORESCO II	26 February 2021 to 25 December 2023
13	PSALM-SIARELCO	26 December 2020 to 25 December 2022
14	PSALM-SOCOTECO I	26 December 2020 to 25 December 2023
15	PSALM-SOCOTECO II	26 December 2020 to 25 December 2023
16	PSALM-SUKELCO	26 December 2020 to 25 December 2025
17	PSALM-SURNECO	26 February 2021 to 25 December 2023
18	PSALM-SURSECO I	26 December 2020 to 25 December 2023
19	PSALM-SURSECO II	26 February 2021 to 25 December 2023
20	PSALM-ZASURECO I	26 February 2021 to 25 December 2023
21	PSALM-ZAMSURECO II	26 December 2020 to 25 December 2023
22	PSALM-ZANECO	26 December 2020 to 25 December 2023

20. The PSALM-ANECO CSEE has the following salient provisions, apart from those mentioned in the preceding paragraphs:

(i) **CONTRACT ENERGY**

4.1 Contract Energy and Equivalent Demand as indicated in Annex I may be changed by PSALM due to a change in the projected available capacity of PSALM's power plants and at any time during the duration of the Contract due to the privatization of any of the assets of PSALM pursuant to the EPIRA.

4.1.1 CUSTOMER shall nominate month-ahead its hourly and daily energy quantity requirements three (3) days before the start of the next billing period based on its Daily Load Profile as reflected in Annex 1a. On a day to day transaction, the CUSTOMER shall confirm the schedule of hourly energy requirements to PSALM on the day ahead. PSALM shall declare to WESM the schedule of hourly energy requirements delivered to customers immediately on the day after.

(ii) **ASSIGNABILITY**

4.8 PSALM may assign or transfer part or all of its rights and obligations in the supply of Contract Energy herein stated, to any such entity, provided that prior written notice is given to CUSTOMER Ninety (90) days before the actual transfer. This Contract shall remain binding to Parties, their successors and assignees. PSALM warrants that any sale, assignments, transfer, or subcontracting of the Contract shall not affect or impair CUSTOMER's rights and obligations with respect to quantity and price of electricity, Contract effectivity, incentives, discounts and other terms and conditions of this Contract. The assignee shall, by written instrument, assume the rights and obligations of PSALM to CUSTOMER. When a CUSTOMER has been assigned by the PSALM to a Successor Generating Company (SGC) by virtue of the privatization of the PSALM Generating Plant pursuant to the EPIRA, the SGC has the option to renegotiate this Contract



with the CUSTOMER within six (6) months from the actual transfer of the CUSTOMER to the SGC. If the CUSTOMER and the SGC fail to reach an agreement, either Party shall have the right to terminate this Contract.

4.9 CUSTOMER may assign, sell or transfer a part or all of its Contract Energy and/or Equivalent Demand either permanently or for a certain number of billing periods, subject to the written consent of PSALM under the following conditions, and which consent shall not be unreasonably withheld:

- a. CUSTOMER has obtained certification from NGCP, that the transmission, sub-transmission, substation and other facilities can accommodate the increase in the power requirements of the assignee/transferee.
- b. CUSTOMER has submitted necessary proof that the buyer, assignee or transferee has no outstanding obligation to PSALM, and undertakes to assume the obligations of CUSTOMER and to pay for the additional expenses necessary or incidental to the transfer.
- c. Assignment of CUSTOMER to assignee shall comply with the forms provided in Annex IVa and Annex IVb of this Contract.
- d. THE ASSIGNEE SHALL ASSUME ALL OBLIGATIONS OF THE CUSTOMER related to Contract Energy that might arise in a pending suit with the ERC or in Arbitration proceedings.

(iii) **SECURITY DEPOSIT**

5.1 The Security Deposit shall be equivalent to 100% of the average contracted energy indicated in Annex I of the CSEE and shall become valid and effective for the duration of this Contract.

(iv) **FORM AND TIME OF POSTING**

5.2 The Security Deposit may be required to be posted upon privatization of the generating

asset/s to which this Contract is allocated or assigned as provided for in Section 4.8 hereof if the prospective buyer, assignee, transferee or successor-in-interest so requires. It shall be in the form of cash, cash bond, manager's or cashier's check, bank certified check, irrevocable stand-by letter of credit, performance bond or bank guarantee "callable on demand" issued by a financial institution, or any other forms of security such as but not limited to escrow account to be administered by a bank acceptable to PSALM. In the event the Security Deposit of the CUSTOMER becomes nil, the PSALM reserves the right to refuse or discontinue supply of electric energy. In cases of partial depletion of the Security Deposit, the CUSTOMER shall replace the Security Deposit not later than thirty (30) days thereafter. PSALM reserves the right to continue supply of electric energy to the extent of Security Deposit of the CUSTOMER.

(v) **RELEASE OF SECURITY DEPOSIT**

5.3 The Security Deposit (for the portion that should be settled within the WESM) shall be returned to the CUSTOMER within thirty (30) days upon presentation of proof of compliance with the prudential requirements of the WESM. PSALM shall return or release the Security Deposits to CUSTOMER including interest earned, subject to deductions for any amounts owed by CUSTOMER to PSALM. Security Deposits, except those in the form of letter of credit or performance bond, shall earn interest based on prevailing savings deposit rate of the Land Bank of the Philippines (LBP).

(vi) **BASIC ENERGY CHARGE**

6.1 The Basic Energy Charge (BEC) applied to the CUSTOMER's hourly energy consumption which shall be the ERC-approved NPC/PSALM's Time of Use (TOU) generation rates, which is attached as Annex III, plus adjustments in the tariff such as, but not limited to Deferred Accounting Adjustments (DAAs) and the Incremental Currency Exchange Rate Adjustments (ICERA), the RA 9136 Mandatory Rate Reduction Adjustments.

The basic energy charge to be applied to the contracted energy shall be in accordance with Section 7.1 of this Contract.

Energy consumption higher than the contracted level shall be sourced by the Customer from the Wholesale Electricity Spot Market at the Wholesale Electricity Spot Market rate and paid directly to the Independent Electricity Market Operator of the Philippines (IEMOP).

6.1.1 The BEC shall be applied to the CUSTOMER's hourly energy consumption based on the hourly nominated energy quantity mentioned in Section 4.1.1.

(vii) **MINIMUM CHARGES**

6.2 CUSTOMER shall pay the minimum charge based on the Contract Energy per billing period as indicated in Section 4.1 of this Contract using the basic energy charge if CUSTOMER has not fully taken or failed to consume the Contract Energy, subject to deductions and adjustments as expressly provided for in this Contract.

(viii) **SERVICE INTERRUPTION ADJUSTMENT**

6.4 Should the supply of electricity be interrupted or curtailed to a level below the Contract Energy due to the fault or lack of generation capacity of the PSALM, even if CUSTOMER was at that time unable to take or consume electricity, the Contract Energy shall be adjusted to actual off-take below contract level for all hours when service was curtailed or interrupted based on declaration of power curtailment issued by the NGCP.

(ix) **MAINTENANCE SERVICE ADJUSTMENT**

6.6 CUSTOMER may avail of the service adjustment during the scheduled maintenance of its facilities, not to exceed two (2) billing periods in one year. The minimum charge on the energy consumption shall be fifty percent (50%) of the Contract Energy. To be able to avail of this adjustment, CUSTOMER must inform PSALM in writing thirty (30) days prior

to the commencement of the scheduled maintenance.

(x) **PROMPT PAYMENT DISCOUNT**

6.10 Subject to ERC's approval, the Prompt Payment Discount (PPD) shall be in accordance with the PSALM's credit and collection policies duly approved by the PSALM Board.

(xi) **DISPUTED BILLS**

6.11 Should there be any dispute on bills, any such dispute would be considered as waived unless CUSTOMER questions the same in writing within sixty (60) days from CUSTOMER's receipt thereof. On a "best-efforts basis", PSALM commits to resolve such disputed bills within a period of sixty (60) days upon PSALM's receipt of said disputed bills' complete supporting documents, from the date of filing of the claim.

(xii) **OVERDUE ACCOUNT**

6.15 In the event that a power bill remains unpaid within five (5) days after its due date, PSALM has the option to call on or draw against the Security Deposit as provided for under Section 5 (Security Deposit) of this Contract.

6.16 Any power bill or account of CUSTOMER not paid on due date shall bear a floating rate of interest computed from the first day after it becomes due and payable, based on the highest non-prime lending rate of PSALM's depository banks for every quarter ending March, June, September and December of each year. Interest on overdue accounts shall be computed based on a 360-day year.

6.17 A restructuring agreement of the overdue account shall be executed by the CUSTOMER, with the following salient terms and conditions: ...<sup>24</sup>

(xiii) **DEDUCTION DUE TO FORCE MAJEURE**

9.6 PSALM shall have a maximum of seventy-two (72) hours from the time a force majeure event

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<sup>24</sup> Please see the detailed list of terms and conditions under 6.17.1 to 6.17.12 of the PSALM-ANECO CSEE.

prevented it from supplying electricity and perform its other obligations under the Contract to resume supply. CUSTOMER shall not be entitled to interruption adjustment for such period, unless interruptions exceed seventy-two (72) hours and the CUSTOMER failed to fully take or consume its Contract Energy.

(xiv) **CONTRACT TERMINATION**

9.11 Either party will have the right to terminate this Contract upon failure of the other to perform its obligation under this Contract, provided that the party at fault will have to pay all its outstanding account and reimburse the costs incurred by the other party as a result of the termination.

(xv) **EFFECTIVITY**

9.20 This Agreement shall be executed in counterparts and shall be effective when at least one counterpart shall have been executed by one of the parties herein, and each set of counterparts shall constitute one single and binding agreement.

21. The remaining Subject CSEEs contain the same salient provisions as above; the only substantial differences are the following:

- 21.1 those found in Annex 1 of the Subject CSEEs (which reflects the Contracted Energy and the corresponding Equivalent Demand);
- 21.2 the amendment to Section 3.1 on Contract Duration of the Subject CSEEs;<sup>25</sup>
- 21.3 Section 5.2 of the PSALM-CAMELCO CSEE;<sup>26</sup>
- 21.4 Section 5.2 of the PSALM-DORECO CSEE;<sup>27</sup>

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<sup>25</sup> However, similar to the PSALM-ANECO CSEE, the Contract Duration of the PSALM-SUKELCO and PSALM-DANECO CSEEs are also from 26 December 2020 to 25 December 2025.

<sup>26</sup> Section 5.2 of the PSALM-CAMELCO CSEE reads:

5.2 The Security Deposit may be required to be posted upon privatization of the generating asset/s to which this Contract is allocated or assigned as provided for in Section 4.8 hereof if the prospective buyer, assignee, transferee or successor-in-interest so requires. It shall be in the form of cash, cash bond, manager's or cashier's check, bank certified check, irrevocable stand-by letter of credit. In the event the Security Deposit of the CUSTOMER becomes nil, the PSALM reserves the right to refuse or discontinue supply of electric energy. In cases of partial depletion of the Security Deposit, the CUSTOMER shall replace the Security Deposit not later than thirty (30) days thereafter. PSALM reserves the right to continue supply of electric energy to the extent of Security Deposit of the CUSTOMER.

<sup>27</sup> Section 5.2 of the PSALM-DORECO CSEE reads:

- 21.5 Section 5.2 of the PSALM-LANECO CSEE;<sup>28</sup>
- 21.6 Section 5.2 of the PSALM-MOELCI II CSEE;<sup>29</sup>
- 21.7 Section 5.2 of the PSALM-MORESCO II CSEE;<sup>30</sup>
- 21.8 Section 5.2 of the PSALM-SURNECO CSEE;<sup>31</sup>
- 21.9 Section 5.2 of the PSALM-SURSECO II CSEE;<sup>32</sup> and

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5.2 The Security Deposit may be required to be posted upon privatization of the generating asset/s to which this Contract is allocated or assigned as provided for in Section 4.8 hereof if the prospective buyer, assignee, transferee or successor-in-interest so requires. It shall be in the form of cash, cash bond, manager's or cashier's check, bank certified check, irrevocable stand-by letter of credit. In the event the Security Deposit of the CUSTOMER becomes nil, the PSALM reserves the right to refuse or discontinue supply of electric energy. In cases of partial depletion of the Security Deposit, the CUSTOMER shall replace the Security Deposit not later than thirty (30) days thereafter. PSALM reserves the right to continue supply of electric energy to the extent of Security Deposit of the CUSTOMER.

<sup>28</sup> Section 5.2 of the PSALM-LANECO CSEE reads:

The Security Deposit may be required to be posted upon privatization of the generating asset/s to which this Contract is allocated or assigned as provided for in Section 4.8 hereof if the prospective buyer, assignee, transferee or successor-in-interest so requires. It shall be in the form of cash, cash bond, manager's or cashier's check, bank certified check, irrevocable stand-by letter of credit. In the event the Security Deposit of the CUSTOMER becomes nil, the PSALM reserves the right to refuse or discontinue supply of electric energy. In cases of partial depletion of the Security Deposit, the CUSTOMER shall replace the Security Deposit not later than thirty (30) days thereafter. PSALM reserves the right to continue supply of electric energy to the extent of Security Deposit of the CUSTOMER.

<sup>29</sup> Section 5.2 of the PSALM-MOELCI II CSEE reads:

5.2 The Security Deposit may be required to be posted upon privatization of the generating asset/s to which this Contract is allocated or assigned as provided for in Section 4.8 hereof if the prospective buyer, assignee, transferee or successor-in-interest so requires. It shall be in the form of cash, cash bond, manager's or cashier's check, bank certified check, irrevocable stand-by letter of credit. In the event the Security Deposit of the CUSTOMER becomes nil, the PSALM reserves the right to refuse or discontinue supply of electric energy. In cases of partial depletion of the Security Deposit, the CUSTOMER shall replace the Security Deposit not later than thirty (30) days thereafter. PSALM reserves the right to continue supply of electric energy to the extent of Security Deposit of the CUSTOMER.

<sup>30</sup> Section 5.2 of the PSALM-MORESCO II CSEE reads

5.2 The Security Deposit may be required to be posted upon privatization of the generating asset/s to which this Contract is allocated or assigned as provided for in Section 4.8 hereof if the prospective buyer, assignee, transferee or successor-in-interest so requires. It shall be in the form of cash, cash bond, manager's or cashier's check, bank certified check, irrevocable stand-by letter of credit. In the event the Security Deposit of the CUSTOMER becomes nil, the PSALM reserves the right to refuse or discontinue supply of electric energy. In cases of partial depletion of the Security Deposit, the CUSTOMER shall replace the Security Deposit not later than thirty (30) days thereafter. PSALM reserves the right to continue supply of electric energy to the extent of Security Deposit of the CUSTOMER.

<sup>31</sup> Section 5.2 of the PSALM-SURNECO CSEE reads:

5.2 The Security Deposit may be required to be posted upon privatization of the generating asset/s to which this Contract is allocated or assigned as provided for in Section 4.8 hereof if the prospective buyer, assignee, transferee or successor-in-interest so requires. It shall be in the form of cash, cash bond, manager's or cashier's check, bank certified check, irrevocable stand-by letter of credit. In the event the Security Deposit of the CUSTOMER becomes nil, the PSALM reserves the right to refuse or discontinue supply of electric energy. In cases of partial depletion of the Security Deposit, the CUSTOMER shall replace the Security Deposit not later than thirty (30) days thereafter. PSALM reserves the right to continue supply of electric energy to the extent of Security Deposit of the CUSTOMER.

<sup>32</sup> Section 5.2 of the PSALM-SURSECO II CSEE reads:

5.2 The Security Deposit may be required to be posted upon privatization of the generating asset/s to which this Contract is allocated or assigned as provided for in Section 4.8 hereof if the prospective buyer, assignee, transferee or successor-in-interest so requires. It shall be in the form of cash, cash bond, manager's or cashier's check, bank certified check, irrevocable stand-by letter

21.10 Section 5.2 of the PSALM-ZAMSURECO I CSEE.<sup>33</sup>

22. Summaries of the Contracted Energy, Equivalent Demand, and Load Factor of the Subject CSEEs are attached hereto as **Annex “C”** to **“C-21,”** respectively.

23. Further, in compliance with Section 2, Rule 6 (Pre-Filing Requirements) of this Honorable Commission’s Resolution No. 01, Series of 2021,<sup>34</sup> a copy of the instant Application (including Annexes) was furnished to the offices of the City Mayor and the *Sangguniang Panlungsod* of Quezon City (see **Annexes “D” and series** hereof). The Application (excluding Annexes) was also published in a newspaper of general circulation (see **Annex “E”** hereof).

**PSALM is exempted from joining the mandatory CSP in the procurement of power supply**

24. This Honorable Commission recognized that PSALM is exempted from joining the mandatory Competitive Selection Process (“CSP”) in the procurement of power supply. In a letter dated 20 September 2016 (see **Annex “F”** hereof), this Honorable Commission said that PSALM need not participate in the CSP due to the nature of its operations.

25. Also, this Honorable Commission recognized PSALM’s exemption from joining the mandatory CSP in its decision approving the application for the approval of the CSEEs and LOAs with the DUs under ERC Case No. 2016-186 RC.

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

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of credit. In the event the Security Deposit of the CUSTOMER becomes nil, the PSALM reserves the right to refuse or discontinue supply of electric energy. In cases of partial depletion of the Security Deposit, the CUSTOMER shall replace the Security Deposit not later than thirty (30) days thereafter. PSALM reserves the right to continue supply of electric energy to the extent of Security Deposit of the CUSTOMER.

<sup>33</sup> Section 5.2 of the PSALM-ZAMSURECO I CSEE reads:

5.2 The Security Deposit may be required to be posted upon privatization of the generating asset/s to which this Contract is allocated or assigned as provided for in Section 4.8 hereof if the prospective buyer, assignee, transferee or successor-in-interest so requires. It shall be in the form of cash, cash bond, manager’s or cashier’s check, bank certified check, irrevocable stand-by letter of credit. In the event the Security Deposit of the CUSTOMER becomes nil, the PSALM reserves the right to refuse or discontinue supply of electric energy. In cases of partial depletion of the Security Deposit, the CUSTOMER shall replace the Security Deposit not later than thirty (30) days thereafter. PSALM reserves the right to continue supply of electric energy to the extent of Security Deposit of the CUSTOMER.

<sup>34</sup> A Resolution Adopting the Revised Rules of Practice and Procedure of the Energy Regulatory Commission.

26. PSALM acknowledges that the continued operation of the Contracting DUs is indispensable to the economic efficiency of the franchise area they service, not to mention the ripple effect of that efficiency on the economic growth of the entire country. In order for these DUs to continue lawfully drawing electricity from the grid, it is imperative that they enter into agreement/s with PSALM as Supplier for the supply of electricity, through a contract of sale for electricity, hence the respective CSEE.

27. A grant of Provisional Authority ("PA") to execute the Subject CSEEs will ultimately redound to the benefit of end consumers

28. Attached as **Annex "G"** is the Judicial Affidavit of Engr. James Marvin A. Mamaradlo, the Corporate Staff Officer B of the Electricity Trading Department under PSALM's Privatization and Asset Management Group, attesting to the truth of the above matters.

29. Pursuant to ERC Rules of Practice and Procedure, this Honorable Commission may exercise its discretion by granting a PA or an Interim Relief prior to a final decision.

30. It is understood that the PA or Interim Relief sought by PSALM, which may be granted by this Honorable Commission, shall be subject to adjustments and other conditions that this Honorable Commission may impose after its hearing and final determination.

### PRAYER

**WHEREFORE**, PSALM most respectfully prays that this Honorable Commission:

1. **APPROVES** PSALM's duly negotiated CSEEs with the following DUs:

- 1.1 ANECO;
- 1.2 ASELCO;
- 1.3 BUSECO;
- 1.4 CAMELCO;
- 1.5 COTELCO;
- 1.6 DANECO;
- 1.7 DORECO;
- 1.8 ILPI;
- 1.9 LANECO;
- 1.10 MOELCI I;



- 1.11 MOELCI II;
- 1.12 MORESCO II;
- 1.13 SIARELCO;
- 1.14 SOCOTECO I;
- 1.15 SOCOTECO II;
- 1.16 SUKELCO;
- 1.17 SURNECO;
- 1.18 SURSECO I;
- 1.19 SURSECO II;
- 1.20 ZAMSURECO I;
- 1.21 ZAMSURECO II; and
- 1.22 ZANECO.

2. **ISSUES** a PA or Interim Relief authorizing PSALM to implement the Subject CSEEs with the Contracting DUs in the Mindanao Grid.

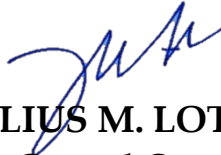
Other reliefs just and equitable under the premises are likewise prayed for.

Quezon City for Pasig City, 26 October 2021.

*- signatories on the following page -*

**POWER SECTOR ASSETS AND LIABILITIES  
MANAGEMENT CORPORATION**

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Republic of the Philippines )  
Quezon City, Metro Manila ) S.S.


VERIFICATION AND  
CERTIFICATION AGAINST NON-FORUM SHOPPING

I, IRENE JOY BESIDO-GARCIA, of legal age, married, with office address at the Power Sector Assets and Liabilities Management ("PSALM") Corporation, 24th Floor, Vertis North Corporate Center 1, Astra corner Lux Drives, North Avenue, Quezon City, after having been duly sworn to in accordance with law, do hereby depose and state for myself and for PSALM, that:

1. I am the designated President and Chief Executive Officer of the PSALM Corporation with authority to commence, initiate, sign and file the foregoing Application entitled, "*IN THE MATTER OF THE APPLICATION FOR APPROVAL OF THE CONTRACTS FOR THE SUPPLY OF ELECTRIC ENERGY ENTERED WITH DISTRIBUTION UTILITIES LOCATED IN THE MINDANAO GRID WITH PRAYER FOR ISSUANCE OF PROVISIONAL AUTHORITY*" pursuant to PSALM Board Resolution Nos. 2021-0127-03 and 2020-1028-07;
2. I have read the Application and the allegations therein are true and correct based on my personal knowledge or the authentic records available to PSALM;
3. The Application is not filed to harass, cause unnecessary delay, or needlessly increase the cost of litigation;
4. The factual allegations in the Application have evidentiary support or, if specifically so identified, will likewise have evidentiary support after a reasonable opportunity for discovery;
5. I or PSALM have not commenced any other action or proceeding involving the same issues in the Supreme Court, the Court of Appeals or any court, tribunal, or quasi-judicial agency and, to the best of my knowledge, no such other action or claim is pending therein; and
6. If I or PSALM should hereinafter learn that the same or a similar action or claim has been filed or is pending in the


Supreme Court, the Court of Appeals or any court, tribunal, or quasi-judicial agency, I shall report the said fact within five (5) days from discovery thereof to the Honorable Commission.

IN WITNESS WHEREOF, I have hereunto affixed my signature this 26 day of October 2021 at Quezon City, Metro Manila.

  
IRENE JOY BESIDO-GARCIA  
*Affiant*

SUBSCRIBED and SWORN TO before me this OCT 26 2021 day of October 2021, with affiant IRENE JOY BESIDO-GARCIA having presented to me her Philippine Passport I.D. No. P0087701B, issued at DFA Manila on 03 January 2019, valid until 02 January 2029, as competent and reliable evidence of her identity.

Doc. No. 239;  
Page No. 49;  
Book No. XXIII  
Series of 2021.

  
ATTY. TOMAS B. BAGA, JR.  
NOTARY PUBLIC  
UNTIL DECEMBER 31, 2021  
ADM. NO. NP-017 (2020-2021)  
ATTYS. ROLL NO. 13009  
IBP NO. 156177/2-5-2021  
PTR NO. CP 0624050, 1/19/21 COT.  
MCLE I-C. VI-0028822  
RCM BLDG. TIMOG COR. PANAY AVE. Q.C.