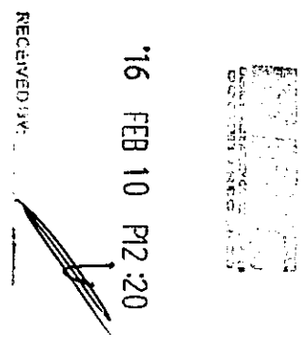
FILE COPY

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

IN THE MATTER OF THE APPLICATION FOR THE APPROVAL OF THE INTERIM POWER SUPPLY AGREEMENTS BETWEEN: (A) MANILA ELECTRIC COMPANY (MERALCO) AND TOLEDO POWER CO. (TPC); AND (B) MERALCO AND PANAY POWER CORPORATION (PPC), WITH PRAYER FOR PROVISIONAL AUTHORITY



ERC CASE NO. 2016 -004 RC

MANILA ELECTRIC COMPANY (MERALCO), TOLEDO POWER CO. (TPC) AND PANAY POWER CORPORATION (PPC),
Applicants.
x----------x

JOINT APPLICATION

Applicants **MANILA ELECTRIC COMPANY ("MERALCO"), TOLEDO POWER CO. ("TPC")** and **PANAY POWER CORPORATION ("PPC")**, through their respective undersigned counsel, most respectfully state:

1. Applicant MERALCO is a private corporation existing under the laws of the Republic of the Philippines, with principal office located at Ortigas Avenue, Barangay Ugong, Pasig City. It may be served with notices and other processes of this Honorable Commission at its principal office address or through its counsel at the address indicated herein.

2. MERALCO has a legislative franchise to operate and maintain a distribution system in the cities/municipalities of Metro Manila, Bulacan, Cavite and Rizal and certain cities/municipalities/barangays in Batangas, Laguna, Quezon and Pampanga, pursuant to Republic Act No. 9209, and is authorized to charge all its customers for their electric consumption at the rates approved by the Honorable Commission.

3. Applicant TPC is a partnership duly organized and existing under the laws of the Republic of the Philippines, with its principal office address at Barangay Daanlungsod, Toledo City, Cebu. TPC owns and operates a 40 MW diesel-fired power plant located in Carmen, Toledo City, Cebu. It may be served with notices and other processes of this Honorable Commission through its counsel at the address indicated herein.

4. Applicant PPC is a corporation duly organized and existing under the laws of the Republic of the Philippines, with its principal office address at Brgy. Ingore, La Paz, Iloilo City. It owns and operates a 72 MW diesel-fired power plant located in Brgy. Ingore, La Paz, Iloilo City. It may be served with notices and other processes of this Honorable Commission through its counsel at the address indicated herein.

5. Based on the power situation outlook for 2016 MERALCO foresees a significant capacity deficit in its portfolio, especially for the summer months of 2016, due to the expected high demand and the scheduled maintenance shutdowns of its contracted generating units as well as possible occurrences of forced plant outage.

6. In view thereof, and in order to mitigate exposure to the Wholesale Electricity Spot Market ("**WESM**"), there is a need for MERALCO to source additional capacity through short-term bilateral power supply contracts.

7. Under Section 45(b) of Republic Act No. 9136 ("EPIRA"), it is provided that "*Distribution utilities may enter into bilateral power supply contracts subject to review by the ERC xxx*".

8. Accordingly, after the conduct of a competitive selection process in accordance with ERC Resolution No. 13, Series of 2015, and subsequent good faith negotiations, on January 22, 2016, MERALCO executed Interim Power Supply Agreements ("**IPSAs**") with TPC and PPC for the capacity indicated below:

POWER SUPPLIER	**CONTRACT ENERGY**
TPC	Up to 28 MW (firm basis) from trading intervals 1000H to 2100H, Mondays to Saturdays
PPC	Up to 45 MW (firm basis) from trading intervals 1000H to 2100H, Mondays to Saturdays

I. IPSA between MERALCO and TPC

9. The IPSA between MERALCO and TPC, a copy of which is attached as **ANNEX "A"** and made an integral part hereof, contains the following salient features:

"Article 1 Term and Effectivity

1.1 Term of Agreement

1.1.1 This Agreement shall become effective immediately upon execution provided that Power Supplier's obligation to deliver, and Meralco's obligation to purchase, Contract Energy shall commence upon Energy Regulatory Commission ("ERC") Provisional Authority ("PA") or Final Approval ("FA") (the "Commencement Date") and shall expire on February 25, 2017, unless terminated earlier in accordance with the terms of this Agreement or extended by the parties by the application of Section 1.1.2 ("Term").

1.1.2 The Term shall be automatically extended for an additional period of one (1) year under the same terms and conditions set forth in this Agreement, unless terminated by either Party by sending written notice to the other Party ninety (90) days prior to the expiration of the Term. In no case shall the automatic extension of this Agreement exceed four (4) years.

1.2 ERC Approval

1.2.1 Within five (5) days after the date of this Agreement, the Parties shall file a joint application with the ERC for the approval of this Agreement, including the Contract Price as detailed in Appendix "A" ("ERC Application").

1.2.2 If the ERC PA or FA requires any portion of any sum that has been paid by Meralco to Power Supplier to be adjusted, the Power Supplier shall make the necessary adjustments in accordance with the direction of the ERC. In the event of any disallowance in the Contract Price, the same shall be for the account of Power Supplier.

1.2.3 If the ERC FA requires an amendment of any provision herein, including provisions on amounts payable under this Agreement, or subjects such approval to any material term or condition that is not acceptable to either Party, acting reasonably ("ERC Conditional Approval"), the Parties shall cooperate in good faith to resolve the required ERC amendment(s) or to address the material term or condition. The Parties shall agree to:

(a) Within fifteen (15) days after the receipt by the Parties of the ERC Conditional Approval, seek a reconsideration of the ERC Conditional Approval. During the period that the motion for reconsideration is pending, Power Supplier shall make available the Contract Energy following the rate in the ERC Conditional Approval, subject to the ERC's Final Approval; and/or

(b) If necessary, within thirty (30) days after receipt by the Parties of the ERC Conditional Approval, revise and file an amended Agreement for approval by the ERC;

provided that if the motion for reconsideration is denied by the ERC, or if the Parties fail to agree on the amendment of this Agreement within the period prescribed in Section 1.2.3 (b), or the amended Agreement is disapproved by the ERC, or approved by the ERC but still with any material term or condition that is not acceptable to either Party, acting reasonably, the Agreement can be terminated by any Party by giving a thirty (30)-day prior written notice of such termination to the other Party.

Article 2 Sale and Purchase of Contract Energy

2.1 Supply of Power

Subject to the terms and conditions of this Agreement:

2.1.1 Immediately upon the approval by the ERC of this Agreement, Power Supplier shall make available, sell and deliver to Meralco and Meralco shall purchase from Power Supplier the Contract Energy at the Contract Price as detailed in Appendix "A." The Parties agree that Power Supplier shall have no obligation to supply more than the Contract Energy.

2.1.2 Subject to Section 2.1.3, Power Supplier shall not, without Meralco's prior written consent, sell, divert, transfer, dedicate, reserve or assign all or any portion of the Contract Energy to any Person other than Meralco.

2.1.3 Power Supplier shall, under certain conditions, trade in the WESM any portion of the Contract Energy that is not taken by Meralco. The Parties acknowledge and agree that any trading of this energy shall be for the sole benefit of Meralco. Except for the market participation fees of Power Supplier, any and all costs, taxes, fees, and charges imposed by the Market Operator with respect to such energy traded in the WESM for the portion of the Contract Energy not taken by Meralco, including the proportionate billing adjustments in relation thereto, such as but not limited to, price substitution mechanism adjustments, shall be for the sole account of Meralco. Meralco hereby authorizes Power Supplier to offset any and all of the foregoing amounts against the revenues derived from the trading of the portion of the Contract Energy not taken by Meralco, in accordance with formula E. (Net WESM Sales) as detailed in Appendix A.

2.1.4 On a day-after and month-after basis, in the event that the WESM line rental charges exceed PhP0.30/kWh in any trading interval, Meralco shall have the option to not take the Contract Energy for such trading interval. If Meralco exercises such option, it shall not be required to make any Capacity Payment and Fixed O&M Payment with respect to Contract Energy that is not taken by Meralco.

2.1.5 Power Supplier shall not be entitled to any planned/scheduled or forced outage allowances. In case of any such outage, Power Supplier shall procure replacement energy, and Meralco shall pay for the same at the Contract Price.

xxx xxx xxx

4.2 Payments

4.2.1 Each Final Invoice shall be due and payable not later than the last day of the calendar month following the month in which the end of the Billing Period for such Final Invoice relates; provided that if such day is not a business day, then the Final Invoice shall be due and payable on the next succeeding business day ("Payment Date"); provided further that in the event that the Final Invoice is not received by Meralco within the time set forth in Section 4.1.6, the payment shall be due and payable on the due date for the subsequent Billing Period; provided finally that Meralco shall not be required to make payment on any Final Invoice that is manifestly in error, apparently invalid or not in the form or substance contemplated by this Agreement.

4.2.2 If Meralco disputes all or any portion of a Final Invoice for a reason other than a manifest error in, or the patent invalidity or incorrect form or substance of, such Final Invoice, Meralco shall, nonetheless, pay the full amount of such Invoice. Any payment by Meralco under this Section is without prejudice to Meralco's right at a later date to dispute, protest or question any amount so paid.

xxx xxx xxx

Article 5 Taxes, Fees and Costs

5.1 Responsibility for Taxes, Fees and Costs

5.1.1 Power Supplier shall be responsible for and shall make timely payment of the following amounts:

(a) WESM costs attributable to Power Supplier;

(b) Benefits to host communities charges; and

(c) VAT on the foregoing amounts, if any.

Power Supplier shall also be liable for the payment of all other existing taxes, fees, charges and costs, including penalties, arising from this Agreement that properly pertain to the business of Power Supplier.

5.1.2 The following amounts that Meralco is responsible for paying to third parties shall form part of the price that Meralco will charge to its customers:

(a) VAT on Contract Energy in accordance with Bureau of Internal Revenue ("BIR") Memorandum Circular No. 61-2005 and ERC Resolution No. 20-2005, except in respect of any portion thereof that applies to VAT zero-rated and VAT-exempt customers of Meralco;

(b) WESM line rental charges associated with the declaration of Bilateral Contract Quantities from the Plant to Meralco's WESM Node, subject to adjustments provided for in Section 2.1.4. and Appendix "A;" and

(c) NGCP charges.

Notwithstanding this Section, Meralco shall, at all times, be liable for payment of all other existing taxes, fees, charges and costs, including penalties, arising from this Agreement that properly pertain to the business of Meralco.

xxx xxx xxx

Article 9 Termination

9.1 If for any reason, except as provided in Article 7, there is an actual failure on the part of Power Supplier to deliver the Contract Energy to Meralco for a period of ten (10) days, Meralco shall send written notice to Power Supplier stating that such a breach has occurred.

9.2 If, within thirty (30) days after receipt from Meralco of such written notice (the "Curing Period"), the actual failure on the part of Power Supplier to deliver the Contract Energy to Meralco has not been remedied by Power Supplier, Meralco may terminate this Agreement and pursue any remedy available to it under this Agreement, at law or in equity.

9.3 Meralco shall, from and after the occurrence of a breach under Section 9.1 and even during the Curing Period, be entitled to source energy from the WESM or other parties and Power Supplier shall be liable to pay Meralco the difference between the amount Meralco actually paid for such energy and the Contract Price.

9.4 Upon the early termination of this Agreement due to: (i) an actual failure on the part of Power Supplier to deliver the Contract Energy to Meralco, or (ii) the failure of Meralco to pay for the Contract Price under the terms and conditions of this Agreement, that results in the early termination of this Agreement, and without prejudice to any other provisions of this Agreement prior to such early termination, the Party in breach shall pay liquidated damages in an amount equivalent to the present value of the Capacity Recovery Fees for the remaining Term discounted at twelve percent (12%).

9.5 Either Party shall have the right to terminate this Agreement by serving thirty (30)-day advance written notice to the other due to violation of any of the provisions hereof or any of the grounds provided for herein; Provided, that the termination under this Section shall not prejudice the right of the aggrieved Party to liquidated damages under Section 9.4.

9.6 Subject to seven (7) days prior written notice to Meralco, Power Supplier may terminate this Agreement if:

(a) After forty (40) days from filing of the ERC Application for approval of this Agreement, no ERC approval has been issued; or

(b) If ERC PA or FA has been issued, Power Supplier is not amenable to any changes in the terms and conditions of the PSA, including the rate, as may be provided in the ERC PA or FA.

9.7 In the event of pre-termination of this Agreement on grounds as provided in this Agreement, Meralco shall purchase energy from the WESM.

xxx xxx xxx"

10. Based on simulations, the effective delivered price under the IPSA between MERALCO and TPC for the supply month of May 2016 is PhP8.2706 per kWh, as shown in the sample calculation below:

TPC IPSA - Sample Calculation
May 2016

BILLING COMPONENT	UNIT	BILLING RATE	CPI Adj Factor	BILLING DETERMINANT		AMOUNT (PHP)
A. Capital Recovery Payment						
Peso Portion	(Php/kW-mo)	183.7840		28,000	(kW)	5,145,952.00
B. Fixed O&M Payment						
Peso Portion	(Php/kW-mo)	396.2160	1.032656	28,000	(kW)	11,456,335.49
C. Variable O&M Payment						
Peso Portion	(Php/kWh)	0.2349	1.032656	7,168,000	(kWh)	1,738,748.21
D. Fuel Payment						
Peso Portion	(Php/kWh)	4.9130		7,168,000	(kWh)	35,216,634.52
TOTAL PAYMENT	(Php)					53,557,670.22
Effective Rate at Plant Gate	(Php/kWh)					7.4718
WESM Line Rental Rate[2]	(Php/kWh)					0.7989
Delivered Rate	(Php/kWh)					8.2706
Effective Cost at WESM Price[3]	(Php/kWh)					13.2424
Increase / (Decrease) over WESM Price	(Php/kWh)					(4.9717)
Meralco Captive Energy Demand[4]	(kWh)					2,861,523,324
Increase / (Decrease) in Generation Cost	(Php)					(35,637,282.44)
Increase / (Decrease) in Generation Cost	(Php/kWh)					(0.0125)

Assumptions:
(1) CPI Adj for Fixed O&M and Variable O&M based on PH CPI (2006=100) = 142.30, Dec 2015, base PH CPI (2006=100) = 137.8, Feb 2014
(2) Estimated TPC line rental rate based on actual Apr - Jul 2014 average line rental of TPC
(3) Cost if equivalent volume of TPC was sourced instead from the WESM based on May 2016 forecast hourly prices
(4) Meralco Captive Energy Demand based on May 2016 forecast

11. As seen in the rate impact below, for the duration of the term of the IPSA between MERALCO and TPC, the simulated delivered price thereunder would result in an overall savings of PhP0.0003 per kWh.

Impact to MERALCO Generation Charge

	Generation Charge PHP/kWh
	Mar 2016 - Feb 2017 Overall
Without Toledo Interim PSA	4.5328
With Toledo Interim PSA	4.5325
inc / -dec, P/kWh	*-0.0003*
inc / -dec, Million PhP	*-7.82*

12. In addition to such overall savings, the IPSA between MERALCO and TPC provides for a WESM rebate mechanism wherein TPC shall, under certain conditions, trade in the WESM any portion of the Contract Energy not taken by MERALCO. Such trading shall be for

the sole benefit of MERALCO and shall redound to the benefit of its customers.

II. IPSA between MERALCO and PPC

13. The IPSA between MERALCO and PPC, a copy of which is attached as **ANNEX "B"** and made an integral part hereof, contains the following salient features:

"Article 1 Term and Effectivity

1.1 Term of Agreement

1.1.1 This Agreement shall become effective immediately upon execution, provided that Power Supplier's obligation to deliver, and Meralco's obligation to purchase Contract Energy, shall commence upon Energy Regulatory Commission ("ERC") Provisional Authority ("PA") or Final Approval ("FA") (the "Commencement Date") and shall expire on February 25, 2017, unless terminated earlier in accordance with the terms of this Agreement or extended by the parties by the application of Section 1.1.2 ("Term").

1.1.2 The Term shall be automatically extended for an additional period of one (1) year under the same terms and conditions set forth in this Agreement, unless terminated by either Party by sending written notice to the other Party ninety (90) days prior to the expiration of the Term. In no case shall the automatic extension of this Agreement exceed four (4) years.

1.2 ERC Approval

1.2.1 Within five (5) days after the date of this Agreement, the Parties shall file a joint application with the ERC for the approval of this Agreement, including the Contract Price as detailed in Appendix "A" ("ERC Application").

1.2.2 If the ERC PA or FA requires any portion of any sum that has been paid by Meralco to Power Supplier to be adjusted, the Power Supplier shall make the necessary adjustments in accordance with the direction of the ERC. In the event of any disallowance in the Contract Price, the same shall be for the account of Power Supplier.

1.2.3 If the ERC FA requires an amendment of any provision herein, including provisions on amounts payable under this Agreement, or subjects such approval to any material term or condition that is not acceptable to either Party, acting reasonably ("ERC Conditional Approval"), the Parties shall cooperate in good faith to resolve the required ERC amendment(s) or to address the material term or condition. The Parties shall agree to:

(a) Within fifteen (15) days after the receipt by the Parties of the ERC Conditional Approval, seek a reconsideration of the ERC Conditional Approval. During the period that the motion for reconsideration is pending, Power Supplier shall make available the Contract Energy following the rate in the ERC Conditional Approval, subject to the ERC's Final Approval; and/or

(b) If necessary, within thirty (30) days after receipt by the Parties of the ERC Conditional Approval, revise and file an amended Agreement for approval by the ERC;

provided that if the motion for reconsideration is denied by the ERC, or if the Parties fail to agree on the amendment of this Agreement within the period prescribed in Section 1.2.3 (b), or the amended Agreement is disapproved by the ERC, or approved by the ERC but still with any material term or condition that is not acceptable to either Party, acting reasonably, the Agreement can be terminated by any Party by giving a thirty (30)-day prior written notice of such termination to the other Party.

Article 2 Sale and Purchase of Contract Energy

2.1 Supply of Power

Subject to the terms and conditions of this Agreement:

2.1.1 Immediately upon the Commencement Date, Power Supplier shall make available, sell and deliver to Meralco and Meralco shall purchase from Power Supplier the Contract Energy at the Contract Price as detailed in Appendix "A". The Parties agree that Power Supplier shall have no obligation to supply more than the Contract Energy.

2.1.2 Subject to Section 2.1.3, Power Supplier shall not, without Meralco's prior written consent, sell, divert, transfer, dedicate, reserve or assign all or any portion of the Contract Energy to any Person other than Meralco.

2.1.3 Power Supplier shall, under certain conditions, trade in the WESM any portion of the Contract Energy that is not taken by Meralco. The Parties acknowledge and agree that any trading of this energy shall be for the sole benefit of Meralco. Except for the market participation fees of Power Supplier, any and all costs, taxes, fees and charges, imposed by the Market Operator with respect to such energy traded in the WESM for the portion of the Contract Energy not taken by Meralco, including the proportionate billing adjustments in relation thereto, such as but not limited to, price substitution mechanism adjustments, shall be for the sole account of Meralco. Meralco hereby authorizes Power Supplier to offset any and all of the foregoing amounts against the revenues derived from the trading of the portion of the Contract Energy not taken by Meralco, in accordance with formula E. (Net WESM Sales) as detailed in Appendix A.

2.1.4 On a day-after and month-after basis, in the event that the WESM line rental charges exceed PhP0.30/kWh in any trading interval, Meralco shall have the option to not take the Contract Energy for such trading interval. If Meralco exercises such option, it shall not be required to make any Capacity Payment and Fixed O&M Payment with respect to Contract Energy that is not taken by Meralco.

2.1.5 Power Supplier shall not be entitled to any planned/scheduled or forced outage allowances. In case of any such outage, Power Supplier shall procure replacement energy, and Meralco shall pay for the same at the Contract Price.

xxx xxx xxx

4.2 Payments

4.2.1 Each Final Invoice shall be due and payable not later than the last day of the calendar month following the month in which the end of the Billing Period for such Final Invoice relates; provided that if such day is not a business day, then the Final Invoice shall be due and payable on the next succeeding business day ("Payment Date"); provided further that in the event that the Final Invoice is not received by Meralco within the time set forth in Section 4.1.6, the payment shall be due and payable on the due date for the subsequent Billing Period; provided finally that Meralco shall not be required to make payment on any Final Invoice that is manifestly in error, apparently invalid or not in the form or substance contemplated by this Agreement.

4.2.2 If Meralco disputes all or any portion of a Final Invoice for a reason other than a manifest error in, or the patent invalidity or incorrect form or substance of, such Final Invoice, Meralco shall, nonetheless, pay the full amount of such Invoice. Any payment by Meralco under this Section is without prejudice to Meralco's right at a later date to dispute, protest or question any amount so paid.

xxx xxx xxx

Article 5 Taxes, Fees and Costs

5.1 Responsibility for Taxes, Fees and Costs

5.1.1 Power Supplier shall be responsible for and shall make timely payment of the following amounts:

(a) WESM costs attributable to Power Supplier;

(b) Benefits to host communities charges; and

(c) VAT on the foregoing amounts, if any.

Power Supplier shall also be liable for the payment of all other existing taxes, fees, charges and costs, including penalties, arising from this Agreement that properly pertain to the business of Power Supplier.

5.1.2 The following amounts that Meralco is responsible for paying to third parties shall form part of the price that Meralco will charge to its customers:

(a) VAT on Contract Energy in accordance with Bureau of Internal Revenue ("BIR") Memorandum Circular No. 61-2005 and ERC Resolution No. 20-2005, except in respect of any portion thereof that applies to VAT zero-rated and VAT-exempt customers of Meralco;

(b) WESM line rental charges associated with the declaration of Bilateral Contract Quantities from the Plant to Meralco's WESM Node, subject to adjustments provided for in Section 2.1.4. and Appendix "A;" and

(c) NGCP Charges.

Notwithstanding this Section, Meralco shall, at all times, be liable for payment of all other existing taxes, fees, charges and costs, including penalties, arising from this Agreement that properly pertain to the business of Meralco.

xxx xxx xxx

Article 9 Termination

9.1 If for any reason, except as provided in Article 7, there is an actual failure on the part of Power Supplier to deliver the Contract Energy to Meralco for a period of ten (10) days, Meralco shall send written notice to Power Supplier stating that such a breach has occurred.

9.2 If, within thirty (30) days after receipt from Meralco of such written notice (the "Curing Period"), the actual failure on the part of Power Supplier to deliver the Contract Energy to Meralco has not been remedied by Power Supplier, Meralco may terminate this Agreement and pursue any remedy available to it under this Agreement, at law or in equity.

9.3 Meralco shall, from and after the occurrence of a breach under Section 9.1 and even during the Curing Period, be entitled to source energy from the WESM or other parties and Power Supplier shall be liable to pay Meralco the difference between the amount Meralco actually paid for such energy and the Contract Price.

9.4 Upon the early termination of this Agreement due to: (i) an actual failure on the part of Power Supplier to deliver the Contract Energy to Meralco, or (ii) the failure of Meralco to pay for the Contract Price under the terms and conditions of this Agreement, that results in the early termination of this Agreement, and without prejudice to any other provisions of this Agreement prior to such early termination, the Party in breach shall pay liquidated damages in an amount equivalent to the present value of the Capacity Recovery Fees for the remaining Term discounted at twelve percent (12%).

9.5 Either Party shall have the right to terminate this Agreement by serving thirty (30)-day advance written notice to the other due to

violation of any of the provisions hereof or any of the grounds provided for herein; Provided, that the termination under this Section shall not prejudice the right of the aggrieved Party to liquidated damages under Section 9.4.

9.6 Subject to seven (7) days prior written notice to Meralco, Power Supplier may terminate this Agreement if:

(a) After forty (40) Days from filing of the ERC Application for approval of this Agreement, no approval has been issued; or

(b) If ERC PA or FA has been issued, Power Supplier is not amenable to any changes in the terms and conditions of the PSA, including the rate, as may be provided in the ERC PA or FA.

9.7 In the event of pre-termination of this Agreement on grounds as provided in this Agreement, Meralco shall purchase energy from the WESM.

xxx xxx xxx"

14. Based on simulations, the effective delivered price under the IPSA between MERALCO and PPC for the supply month of May 2016 is PhP5.6754 per kWh, as shown in the sample calculation below:

PPC IPSA - Sample Calculation
May 2016

BILLING COMPONENT	UNIT	BILLING RATE	CPI Adj Factor	BILLING DETERMINANT		AMOUNT (PHP)
A. Capital Recovery Payment						
Peso Portion	(Php/kW-mo)	161.1100		45,000	(kW)	7,249,950.00
B. Fixed O&M Payment						
Peso Portion	(Php/kW-mo)	418.8600	1.032656	45,000	(kW)	19,464,223.58
C. Variable O&M Payment						
Peso Portion	(Php/kWh)	0.3449	1.032656	13,410,000	(kWh)	4,776,146.67
D. Fuel Payment						
Peso Portion	(Php/kWh)	3.2121		13,410,000	(kWh)	43,074,571.44
TOTAL PAYMENT	**(Php)**					**74,564,891.69**
Effective Rate at Plant Gate	**(Php/kWh)**					**5.5604**
WESM Line Rental Rate[2]	**(Php/kWh)**					**0.1151**
Delivered Rate	**(Php/kWh)**					**5.6754**
Effective Cost at WESM Price[3]	**(Php/kWh)**					**11.9620**
Increase / (Decrease) over WESM Price	**(Php/kWh)**					**(6.2866)**
Meralco Captive Energy Demand[4]	**(kWh)**					**2,861,523,324**
Increase / (Decrease) in Generation Cost	**(Php)**					**(84,302,973.11)**
Increase / (Decrease) in Generation Cost	**(Php/kWh)**					**(0.0295)**

Assumptions:
(1) CPI Adj for Fixed O&M and Variable O&M based on PH CPI (2006=100) = 142.30, Dec 2015, base PH CPI (2006=100) = 137.8, Feb 2014
(2) Estimated PPC line rental rate based on actual Apr - Jul 2014 average line rental of PPC
(3) Cost if equivalent volume of PPC was sourced instead from the WESM based on May 2016 forecast hourly prices
(4) Meralco Captive Energy Demand based on May 2016 forecast

15. As seen in the rate impact below, for the duration of the term of the IPSA between MERALCO and PPC, the simulated delivered price thereunder would result in an overall savings of PhP0.0074 per kWh.

Impact to MERALCO Generation Charge

	Generation Charge PHP/kWh
	Mar 2016 - Feb 2017 Overall
Without Panay Interim PSA	4.5328
With Panay Interim PSA	4.5254
inc / -dec, P/kWh	*-0.0074*
inc / -dec, Million PhP	*-229.03*

16. Again, in addition to such overall savings, the IPSA between MERALCO and PPC provides for a WESM rebate mechanism wherein PPC shall, under certain conditions, trade in the WESM any portion of the Contract Energy not taken by MERALCO. Such trading shall be for the sole benefit of MERALCO and shall redound to the benefit of its customers.

Allegations in Support of the Prayer for Provisional Authority

17. As previously mentioned, based on MERALCO's power supply-demand outlook for 2016, a significant capacity deficit in its portfolio, especially for the summer months, is foreseen due to expected high demand and scheduled maintenance shutdowns of its contracted generating units as well as possible occurrences of forced plant outage.

18. Consequently, if the IPSAs are not implemented during said period, MERALCO will be constrained to source from the WESM, where prices are volatile, especially during the summer months. This can be further aggravated and would likely result in higher WESM prices in light of the very tight supply under thin reserve margin conditions during said period.

19. Accordingly, there is a paramount necessity for the timely approval of this Application, and for the issuance of a provisional authority therefore, so that MERALCO can immediately implement these IPSAs in order to reduce MERALCO's WESM purchases and protect its customers from forecasted high WESM prices, to help ensure reasonable prices for such customers, especially during the summer months of 2016.

20. In support of this Application, the Judicial Affidavit of Mr. CIPRINILO C. MENESES, Head of MERALCO's Energy Sourcing Office, is attached as **ANNEX "C"** and made an integral part hereof.

PRAYER

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

1. Upon initial review of the instant Application and pending hearing on the merits, issue an Order provisionally approving the implementation of the IPSAs between: (a) MERALCO and TPC; and (b) MERALCO and PPC; thereby authorizing TPC and PPC to charge and collect from MERALCO electricity fees based on rates that the Honorable Commission may provisionally approve, and authorizing Applicant MERALCO to pass the full amount thereof to its customers; and,

2. After trial on the merits, issue a Decision approving the IPSAs; thereby authorizing TPC and PPC to charge and collect from MERALCO the electricity fees based on the final rates approved by the Honorable Commission, and authorizing MERALCO to pass the full amount thereof to its customers.

It is further respectfully prayed that in the event that the rate provisionally approved by the Honorable Commission is lower than the rate finally approved by it, the Honorable Commission allow TPC and PPC to recover from MERALCO the rate difference and authorize MERALCO to pass the full amount thereof to its customers.

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

Pasig City, 28 January 2016.

MANILA ELECTRIC COMPANY
Applicant
MERALCO Compound, Lopez Building,
Ortigas Avenue, Pasig City

By:

FRANCIS DINO S. ANTONIO
Roll of Attorneys No. 48145
PTR No. 1473407; 01/21/16; Pasig City
IBP No. 1023724; 01/08/16; RSM
MCLE Compliance No. V-0004608; 6 November 2014

CARMEN GRACE S. RAMOS
Roll of Attorneys No. 55945
PTR No. 1473409; 01/21/16; Pasig City
IBP No. 1023723; 01/08/16; RSM
MCLE Compliance No. V-0004623; 6 November 2014

KATHERINE MARI S. GARCIA-MORENO
Roll of Attorneys No. 56002
PTR No. 1473412; 01/21/16; Pasig City
IBP No. 1023727; 01/08/16; RSM
MCLE Compliance No. V-0002588; 9 June 2014

RAYMOND B. YAP
Roll of Attorneys No. 55889
PTR No. 1473414; 01/21/16; Pasig City
IBP No. 1023728; 01/08/16; Capiz
MCLE Compliance No. V-001784; 26 March 2014

7th Floor, Lopez Building,
Ortigas Avenue, Barangay Ugong, Pasig City
Tel no. 1622-2260; Fax No: 1622-3550

TOLEDO POWER CO.
AND
PANAY POWER CORPORATION
Applicants

By:

AMANDA R. ABRERA BENGSON
IBP Lifetime Membership No. 05696; Makati City
PTR No. 5334776/January 18, 2016; Makati City
Roll of Attorneys No.46163
MCLE Compliance No. IV-0015603 (04/10/2013)
amanda.bengson@globalpower.com.ph

ROGELIO D. PUNO, JR
IBP No. 945771/January 02, 2014/RSM
PTR No. 5334778/January 18, 2016/Makati City
Roll of Attorneys No. 55386
MCLE Compliance No. IV-0016864
rogelio.puno@globalpower.com.ph

MARK JOREL O. CALIDA
IBP No. 979200/January 08, 2015/Makati City
PTR No. 5334779/January 18, 2016/Makati City
Roll of Attorneys No. 61457
MCLE Compliance No. IV-0013581
markjorel.calida@globalpower.com.ph

c/o Global Business Power Corporation
22/F, GT Tower International
6813 Ayala Avenue corner H.V. de la Costa Street
Makati City
Tel. No. 464 1600; Fax No. 464 1600 Loc. 1147

REPUBLIC OF THE PHILIPPINES)
CITY OF PASIG)s.s.

VERIFICATION
AND CERTIFICATION OF NON-FORUM SHOPPING

I, **JOSE RONALD V. VALLES**, Filipino, of legal age, married, with office address at 7th Floor, Lopez Building, MERALCO Compound, Ortigas Avenue, Barangay Ugong, Pasig City, after being sworn in accordance with law, hereby depose and say that—

1. I am the Vice President and Head, Regulatory Affairs Office, of Applicant Manila Electric Company ("MERALCO"). In such capacity, I have caused the preparation and filing of the foregoing Application;

2. Moreover, I have been authorized by the Board of Directors of MERALCO to certify that Applicant has not heretofore filed any similar action, pleading or application involving the same issues before the Supreme Court, the Court of Appeals or any other lower courts or administrative bodies. A copy of the Secretary's Certificate authorizing me to cause the preparation of the instant Application and sign this Verification and Certification is attached hereto as **ANNEX "D";**

3. I have read and understood the allegations contained therein and the same are true and correct based on my personal knowledge and authentic records made available to me in the ordinary course of business of MERALCO;

4. To the best of my knowledge, no similar action or proceeding is pending before the Supreme Court, the Court of Appeals, the lower courts or administrative bodies;

5. If I should hereafter learn that a similar action has been filed before the Supreme Court, the Court of Appeals, the lower courts or administrative bodies, I undertake to report such fact to this Honorable Commission within five (5) days from notice of such fact.

IN WITNESS WHEREOF, I have hereunto affixed my signature this FEB 0 3 2016 at Pasig City, Philippines.

JOSE RONALD V. VALLES
Affiant

SUBSCRIBED and SWORN to before me this FEB 0 3 2016, affiant having exhibited to me his Social Security System ID bearing the number 33-10900088.

ATTY. CARMEN GRACE S. RAMOS
NOTARY PUBLIC
Pasig, Pateros, Taguig & San Juan
Issued on July 13, 2015 at Pasig City
until December 31, 2016
Roll No. 55945; IBP No. 1013723; 1-8-16 RSM Chapter
PTR No. 1473409; 1-21-16; Pasig City
7th Floor, Lopez Bldg., Ortigas Ave., Pasig City

Doc. No. 143;
Page No. 30;
Book No. IV;
Series of 2016.

REPUBLIC OF THE PHILIPPINES)
CITY OF)s.s.

VERIFICATION
AND CERTIFICATION OF NON-FORUM SHOPPING

I, **JAIME T. AZURIN**, of legal age, Filipino, and with office address at the 22/F, GT Tower International, 6813 Ayala Avenue corner H.V. de la Costa Street, Makati City, after having been duly sworn to in accordance with law, depose and state that:

1. I am the Executive Vice President of Toledo Power Co. (TPC), a co-applicant in the above-captioned case;

2. Moreover, I have been authorized by the Board of Directors of TPC to certify that Applicant has not heretofore filed any similar action, pleading or application involving the same issues before the Supreme Court, the Court of Appeals or any other lower courts or administrative bodies. A copy of the Secretary's Certificate authorizing me to cause the preparation of the instant Application and sign this Verification and Certification is attached hereto as **ANNEX "E";**

3. I have read and understood the allegations contained therein and the same are true and correct based on my personal knowledge and authentic records made available to me in the ordinary course of business of TPC;

4. To the best of my knowledge, no similar action or proceeding is pending before the Supreme Court, the Court of Appeals, the lower courts or administrative bodies;

5. If I should hereafter learn that a similar action has been filed before the Supreme Court, the Court of Appeals, the lower courts or administrative bodies, I undertake to report such fact to this Honorable Commission within five (5) days from notice of such fact.

IN WITNESS WHEREOF, I have hereunto affixed my signature this 01 February 2016 at Makati City, Philippines.

JAIME T. AZURIN

SUBSCRIBED AND SWORN to before me this 01 February 2016, by JAIME T. AZURIN, who has satisfactorily proven to me his identity through his Passport No. EC3880797 valid until 07 April 2020, that he is the same person who personally signed before me the foregoing Verification and Certification and acknowledged that he executed the same.

Doc. No. 114;
Page No. 15;
Book No. 8;
Series of 2016.

ATTY. MELISSA B. REYES
NOTARY PUBLIC FOR MAKATI CITY UNTIL DEC. 31, 2016
ROLL NO. 41369 / APPOINTMENT NO. M-249
IBP NO. 0983825 / PTR. NO. 4775329
45/F GT TOWER INTERNATIONAL, AYALA AVENUE
CORNER H.V. DE LA COSTA, MAKATI CITY

REPUBLIC OF THE PHILIPPINES)
CITY OF)s.s.

VERIFICATION
AND CERTIFICATION OF NON-FORUM SHOPPING

I, **JAIME T. AZURIN**, of legal age, Filipino, and with office address at the 22/F, GT Tower International, 6813 Ayala Avenue corner H.V. de la Costa Street, Makati City, after having been duly sworn to in accordance with law, depose and state that:

1. I am the Executive Vice President of Panay Power Corporation (PPC), a co-applicant in the above-captioned case;

2. Moreover, I have been authorized by the Board of Directors of PPC to certify that Applicant has not heretofore filed any similar action, pleading or application involving the same issues before the Supreme Court, the Court of Appeals or any other lower courts or administrative bodies. A copy of the Secretary's Certificate authorizing me to cause the preparation of the instant Application and sign this Verification and Certification is attached hereto as **ANNEX "F";**

3. I have read and understood the allegations contained therein and the same are true and correct based on my personal knowledge and authentic records made available to me in the ordinary course of business of PPC;

4. To the best of my knowledge, no similar action or proceeding is pending before the Supreme Court, the Court of Appeals, the lower courts or administrative bodies;

5. If I should hereafter learn that a similar action has been filed before the Supreme Court, the Court of Appeals, the lower courts or administrative bodies, I undertake to report such fact to this Honorable Commission within five (5) days from notice of such fact.

IN WITNESS WHEREOF, I have hereunto affixed my signature this 01 February 2016 at Makati City, Philippines.

JAIME T. AZURIN

SUBSCRIBED AND SWORN to before me this 01 February 2016, by JAIME T. AZURIN, who has satisfactorily proven to me his identity through his Passport No. EC3880797 valid until 07 April 2020, that he is the same person who personally signed before me the foregoing Verification and Certification and acknowledged that he executed the same.

Doc. No. 113;
Page No. 15;
Book No. 8;
Series of 2016.

ATTY. MELISSA B. REYES
NOTARY PUBLIC FOR MAKATI CITY UNTIL DEC. 31, 2016
ROLL NO. 41369 / APPOINTMENT NO. M-249
IBP NO. 0983825 / PTR. NO. 4775329
45/F GT TOWER INTERNATIONAL, AYALA AVENUE
CORNER H.V. DE LA COSTA, MAKATI CITY

ANNEX "A"

INTERIM POWER SUPPLY AGREEMENT

Between

MANILA ELECTRIC COMPANY

and

TOLEDO POWER CO.

January 22, 2016

INTERIM POWER SUPPLY AGREEMENT

This Interim Power Supply Agreement (the "**Agreement**") is entered into on January 22, 2016, by and between:

1. Manila Electric Company (hereinafter "**Meralco**"), a corporation duly organized and existing under the laws of the Republic of the Philippines, with office address at Ortigas Avenue, Barangay Ugong, Pasig City; and

2. Toledo Power Co. (hereinafter "**Power Supplier**"), a partnership duly organized and existing under the laws of the Republic of the Philippines, with principal office address at Barangay Daanlungsod, Toledo City, Cebu.

Each of the above-mentioned parties to this Agreement is referred to as a "**Party**" and, together the "**Parties**".

RECITALS

A. Meralco is a distribution utility operating an electric power distribution system with a legislative franchise to operate and maintain a distribution system in the cities/municipalities of Metro Manila, Bulacan, Cavite and Rizal and certain cities/municipalities/barangays in Batangas, Laguna, Quezon and Pampanga, pursuant to Republic Act No. 9209.

B. Power Supplier owns and operates a 40 MW Diesel-Fired Power Plant located in Carmen, Toledo City (the "Plant").

C. Based on Meralco's power supply-demand outlook for 2016, Meralco foresees a significant capacity deficit in its portfolio for the period March to October 2016 due to scheduled maintenance shutdowns of its contracted generating units as well as possible occurrences of forced plant outage.

D. There is a need for Meralco to source the corresponding deficiency through interim bilateral supply agreements with power suppliers with available capacity to ensure the availability and affordability of the supply of electricity to Meralco's customers.

E. Power Supplier has offered to sell up to 28 MW of electric power on a firm basis from trading interval 1000H to 2100H during Mondays to Saturdays (the "**Contract Energy**"), and Meralco has accepted such offer, after the conduct of a competitive selection process and good faith negotiations on the terms and conditions contained herein.

F. Meralco and Power Supplier desire to define in this Agreement their respective rights and obligations with respect to the sale and purchase of Contract Energy.

NOW, THEREFORE, in view of the foregoing and in consideration of the mutual covenants and agreements set out in this Agreement, the Parties hereby agree as follows:

Article 1 Term and Effectivity

1.1 Term of Agreement

1.1.1 This Agreement shall become effective immediately upon execution provided that Power Supplier's obligation to deliver, and Meralco's obligation to purchase, Contract Energy shall commence upon Energy Regulatory Commission ("**ERC**") Provisional Authority ("**PA**") or Final Approval ("**FA**") (the "**Commencement Date**") and shall expire on February 25, 2017, unless terminated earlier in accordance with the terms of this Agreement or extended by the parties by the application of Section 1.1.2 ("**Term**").

1.1.2 The Term shall be automatically extended for a period of one (1) year under the same terms and conditions set forth in this Agreement, unless terminated by either Party by sending written notice to the other Party ninety (90) days prior to the expiration of the Term. In no case shall the automatic extension of this Agreement exceed four (4) years.

1.2 ERC Approval

1.2.1 Within five (5) days after the date of this Agreement, the Parties shall file a joint application with the ERC for the approval of this Agreement, including the Contract Price as detailed in Appendix "A" ("**ERC Application**").

1.2.2 If the ERC PA or FA requires any portion of any sum that has been paid by Meralco to Power Supplier to be adjusted, the Power Supplier shall make the necessary adjustments in accordance with the direction of the ERC. In the event of any disallowance in the Contract Price, the same shall be for the account of Power Supplier.

1.2.3 If the ERC FA requires an amendment of any provision herein, including provisions on amounts payable under this Agreement, or subjects such approval to any material term or condition that is not acceptable to either Party, acting reasonably ("ERC Conditional Approval"), the Parties shall cooperate in good faith to resolve the required ERC amendment(s) or to address the material term or condition. The Parties shall agree to:

(a) Within fifteen (15) days after the receipt by the Parties of the ERC Conditional Approval, seek a reconsideration of the ERC Conditional Approval. During the period that the motion for reconsideration is pending, Power Supplier shall make available the Contract Energy following the rate in the ERC Conditional Approval, subject to the ERC's Final Approval; and/or

(b) If necessary, within thirty (30) days after receipt by the Parties of the ERC Conditional Approval, revise and file an amended agreement for approval by the ERC;

provided that if the motion for reconsideration is denied by the ERC, or if the Parties fail to agree on the amendment of this Agreement within the period prescribed in Section 1.2.3 (b), or the amended agreement is disapproved by the ERC, or approved by the ERC but still with any material term or condition that is not acceptable to either Party, acting reasonably, the Agreement can be terminated by any Party by giving a thirty (30)-day prior written notice of such termination to the other Party.

Article 2 Sale and Purchase of Contract Energy

2.1 Supply of Power

Subject to the terms and conditions of this Agreement:

2.1.1 Immediately upon the Commencement Date, Power Supplier shall make available, sell and deliver to Meralco and Meralco shall purchase from Power Supplier the Contract Energy at the Contract Price as detailed in **Appendix "A."** The Parties agree that Power Supplier shall have no obligation to supply more than the Contract Energy.

2.1.2 Subject to Section 2.1.3, Power Supplier shall not, without Meralco's prior written consent, sell, divert, transfer, dedicate, reserve or assign all or any portion of the Contract Energy to any Person other than Meralco.

2.1.3 Power Supplier shall, under certain conditions, trade in the WESM any portion of the Contract Energy that is not taken by Meralco. The Parties acknowledge and agree that any trading of this energy shall be for the sole benefit of Meralco. Except for the market participation fees of Power Supplier, any and all costs, taxes, fees, and charges imposed by the Market Operator with respect to such energy traded in the WESM for the portion of the Contract Energy not taken by Meralco, including the proportionate billing adjustments in relation thereto, such as but not limited to, price substitution mechanism adjustments, shall be for the sole account of Meralco. Meralco hereby authorizes Power Supplier to offset any and all of the foregoing amounts against the revenues derived from the trading of the portion of the Contract Energy not taken by Meralco, in accordance with **Appendix "A"**.

2.1.4 On a day-after and month-after basis, in the event that the WESM line rental charges exceed PhP0.30/kWh in any trading interval, Meralco shall have the option to not take the Contract Energy for such trading interval. If Meralco exercises such option, it shall not be required to make any Capacity Payment and Fixed O&M Payment with respect to Contract Energy that is not taken by Meralco, in accordance with **Appendix "A"**.

2.1.5 Power Supplier shall not be entitled to any planned/scheduled or forced outage allowances. In case of any such outage, Power Supplier shall procure replacement energy, and Meralco shall pay for the same at the Contract Price.

2.2 **Nominations**

2.2.1 For administrative and planning purposes only, Meralco shall furnish Power Supplier with non-binding month-ahead and week-ahead nominations of energy, in accordance with the Wholesale Electricity Spot Market ("WESM") Rules and the Operating Procedures. Such nominations shall reflect Meralco's good faith estimate of its projected energy requirements for such period.

2.2.2 Meralco shall furnish Power Supplier with binding day-ahead nominations on an hour-by-hour basis, in accordance with the WESM Rules and the Operating Procedures, provided that Meralco has the option to revise its day-ahead nominations at least two (2) hours before gate closure of the first affected trading interval.

Article 3 Operation and Maintenance of the Plant

3.1 **Operation, Maintenance and Repair**

Power Supplier shall operate, maintain and repair the Plant in accordance with good utility practice and consistent with the WESM Rules and the Grid Code.

3.2 **WESM Declarations**

3.2.1 Power Supplier shall ensure that its day-after daily declaration of bilateral contract quantities submitted to the Market Operator, as required by the WESM Rules, accurately reflects the day-ahead nominations furnished by Meralco. Any amounts assessed by the Market Operator on the Parties as a result of an erroneous declaration by Power Supplier of its bilateral contract quantities shall be borne by Power Supplier, and Power Supplier shall indemnify and hold Meralco harmless from any loss, cost, expense or penalty incurred or paid by Meralco as a result of any such erroneous declaration, including applicable Value-Added Tax ("VAT"), if any, based on the WESM VAT rate during the relevant Billing Period. If the Market Operator invoices Meralco for any such amounts, Power Supplier shall reimburse Meralco within seven (7) days from receipt of written demand therefor.

3.2.2 On a daily basis, Power Supplier shall furnish Meralco with a copy of the prior day's declaration of bilateral contract quantities for confirmation before Power Supplier makes a declaration to the Market Operator, provided that if Meralco does not confirm the prior day's bilateral contract quantities by four o'clock in the afternoon (4 p.m.) of the day of receipt, such bilateral contract quantities shall be deemed confirmed and Power Supplier may declare the same to the Market Operator. Meralco shall have the right, but not the obligation to review such reports and upon its review, shall inform Power Supplier of any discrepancies or exceptions it may find. When necessary, Power Supplier shall immediately notify Market Operator of any corrections to its declaration of bilateral contract quantities in accordance with the WESM Rules.

Article 4 Billing and Payment

4.1 Billing

4.1.1 The billing period shall commence on the twenty-sixth (26th) day of the current month and shall end on the twenty-fifth (25th) day of the succeeding month, taking into consideration the Commencement Date and termination of this Agreement ("**Billing Period**").

4.1.2 Power Supplier shall render to Meralco an itemized Invoice on the basis of Meralco's day-ahead binding twenty-four (24)-hour energy nominations for each day of a Billing Period. Each Invoice for a Billing Period shall show the Contract Energy made available by Power Supplier to Meralco during each hour of such Billing Period, and other amounts, if any, to be paid by Meralco.

4.1.3 Any Invoice rendered by Power Supplier to Meralco pursuant to Section 4.1.1 hereof shall be rendered in the first instance in the form of a Provisional Invoice, which Provisional Invoice may be adjusted or revised by Power Supplier. Power Supplier shall deliver the Provisional Invoice to Meralco no later than the twenty-eighth (28th) day of a calendar month. An advance copy of the Provisional Invoice shall also be delivered through electronic mail.

4.1.4 Power Supplier shall furnish Meralco with a report of Power Supplier's WESM declaration of bilateral contract quantities for each hour immediately after such declaration.

4.1.5 Within fifteen (15) days after its receipt of the Provisional Invoice, Meralco shall notify Power Supplier in writing of any questions or exceptions it may have with respect to the Provisional Invoice. Meralco and Power Supplier shall confer within three (3) days thereafter to discuss and seek to resolve any discrepancies or disputes in the Provisional Invoice prior to the issuance of the Final Invoice.

4.1.6 Within nineteen (19) days after the end of the relevant Billing Period, Power Supplier shall provide Meralco with a Final Invoice for such Billing Period, in the same format as the Provisional Invoice; provided that the Final Invoice shall reflect any corrections or adjustments agreed to by the Parties.

4.2 Payments

4.2.1 Each Final Invoice shall be due and payable not later than the last day of the calendar month following the month in which the end of the Billing Period for such Final Invoice relates; provided that if such day is not a business day, then the Final Invoice shall be due and payable on the next succeeding business day ("**Payment Date**"); provided further that in the event that the Final Invoice is not received by Meralco within the time set forth in Section 4.1.6, the payment shall be due and payable on the due date for the subsequent Billing Period; provided finally that Meralco shall not be required to make payment on any Final Invoice that is manifestly in error, apparently invalid or not in the form or substance contemplated by this Agreement.

4.2.2 If Meralco disputes all or any portion of a Final Invoice for a reason other than a manifest error in, or the patent invalidity or incorrect form or substance of, such Final Invoice, Meralco shall, nonetheless, pay the full amount of such Invoice. Any payment by Meralco under this Section is without prejudice to Meralco's right at a later date to dispute, protest or question any amount so paid.

4.2.3 If any sum set forth in a Final Invoice or any other sum payable under this Agreement has been paid under protest or is subject to objection, or is the subject of a dispute, then after agreement between the Parties or after settlement of the dispute, any sum so agreed by the Parties or determined to be owing, including the refund of any amount so paid under protest or subject of a dispute, shall be paid within seven (7) days from such agreement, resolution or settlement, with interest accruing thereon from the original due date, or, if payment has been made under protest or dispute, from the date the disputed amount was paid, until the date of the agreement, resolution or settlement. Interest shall be calculated as an annual rate on a three hundred sixty-five (365) day basis equivalent to the PDST-R2 plus two hundred (200) basis points, from the date upon which it was due until the date payment was received by either Party; provided, however, that if the protest or dispute is resolved by the Parties and payment is made, in each case within thirty (30) days from date of the filing of such protest or dispute, the Parties shall waive the payment of any interest on the amount owing, or, if payment has been made under protest or dispute, due on the amount to be refunded.

4.2.4 If any Party fails to make payment to another Party of any amount due under this Agreement where such amount is not the subject of a dispute, interest thereon from the date when payment was originally due until payment thereof is received shall accrue at a rate calculated as an annual rate on a three hundred sixty-five (365)-day basis equivalent to the PDST-R2 plus two hundred (200) basis points, accruing from the date when payment was originally due until payment thereof is received.

4.2.5 Any reference to a payment required hereunder, including the consequences of any delay in such payment, shall also apply to any required reimbursement or credit memo, and the due date shall be the date required for such reimbursement or credit memo to be made.

4.2.6 All payments by Meralco pursuant to this Section 4.2 shall be made by wire transfer of immediately available funds to such account or accounts specified by Power Supplier.

4.2.7 If Meralco fails to pay any amounts due and payable under this Agreement and such failure is not excused under Section 7.1, Meralco shall pay to Power Supplier interest on such unpaid amount in accordance with this Section 4.2.

4.2.8 Power Supplier shall issue a receipt to Meralco acknowledging any payment hereunder on the date of such payment.

4.3 **Set-off**

Each Party reserves to itself all rights of set-off, counterclaim and other remedies and/or defenses that such Party is or may be entitled to assert arising from or out of this Agreement.

Article 5 Taxes, Fees and Costs

5.1 **Responsibility for Taxes, Fees and Costs**

5.1.1 Power Supplier shall be responsible for and shall make timely payment of the following amounts:

(a) WESM costs attributable to Power Supplier;

(b) Benefits to host communities charges; and

(c) VAT on the foregoing amounts, if any.

Power Supplier shall also be liable for the payment of all other existing taxes, fees, charges and costs, including penalties, arising from this Agreement that properly pertain to the business of Power Supplier.

5.1.2 The following amounts that Meralco is responsible for paying to third parties shall form part of the price that Meralco will charge to its customers:

(a) VAT on Contract Energy in accordance with Bureau of Internal Revenue ("**BIR**") Memorandum Circular No. 61-2005 and ERC Resolution No. 20-2005, except in respect of any portion thereof that applies to VAT zero-rated and VAT-exempt customers of Meralco;

(b) WESM line rental charges associated with the declaration of Bilateral Contract Quantities from the Plant to Meralco's WESM Node, subject to adjustments provided for in Section 2.1.4. and **Appendix "A;"** and

(c) NGCP charges.

Notwithstanding this Section, Meralco shall, at all times, be liable for payment of all other existing taxes, fees, charges and costs, including penalties, arising from this Agreement that properly pertain to the business of Meralco.

5.1.3 Meralco shall remit to Power Supplier the applicable VAT on Contract Energy, except in respect of any portion thereof that applies to VAT zero-rated/VAT-exempt customers of Meralco, in accordance with regulations, orders, circulars or other issuances applicable to a distribution utility issued by relevant governmental instrumentalities, including, but not limited to, BIR Revenue Memorandum Circular No. 61-2005 and ERC Resolution No. 20-2005. Meralco shall issue, for each Billing Period, a certification containing:

(a) the amount of VAT related to the actual energy volume covered by this Agreement and allocated as sold to Meralco's VAT zero-rated/VAT-exempt customers; and

(b) the amount of VAT billed for energy covered by this Agreement that is uncollected from Meralco's customers which are neither VAT zero-rated nor VAT-exempt.

With respect to any VAT billed to Meralco by Power Supplier pertaining to actual energy volume for Meralco's VAT zero-rated and VAT-exempt customers, Power Supplier shall issue a credit memo reversing the corresponding amount of VAT billed to Meralco. Meralco shall indemnify Power Supplier for any final assessment, liability, surcharge, interests, penalties and other costs or fees ("**Assessments**") arising from Meralco's failure to remit the VAT collected from its customers. For purposes of this Article 5, Power Supplier shall notify Meralco of such Assessments, and the Parties shall meet and discuss within thirty (30) days from such notification, in order to reconcile the amount of unremitted VAT. The Parties agree that any outstanding obligations of Meralco in respect of its obligation to indemnify under this Article 5 shall not be considered a ground for termination.

In its monthly VAT remittance to Power Supplier, Meralco shall show the amount of VAT being remitted for the current and prior months' billings. Meralco shall provide Power Supplier an annual statement of its VAT balances with Power Supplier, including a certification indicating the VAT amount related to any receivables written off attributable to Power Supplier.

Article 6 Metering

Metering shall be in accordance with the WESM Rules, Distribution Code and the Grid Code.

Article 7 Force Majeure

7.1 An event of force majeure is an extraordinary event which cannot be foreseen or which though foreseen, cannot be avoided ("**Event of Force Majeure**"). The event must render it impossible for a party to fulfil its obligation in a normal manner despite the exercise of due care. An Event of Force Majeure shall not minimize its effects.

7.2 An Event of Force Majeure includes a storm, typhoon, lightning, flood, earthquake, tsunami, fire, war, rebellion, insurrection, riot, naval or other blockade, labor disturbance, civil unrest, failure or inability of NGCP's transmission line to transmit or distribute power due to reasons beyond the reasonable control of either Party, and other events which are fortuitous or entirely beyond the control of either or both parties including any action, curtailment or directive by any government agency, transmission provider or Market Operator.

7.3 For the avoidance of doubt, as to Power Supplier: (i) the breakdown or failure of equipment or machinery of the Plant shall not in itself be considered as an Event of Force Majeure, unless otherwise due to an event of force majeure; and (ii) any (a) interruption of the Plant's generating capability resulting in an unplanned reduction or suspension of the electrical output from the Plant and/or unavailability of Contract Energy in whole or in part from the Plant, (b) automatic shutdown of any part of the Plant, (c) delay or inability to procure Fuel for the Plant, and (d) other unavailability of the Plant for operation, that is due to an event of force majeure shall be treated for all purposes of this Agreement as an Event of Force Majeure.

7.4 In case of an Event of Force Majeure, the affected Party shall be excused from performance and shall not be considered to be in default in respect of any obligation under this Agreement for so long as failure to perform such obligation shall be due to an event of force majeure. For the avoidance of doubt and notwithstanding any other provision of this Agreement, Meralco shall not be required to make any payment in respect of any undelivered Contract Energy due to an event of force majeure.

7.5 If the Event of Force Majeure prevents (i) Power Supplier from delivering Contract Energy to Meralco, or (ii) Meralco from taking Contract Energy from Power Supplier, Meralco shall source the replacement energy from the WESM.

7.6 The affected Party shall notify the other in writing of the occurrence of such event. The other Party shall have fifteen (15) days to verify or deny in writing that such situation exists. This provision shall not apply in cases where immediate action is required by this Agreement, laws, rules, regulations, good engineering or standard practice, or when a definite period is prescribed by this Agreement to take curative measures.

Article 8 Settlement of Disputes

8.1 The Parties shall exert reasonable efforts to amicably settle all disputes arising in connection with this Agreement. If, within fifteen (15) days after the commencement of such settlement discussions, the Parties are unable to resolve their differences, either Party may commence dispute resolution proceedings in accordance with Section 8.2.

8.2 Any dispute arising in connection with this Agreement shall be brought to the ERC or any government body vested with exclusive and original jurisdiction for adjudication. However, in cases where exclusive and original jurisdiction has not been vested in the ERC or any specified government agency, the aggrieved party may initiate arbitration proceedings in accordance with Republic Act No. 876, otherwise known as the Philippine Arbitration Law. In case the dispute is validly lodged before a competent court, the venue of the action shall be any of the places where the principal offices of Power Supplier or Meralco are located. Notwithstanding the foregoing, the Parties, if they so desire and mutually agree, for expediency, convenience and other plausible or beneficial reasons, may opt to take other modes of settling disputes like executive resolution, where the top executives of both Parties would meet and settle the issues, mediation or conciliation under such rules and procedures that they may agree upon.

Article 9 Termination

9.1 If for any reason, except as provided in Article 7, there is an actual failure on the part of Power Supplier to deliver the Contract Energy to Meralco for a period of ten (10) days, Meralco shall send written notice to Power Supplier stating that such a breach has occurred.

9.2 If, within thirty (30) days after receipt from Meralco of such written notice (the "**Curing Period**"), the actual failure on the part of Power Supplier to deliver the Contract Energy to Meralco has not been remedied by Power Supplier, Meralco may terminate this Agreement and pursue any remedy available to it under this Agreement, at law or in equity.

9.3 Meralco shall, from and after the occurrence of a breach under Section 9.1 and even during the Curing Period, be entitled to source energy from the WESM or other parties and Power Supplier shall be liable to pay Meralco the difference between the amount Meralco actually paid for such energy and the Contract Price.

9.4 Upon the early termination of this Agreement due to: (i) an actual failure on the part of Power Supplier to deliver the Contract Energy to Meralco, or (ii) the failure of Meralco to pay for the Contract Price under the terms and conditions of this Agreement, that results in the early termination of this Agreement, and without prejudice to any other provisions of this Agreement prior to such early termination, the Party in breach shall pay liquidated damages in an amount equivalent to the present value of the Capacity Recovery Fees for the remaining Term discounted at twelve percent (12%).

9.5 Either Party shall have the right to terminate this Agreement by serving thirty (30)-day advance written notice to the other due to violation of any of the provisions hereof or any of the grounds provided for herein; Provided, that the termination under this Section shall not prejudice the right of the aggrieved Party to liquidated damages under Section 9.4.

9.6 Subject to seven (7) days prior written notice to Meralco, Power Supplier may terminate this Agreement if:

(a) After forty (40) days from filing of the ERC Application for approval of this Agreement, no ERC approval has been issued; or

(b) If ERC PA or FA has been issued, Power Supplier is not amenable to any changes in the terms and conditions of the PSA, including the rate, as may be provided in the ERC PA or FA.

9.7 In the event of pre-termination of this Agreement on grounds as provided in this Agreement, Meralco shall purchase energy from the WESM.

Article 10 Miscellaneous

10.1 Confidentiality

Each Party agrees that it will, and will ensure that its employees, officers and directors will, and will make reasonable efforts to ensure that its agents will, hold in confidence this Agreement and all information, documentation, data or know-how disclosed to it by the other Party and designated in writing as confidential ("Confidential Information"), and will not disclose to any third party or use Confidential Information or any part thereof without the other Party's prior written approval, provided that Confidential Information may be disclosed to (i) a governmental instrumentality pursuant to any legal requirement and (ii) financial institutions, bona fide potential purchasers, and consultants and contractors whose duties reasonably require such disclosure, provided that in case of disclosure in (ii), the parties to whom disclosure is made shall be similarly obligated to keep the information disclosed confidential.

10.2 Severability of Provisions

Each provision of this Agreement is severable and distinct from the others. The Parties intend that every provision of it shall be and remain valid and enforceable to the fullest extent permitted by law. If any provision of this Agreement is or at any time becomes to any extent invalid, illegal or unenforceable for any reason, such provision shall to that extent be deemed not to form part of this Agreement, but the validity, legality and enforceability of the remaining parts of this Agreement shall not be thereby affected or impaired.

10.3 Governing Law

This Agreement shall be governed by, and construed in accordance with, the laws of the Philippines.

[Intentionally left blank; Signature page follows]

IN WITNESS WHEREOF, each of the Parties has caused this Agreement to be executed as of the day and year first above written.

MANILA ELECTRIC COMPANY

By: _____
Name: **Alfredo S. Panlilio**
Title: *Senior Vice President and Head, Customer Retail Services and Corporate Communications*

By: _____
Name: **Ronnie L. Aperocho**
Title: *First Vice President and Head, Networks*

WITNESSED BY:

By: _____
Name: **Ciprinilo C. Meneses**
Title: *Head, Energy Sourcing*

TOLEDO POWER CO.

By: _____
Name: **Rolando T. Bacani**
Title: *President*

By: _____
Name: **Jaime T. Azurin**
Title: *Executive Vice President*

WITNESSED BY:

By: _____
Name: **Janssen A. Dela Cruz**
Title: *Assistant Vice President, Business Development*

ACKNOWLEDGMENT

REPUBLIC OF THE PHILIPPINES)
PASIG CITY) s.s.

BEFORE ME, a Notary Public for and in Pasig City, Philippines, this January 22, 2016, personally appeared:

	Competent Evidence of Identity	**Date and Place Issued**
Alfredo S. Panlilio	Passport No. EB5654502	Jun. 15, 2012/Manila
Ronnie L. Aperocho	Passport No. EB9627487	Nov. 20, 2013/Manila
Rolando T. Bacani	Passport No. EB3937439	Oct. 25, 2011/Manila
Jaime T. Azurin	Passport No. EC3880797	Apr. 8, 2015/NCR South

all known to me and to me known to be the same persons who executed the foregoing instrument for and in behalf of their corporation, and they acknowledged before me that the same is their free and voluntary act and deed, as well as that of their corporation, and that they are duly authorized to sign, execute and deliver the same.

This instrument consists of 18 pages, including this page on which this Acknowledgment is written, Appendix A and Schedule 1, which are attached to this Interim Power Supply Agreement, and has been signed by the Parties and their instrumental witnesses, and sealed with my notarial seal.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my notarial seal on the date and the place first above-written.

ATTY. CARMEN GRACE S. RAMOS
NOTARY PUBLIC
Pasig, Pateros, Taguig & San Juan
Issued on July 13, 2015 at Pasig City
until December 31, 2016
Roll No. 55945; IBP No. 1623723; 1/8/16; RSM Chapter
PTR No. 1473409; 1/21/16; Pasig City
7th Floor, Lopez Bldg., Ortigas Ave., Pasig City

Doc. No: 125 ;
Page No: 26 ;
Book No: IV ;
Series of 2016.

APPENDIX A
CALCULATION OF PAYMENTS

The Monthly Bill Payment is based on the Contract Price, which consists of components A, B, C, D, E and F, and shall be calculated based on the formula:

Monthly Bill Payment = A + B + C + D – E + F

A. Capital Recovery Payment

The Capital Recovery Payment (CRP) shall be calculated as follows:

$$CRP = (CRF * CC) * \frac{(T - FM)}{T}$$

Where:

CRF = Capital Recovery Fee rate set forth in Schedule 1 of this Agreement
CC = Contract Capacity
T = Total Operating Hours for the Month (Mondays to Saturdays 1000H-2100H, except holidays)
FM = Number of Operating Hours subject to Force Majeure and/or Section 2.1.4

B. Fixed Operations & Maintenance Payment

The Fixed Operations & Maintenance Payment (FOMP) shall be calculated as follows:

$$FOMP = CC * \left(FOM * \frac{CPI_c}{CPI_b} \right) * \frac{(T - FM)}{T}$$

Where:

CC = as previously defined
FOM = Fixed O&M Fee rate set forth in Schedule 1 of this Agreement
CPI_c = the Philippine Consumer Price Index for All Income Households in the Philippines – All Items (2006=100) taken from the National Statistics Office website for the immediately preceding month of the relevant Billing Period
CPI_b = the base Philippine Consumer Price Index for All Income Households in the Philippines – All Items (2006=100) as indicated in Schedule 1 of this Agreement
T = as previously defined
FM = as previously defined

C. Variable Operations & Maintenance Payment

The Variable Operations & Maintenance Payment (VOMP) shall be calculated as follows:

$$VOMP = AE * \left(VOM * \frac{CPI_c}{CPI_b} \right)$$

Where:

AE = summation of bilateral contract quantities declared by the Power Supplier in the WESM for the Buyer in accordance with Section 3.2.1
VOM = Variable O&M Fee rate set forth in Schedule 1 of this Agreement

CPI_c = as previously defined
CPI_b = as previously defined

D. Fuel Payment

The Fuel Payment (FP) shall be calculated as follows:

FP = AE * FPR

Where:
AE = as previously defined
FPR = Fuel Payment Rate (in PHP/kWh) calculated based on the actual consumption rate of the plant and the actual cost of Heavy Fuel Oil, Light Fuel Oil and Lube Oil computed using weighted average inventory prices as consumed. Power Supplier shall provide Meralco the necessary supporting documents on the actual cost of Heavy Fuel Oil, Light Fuel Oil and Lube Oil based on weighted average inventory prices, actual energy generated by the Plant, and actual fuel consumption of the Plant during the relevant Billing Period.

E. Net WESM Sales

The Net WESM Sales shall be calculated as follows:

$$\text{Net WESM Sales} = \sum_{j=1}^{Day} \sum_{i=1}^{Interval} [(DAN - BCQ_{initial}) * EAP_{ij}]$$

Where:
DAN = Day-Ahead Nomination submitted by MERALCO for interval i and day j, in kWh
$BCQ_{initial}$ = Bilateral Contract Quantity declared by Supplier to the Market Operator for interval i and day j, in kWh
EAP_{ij} = WESM ex-ante price at Plant Node at interval i and Day j as billed by the WESM, in PHP/kWh; excluding the market participation fees of the Power Supplier and any other pertinent cost, taxes, fees and charges imposed by the Market Operator with respect to such energy traded in the WESM

F. BCQ Correction

The BCQ Correction (applicable only to erroneous BCQ declarations) shall be calculated as follows:

$$\text{BCQ Correction} = \sum_{j=1}^{Day} \sum_{i=1}^{Interval} [(BCQ_{initial} - BCQ_{final}) * (EAP_{ij} - \text{Var. Cost})]$$

Where:
$BCQ_{initial}$ = Bilateral Contract Quantity declared by Supplier to the Market Operator for interval i and day j, in kWh
BCQ_{final} = Bilateral Contract Quantity determined at the end of the month at interval I and day j, in kWh

EAP_{ij}	= WESM ex-ante price at Plant Node at interval i and Day j as billed by the WESM, in PHP/kWh excluding the market participation fees of the Power Supplier and any other pertinent cost, taxes, fees and charges imposed by the Market Operator with respect to such energy traded in the WESM
Var. Cost	= Fuel Payment and Variable O&M Price for the relevant supply month, in PHP/kWh

SCHEDULE 1

Contract Capacity	CC	kW	**28,000**
Capital Recovery Fee	CRF	PHP/kW-month	276.0840 Less Discount: 92.3000 **183.7840**
Fixed O&M Fee	FOM	PHP/kW-month	**396.2160**
Variable O&M Fee	VOM	PHP/kWh	**0.2349**
Base Philippine Consumer Price Index – All Items (Feb 2014)	CPI_b		**137.80**

ANNEX "B"

INTERIM POWER SUPPLY AGREEMENT

Between

MANILA ELECTRIC COMPANY

and

PANAY POWER CORPORATION

January 22, 2016

INTERIM POWER SUPPLY AGREEMENT

This Interim Power Supply Agreement (the "**Agreement**") is entered into on January 22, 2016, by and between:

1. Manila Electric Company (hereinafter "**Meralco**"), a corporation duly organized and existing under the laws of the Republic of the Philippines, with office address at Ortigas Avenue, Barangay Ugong, Pasig City; and

2. Panay Power Corporation (hereinafter "**Power Supplier**"), a corporation duly organized and existing under the laws of the Republic of the Philippines, with office address at Brgy. Ingore, La Paz, Iloilo City, Philippines.

Each of the above-mentioned parties to this Agreement is referred to as a "**Party**" and, together the "**Parties**".

RECITALS

A. Meralco is a distribution utility operating an electric power distribution system with a legislative franchise to operate and maintain a distribution system in the cities/municipalities of Metro Manila, Bulacan, Cavite and Rizal and certain cities/municipalities/barangays in Batangas, Laguna, Quezon and Pampanga, pursuant to Republic Act No. 9209.

B. Power Supplier owns and operates a 72 MW Diesel-Fired Power Plant located in Brgy. Ingore, La Paz, Iloilo City (the "**Plant**").

C. Based on Meralco's power supply-demand outlook for 2016, Meralco foresees a significant capacity deficit in its portfolio for the period March to October 2016 due to scheduled maintenance shutdowns of its contracted generating units as well as possible occurrences of forced plant outage.

D. There is a need for Meralco to source the corresponding deficiency through interim bilateral supply agreements with power suppliers with available capacity to ensure the availability and affordability of the supply of electricity to Meralco's customers.

E. Power Supplier has offered to sell up to 45 MW of electric power on a firm basis from trading interval 1000H to 2100H during Mondays to Saturdays (the "**Contract Energy**"), and Meralco has accepted such offer after the conduct of a competitive selection process and good faith negotiations, on the terms and conditions contained herein.

F. Meralco and Power Supplier desire to define in this Agreement their respective rights and obligations with respect to the sale and purchase of Contract Energy.

NOW, THEREFORE, in view of the foregoing and in consideration of the mutual covenants and agreements set out in this Agreement, the Parties hereby agree as follows:

Article 1 Term and Effectivity

1.1 Term of Agreement

1.1.1 This Agreement shall become effective immediately upon execution, provided that Power Supplier's obligation to deliver, and Meralco's obligation to purchase Contract Energy, shall commence upon Energy Regulatory Commission ("**ERC**") Provisional Authority ("**PA**") or Final Approval ("**FA**") (the "**Commencement Date**") and shall expire on February 25, 2017, unless terminated earlier in accordance with the terms of this Agreement or extended by the parties by the application of Section 1.1.2 ("**Term**").

1.1.2 The Term shall be automatically extended for a period of one (1) year under the same terms and conditions set forth in this Agreement, unless terminated by either Party by sending written notice to the other Party ninety (90) days prior to the expiration of the Term. In no case shall the automatic extension of this Agreement exceed four (4) years.

1.2 ERC Approval

1.2.1 Within five (5) days after the date of this Agreement, the Parties shall file a joint application with the ERC for the approval of this Agreement, including the Contract Price as detailed in **Appendix "A"** ("**ERC Application**").

1.2.2 If the ERC PA or FA requires any portion of any sum that has been paid by Meralco to Power Supplier to be adjusted, the Power Supplier shall make the necessary adjustments in accordance with the direction of the ERC. In the event of any disallowance in the Contract Price, the same shall be for the account of Power Supplier.

1.2.3 If the ERC FA requires an amendment of any provision herein, including provisions on amounts payable under this Agreement, or subjects such approval to any material term or condition that is not acceptable to either Party, acting reasonably ("ERC Conditional Approval"), the Parties shall cooperate in good faith to resolve the required ERC amendment(s) or to address the material term or condition. The Parties shall agree to:

(a) Within fifteen (15) days after the receipt by the Parties of the ERC Conditional Approval, seek a reconsideration of the ERC Conditional Approval. During the period that the motion for reconsideration is pending, Power Supplier shall make available the Contract Energy following the rate in the ERC Conditional Approval, subject to the ERC's Final Approval; and/or

(b) If necessary, within thirty (30) days after receipt by the Parties of the ERC Conditional Approval, revise and file an amended agreement for approval by the ERC;

provided that if the motion for reconsideration is denied by the ERC, or if the Parties fail to agree on the amendment of this Agreement within the period prescribed in Section 1.2.3 (b), or the amended agreement is disapproved by the ERC, or approved by the ERC but still with any material term or condition that is not acceptable to either Party, acting reasonably, the Agreement can be terminated by any Party by giving a thirty (30)-day prior written notice of such termination to the other Party.

Article 2 Sale and Purchase of Contract Energy

2.1 Supply of Power

Subject to the terms and conditions of this Agreement:

2.1.1 Immediately upon the Commencement Date, Power Supplier shall make available, sell and deliver to Meralco and Meralco shall purchase from Power Supplier the Contract Energy at the Contract Price as detailed in **Appendix "A"**. The Parties agree that Power Supplier shall have no obligation to supply more than the Contract Energy.

2.1.2 Subject to Section 2.1.3, Power Supplier shall not, without Meralco's prior written consent, sell, divert, transfer, dedicate, reserve or assign all or any portion of the Contract Energy to any Person other than Meralco.

2.1.3 Power Supplier shall, under certain conditions, trade in the WESM any portion of the Contract Energy that is not taken by Meralco. The Parties acknowledge and agree that any trading of this energy shall be for the sole benefit of Meralco. Except for the market participation fees of Power Supplier, any and all costs, taxes, fees and charges, imposed by the Market Operator with respect to such energy traded in the WESM for the portion of the Contract Energy not taken by Meralco, including the proportionate billing adjustments in relation thereto, such as but not limited to, price substitution mechanism adjustments, shall be for the sole account of Meralco. Meralco hereby authorizes Power Supplier to offset any and all of the foregoing amounts against the revenues derived from the trading of the portion of the Contract Energy not taken by Meralco, in accordance with **Appendix "A"**.

2.1.4 On a day-after and month-after basis, in the event that the WESM line rental charges exceed PhP0.30/kWh in any trading interval, Meralco shall have the option to not take the Contract Energy for such trading interval. If Meralco exercises such option, it shall not be required to make any Capacity Payment and Fixed O&M Payment with respect to Contract Energy that is not taken by Meralco, in accordance with **Appendix "A"**.

2.1.5 Power Supplier shall not be entitled to any planned/scheduled or forced outage allowances. In case of any such outage, Power Supplier shall procure replacement energy, and Meralco shall pay for the same at the Contract Price.

2.2 **Nominations**

2.2.1 For administrative and planning purposes only, Meralco shall furnish Power Supplier with non-binding month-ahead and week-ahead nominations of energy, in accordance with the Wholesale Electricity Spot Market ("**WESM**") Rules and the Operating Procedures. Such nominations shall reflect Meralco's good faith estimate of its projected energy requirements for such period.

2.2.2 Meralco shall furnish Power Supplier with binding day-ahead nominations on an hour-by-hour basis, in accordance with the WESM Rules and the Operating Procedures, provided that Meralco has the option to revise its day-ahead nominations at least two (2) hours before gate closure of the first affected trading interval.

Article 3 Operation and Maintenance of the Plant

3.1 **Operation, Maintenance and Repair**

Power Supplier shall operate, maintain and repair the Plant in accordance with good utility practice and consistent with the WESM Rules and the Grid Code.

3.2 **WESM Declarations**

3.2.1 Power Supplier shall ensure that its day-after daily declaration of bilateral contract quantities submitted to the Market Operator, as required by the WESM Rules, accurately reflects the day-ahead nominations furnished by Meralco. Any amounts assessed by the Market Operator on the Parties as a result of an erroneous declaration by Power Supplier of its bilateral contract quantities shall be borne by Power Supplier, and Power Supplier shall indemnify and hold Meralco harmless from any loss, cost, expense or penalty incurred or paid by Meralco as a result of any such erroneous declaration, including applicable Value-Added Tax ("**VAT**"), if any, based on the WESM VAT rate during the relevant Billing Period. If the Market Operator invoices Meralco for any such amounts, Power Supplier shall reimburse Meralco within seven (7) days from receipt of written demand therefor.

3.2.2 On a daily basis, Power Supplier shall furnish Meralco with a copy of the prior day's declaration of bilateral contract quantities for confirmation before Power Supplier makes a declaration to the Market Operator, provided that if Meralco does not confirm the prior day's bilateral contract quantities by four o'clock in the afternoon (4 p.m.) of the day of receipt, such bilateral contract quantities shall be deemed confirmed and Power Supplier may declare the same to the Market Operator. Meralco shall have the right, but not the obligation to review such reports and upon its review, shall inform Power Supplier of any discrepancies or exceptions it may find. When necessary, Power Supplier shall immediately notify Market Operator of any corrections to its declaration of bilateral contract quantities in accordance with the WESM Rules.

Article 4 Billing and Payment

4.1 Billing

4.1.1 The billing period shall commence on the twenty-sixth (26th) day of the current month and shall end on the twenty-fifth (25th) day of the succeeding month, taking into consideration the Commencement Date and termination of this Agreement ("**Billing Period**").

4.1.2 Power Supplier shall render to Meralco an itemized Invoice on the basis of Meralco's day-ahead binding twenty-four (24)-hour energy nominations for each day of a Billing Period. Each Invoice for a Billing Period shall show the Contract Energy made available by Power Supplier to Meralco during each hour of such Billing Period, and other amounts, if any, to be paid by Meralco.

4.1.3 Any Invoice rendered by Power Supplier to Meralco pursuant to Section 4.1.1 hereof shall be rendered in the first instance in the form of a Provisional Invoice, which Provisional Invoice may be adjusted or revised by Power Supplier. Power Supplier shall deliver the Provisional Invoice to Meralco no later than the twenty-eighth (28th) day of a calendar month. An advance copy of the Provisional Invoice shall also be delivered through electronic mail.

4.1.4 Power Supplier shall furnish Meralco with a report of Power Supplier's WESM declaration of bilateral contract quantities for each hour immediately after such declaration.

4.1.5 Within fifteen (15) days after its receipt of the Provisional Invoice, Meralco shall notify Power Supplier in writing of any questions or exceptions it may have with respect to the Provisional Invoice. Meralco and Power Supplier shall confer within three (3) days thereafter to discuss and seek to resolve any discrepancies or disputes in the Provisional Invoice prior to the issuance of the Final Invoice.

4.1.6 Within nineteen (19) days after the end of the relevant Billing Period, Power Supplier shall provide Meralco with a Final Invoice for such Billing Period, in the same format as the Provisional Invoice; provided that the Final Invoice shall reflect any corrections or adjustments agreed to by the Parties.

4.2 Payments

4.2.1 Each Final Invoice shall be due and payable not later than the last day of the calendar month following the month in which the end of the Billing Period for such Final Invoice relates; provided that if such day is not a business day, then the Final Invoice shall be due and payable on the next succeeding business day ("**Payment Date**"); provided further that in the event that the Final Invoice is not received by Meralco within the time set forth in Section 4.1.6, the payment shall be due and payable on the due date for the subsequent Billing Period; provided finally that Meralco shall not be required to make payment on any Final Invoice that is manifestly in error, apparently invalid or not in the form or substance contemplated by this Agreement.

4.2.2 If Meralco disputes all or any portion of a Final Invoice for a reason other than a manifest error in, or the patent invalidity or incorrect form or substance of, such Final Invoice, Meralco shall, nonetheless, pay the full amount of such Invoice. Any payment by Meralco under this Section is without prejudice to Meralco's right at a later date to dispute, protest or question any amount so paid.

4.2.3 If any sum set forth in a Final Invoice or any other sum payable under this Agreement has been paid under protest or is subject to objection, or is the subject of a dispute, then after agreement between the Parties or after settlement of the dispute, any sum so agreed by the Parties or determined to be owing, including the refund of any amount so paid under protest or subject of a dispute, shall be paid within seven (7) days from such agreement, resolution or settlement, with interest accruing thereon from the original due date, or, if payment has been made under protest or dispute, from the date the disputed amount was paid, until the date of the agreement, resolution or settlement. Interest shall be calculated as an annual rate on a three hundred sixty-five (365) day basis equivalent to the PDST-R2 plus two hundred (200) basis points, from the date upon which it was due until the date payment was received by either Party; provided, however, that if the protest or dispute is resolved by the Parties and payment is made, in each case within thirty (30) days from date of the filing of such protest or dispute, the Parties shall waive the payment of any interest on the amount owing, or, if payment has been made under protest or dispute, due on the amount to be refunded.

4.2.4 If any Party fails to make payment to another Party of any amount due under this Agreement where such amount is not the subject of a dispute, interest thereon from the date when payment was originally due until payment thereof is received shall accrue at a rate calculated as an annual rate on a three hundred sixty-five (365)-day basis equivalent to the PDST-R2 plus two hundred (200) basis points, accruing from the date when payment was originally due until payment thereof is received.

4.2.5 Any reference to a payment required hereunder, including the consequences of any delay in such payment, shall also apply to any required reimbursement or credit memo, and the due date shall be the date required for such reimbursement or credit memo to be made.

4.2.6 All payments by Meralco pursuant to this Section 4.2 shall be made by wire transfer of immediately available funds to such account or accounts specified by Power Supplier.

4.2.7 If Meralco fails to pay any amounts due and payable under this Agreement and such failure is not excused under Section 7.1, Meralco shall pay to Power Supplier interest on such unpaid amount in accordance with this Section 4.2.

4.2.8 Power Supplier shall issue a receipt to Meralco acknowledging any payment hereunder on the date of such payment.

4.3 **Set-off**

Each Party reserves to itself all rights of set-off, counterclaim and other remedies and/or defenses that such Party is or may be entitled to assert arising from or out of this Agreement.

Article 5 Taxes, Fees and Costs

5.1 **Responsibility for Taxes, Fees and Costs**

5.1.1 Power Supplier shall be responsible for and shall make timely payment of the following amounts:

(a) WESM costs attributable to Power Supplier;

(b) Benefits to host communities charges; and

(c) VAT on the foregoing amounts, if any.

Power Supplier shall also be liable for the payment of all other existing taxes, fees, charges and costs, including penalties, arising from this Agreement that properly pertain to the business of Power Supplier.

5.1.2 The following amounts that Meralco is responsible for paying to third parties shall form part of the price that Meralco will charge to its customers:

(a) VAT on Contract Energy in accordance with Bureau of Internal Revenue ("**BIR**") Memorandum Circular No. 61-2005 and ERC Resolution No. 20-2005, except in respect of any portion thereof that applies to VAT zero-rated and VAT-exempt customers of Meralco;

(b) WESM line rental charges associated with the declaration of Bilateral Contract Quantities from the Plant to Meralco's WESM Node, subject to adjustments provided for in Section 2.1.4. and **Appendix "A;"** and

(c) NGCP Charges.

Notwithstanding this Section, Meralco shall, at all times, be liable for payment of all other existing taxes, fees, charges and costs, including penalties, arising from this Agreement that properly pertain to the business of Meralco.

5.1.3 Meralco shall remit to Power Supplier the applicable VAT on Contract Energy, except in respect of any portion thereof that applies to VAT zero-rated/VAT-exempt customers of Meralco, in accordance with regulations, orders, circulars or other issuances applicable to a distribution utility issued by relevant governmental instrumentalities, including, but not limited to, BIR Revenue Memorandum Circular No. 61-2005 and ERC Resolution No. 20-2005. Meralco shall issue, for each Billing Period, a certification containing:

(a) the amount of VAT related to the actual energy volume covered by this Agreement and allocated as sold to Meralco's VAT zero-rated/VAT-exempt customers; and

(b) the amount of VAT billed for energy covered by this Agreement that is uncollected from Meralco's customers which are neither VAT zero-rated nor VAT-exempt.

With respect to any VAT billed to Meralco by Power Supplier pertaining to actual energy volume for Meralco's VAT zero-rated and VAT-exempt customers, Power Supplier shall issue a credit memo reversing the corresponding amount of VAT billed to Meralco. Meralco shall indemnify Power Supplier for any final assessment, liability, surcharge, interests, penalties and other costs or fees ("**Assessments**") arising from Meralco's failure to remit the VAT collected from its customers. For purposes of this Article 5, Power Supplier shall notify Meralco of such Assessments, and the Parties shall meet and discuss within thirty (30) days from such notification, in order to reconcile the amount of unremitted VAT. The Parties agree that any outstanding obligations of Meralco in respect of its obligation to indemnify under this Article 5 shall not be considered a ground for termination.

In its monthly VAT remittance to Power Supplier, Meralco shall show the amount of VAT being remitted for the current and prior months' billings. Meralco shall provide Power Supplier an annual statement of its VAT balances with Power Supplier, including a certification indicating the VAT amount related to any receivables written off attributable to Power Supplier.

Article 6 Metering

Metering shall be in accordance with the WESM Rules, Distribution Code and the Grid Code.

Article 7 Force Majeure

7.1 An event of force majeure is an extraordinary event which cannot be foreseen or which though foreseen, cannot be avoided ("**Event of Force Majeure**"). The event must render it impossible for a party to fulfil its obligation in a normal manner despite the exercise of due care. An event of force majeure shall not minimize its effects.

7.2 An event of force majeure includes a storm, typhoon, lightning, flood, earthquake, tsunami, fire, war, rebellion, insurrection, riot, naval or other blockade, labor disturbance, civil unrest, failure or inability of NGCP's transmission line to transmit or distribute power due to reasons beyond the reasonable control of either Party, and other events which are fortuitous or entirely beyond the control of either or both parties including any action, curtailment or directive by any government agency, transmission provider or Market Operator.

7.3 For the avoidance of doubt, as to Power Supplier: (i) the breakdown or failure of equipment or machinery of the Plant shall not in itself be considered as an Event of Force Majeure, unless otherwise due to an event of force majeure; and (ii) any (a) interruption of the Plant's generating capability resulting in an unplanned reduction or suspension of the electrical output from the Plant and/or unavailability of Contract Energy in whole or in part from the Plant, (b) automatic shutdown of any part of the Plant, (c) delay or inability to procure Fuel for the Plant, and (d) other unavailability of the Plant for operation, that is due to an event of force majeure shall be treated for all purposes of this Agreement as an event of force majeure.

7.4 In case of an event of force majeure, the affected Party shall be excused from performance and shall not be considered to be in default in respect of any obligation under this Agreement for so long as failure to perform such obligation shall be due to an event of force majeure. For the avoidance of doubt and notwithstanding any other provision of this Agreement, Meralco shall not be required to make any payment in respect of any undelivered Contract Energy due to an event of force majeure.

7.5 If the event of force majeure prevents (i) Power Supplier from delivering Contract Energy to Meralco, or (ii) Meralco from taking Contract Energy from Power Supplier, Meralco shall source the replacement energy from the WESM.

7.6 The affected Party shall notify the other in writing of the occurrence of such event. The other Party shall have fifteen (15) days to verify or deny in writing that such situation exists. This provision shall not apply in cases where immediate action is required by this Agreement, laws, rules, regulations, good engineering or standard practice, or when a definite period is prescribed by this Agreement to take curative measures.

Article 8 Settlement of Disputes

8.1 The Parties shall exert reasonable efforts to amicably settle all disputes arising in connection with this Agreement. If, within fifteen (15) days after the commencement of such settlement discussions, the Parties are unable to resolve their differences, either Party may commence dispute resolution proceedings in accordance with Section 8.2.

8.2 Any dispute arising in connection with this Agreement shall be brought to the ERC or any government body vested with exclusive and original jurisdiction for adjudication. However, in cases where exclusive and original jurisdiction has not been vested in the ERC or any specified government agency, the aggrieved party may initiate arbitration proceedings in accordance with Republic Act No. 876, otherwise known as the Philippine Arbitration Law. In case the dispute is validly lodged before a competent court, the venue of the action shall be any of the places where the principal offices of Power Supplier or Meralco are located. Notwithstanding the foregoing, the Parties, if they so desire and mutually agree, for expediency, convenience and other plausible or beneficial reasons, may opt to take other modes of settling disputes like executive resolution, where the top executives of both Parties would meet and settle the issues, mediation or conciliation under such rules and procedures that they may agree upon.

Article 9 Termination

9.1 If for any reason, except as provided in Article 7, there is an actual failure on the part of Power Supplier to deliver the Contract Energy to Meralco for a period of ten (10) days, Meralco shall send written notice to Power Supplier stating that such a breach has occurred.

9.2 If, within thirty (30) days after receipt from Meralco of such written notice (the "**Curing Period**"), the actual failure on the part of Power Supplier to deliver the Contract Energy to Meralco has not been remedied by Power Supplier, Meralco may terminate this Agreement and pursue any remedy available to it under this Agreement, at law or in equity.

9.3 Meralco shall, from and after the occurrence of a breach under Section 9.1 and even during the Curing Period, be entitled to source energy from the WESM or other parties and Power Supplier shall be liable to pay Meralco the difference between the amount Meralco actually paid for such energy and the Contract Price.

9.4 Upon the early termination of this Agreement due to: (i) an actual failure on the part of Power Supplier to deliver the Contract Energy to Meralco, or (ii) the failure of Meralco to pay for the Contract Price under the terms and conditions of this Agreement, that results in the early termination of this Agreement, and without prejudice to any other provisions of this Agreement prior to such early termination, the Party in breach shall pay liquidated damages in an amount equivalent to the present value of the Capacity Recovery Fees for the remaining Term discounted at twelve percent (12%).

9.5 Either Party shall have the right to terminate this Agreement by serving thirty (30)-day advance written notice to the other due to violation of any of the provisions hereof or any of the grounds provided for herein; Provided, that the termination under this Section shall not prejudice the right of the aggrieved Party to liquidated damages under Section 9.4.

9.6 Subject to seven (7) days prior written notice to Meralco, Power Supplier may terminate this Agreement if:

(a) After forty (40) Days from filing of the ERC Application for approval of this Agreement, no approval has been issued; or

(b) If ERC PA or FA has been issued, Power Supplier is not amenable to any changes in the terms and conditions of the PSA, including the rate, as may be provided in the ERC PA or FA.

9.7 In the event of pre-termination of this Agreement on grounds as provided in this Agreement, Meralco shall purchase energy from the WESM.

Article 10 Miscellaneous

10.1 Confidentiality

Each Party agrees that it will, and will ensure that its employees, officers and directors will, and will make reasonable efforts to ensure that its agents will, hold in confidence this Agreement and all information, documentation, data or know-how disclosed to it by the other Party and designated in writing as confidential ("**Confidential Information**"), and will not disclose to any third party or use Confidential Information or any part thereof without the other Party's prior written approval, provided that Confidential Information may be disclosed to (i) a governmental instrumentality pursuant to any legal requirement and (ii) financial institutions, bona fide potential purchasers, and consultants and contractors whose duties reasonably require such disclosure, provided that in case of disclosure in (ii), the parties to whom disclosure is made shall be similarly obligated to keep the information disclosed confidential.

10.2 Severability of Provisions

Each provision of this Agreement is severable and distinct from the others. The Parties intend that every provision of it shall be and remain valid and enforceable to the fullest extent permitted by law. If any provision of this Agreement is or at any time becomes to any extent invalid, illegal or unenforceable for any reason, such provision shall to that extent be deemed not to form part of this Agreement, but the validity, legality and enforceability of the remaining parts of this Agreement shall not be thereby affected or impaired.

10.3 Governing Law

This Agreement shall be governed by, and construed in accordance with, the laws of the Philippines.

[Intentionally left blank; Signature page follows]

IN WITNESS WHEREOF, each of the Parties has caused this Agreement to be executed as of the day and year first above written.

MANILA ELECTRIC COMPANY

By: _____
Name: **Alfredo S. Panlilio**
Title: *Senior Vice President and Head, Customer Retail Services and Corporate Communications*

By: _____
Name: **Ronnie L. Aperocho**
Title: *First Vice President and Head, Networks*

WITNESSED BY:

By: _____
Name: **Cipriñilo C. Meneses**
Title: *Head, Energy Sourcing*

PANAY POWER CORPORATION

By: _____
Name: **Rolando T. Bacani**
Title: *President*

By: _____
Name: **Jaime T. Azurin**
Title: *Executive Vice President*

WITNESSED BY:

By: _____
Name: **Janssen A. Dela Cruz**
Title: *Assistant Vice President, Business Development*

ACKNOWLEDGMENT

REPUBLIC OF THE PHILIPPINES)
PASIG CITY) s.s.

BEFORE ME, a Notary Public for and in Pasig City, Philippines, this January 22, 2016, personally appeared:

	Competent Evidence of Identity	**Date and Place Issued**
Alfredo S. Panlilio	Passport No. EB5654502	Jun. 15, 2012/Manila
Ronnie L. Aperocho	Passport No. EB9627487	Nov. 20, 2013/Manila
Rolando T. Bacani	Passport No. EB3937439	Oct. 25, 2011/Manila
Jaime T. Azurin	Passport No. EC3880797	Apr. 8, 2015/NCR South

all known to me and to me known to be the same persons who executed the foregoing instrument for and in behalf of their respective corporations, and they acknowledged before me that the same is their free and voluntary act and deed, as well as that of their respective corporations, and that they are duly authorized to sign, execute and deliver the same.

This instrument consists of 18 pages, including this page on which this Acknowledgment is written, Appendix A and Schedule 1, which are attached to this Interim Power Supply Agreement, and all pages have been signed by the Parties and their instrumental witnesses on each and every page hereof, and sealed with my notarial seal.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my notarial seal on the date and the place first above-written.

ATTY. CARMEN GRACE S. RAMOS
NOTARY PUBLIC
Pasig, Pateros, Taguig & San Juan
Issued on July 13, 2015 at Pasig City
until December 31, 2016
Roll No. 55945; IBP No. 1023723; 1/8/16; RSM Chapter
PTR No. 1473409; 1/2/16 Pasig City
7th Floor, Lopez Bldg., Ortigas Ave., Pasig City

Doc. No: 126 ;
Page No: 27 ;
Book No: IV ;
Series of 2016.

APPENDIX A
CALCULATION OF PAYMENTS

The Monthly Bill Payment is based on the Contract Price, which consists of components A, B, C, D, E and F, and shall be calculated based on the formula:

Monthly Bill Payment = A + B + C + D – E + F

A. Capital Recovery Payment

The Capital Recovery Payment (CRP) shall be calculated as follows:

$$CRP = (CRF * CC) * \frac{(T - FM)}{T}$$

Where:

CRF = Capital Recovery Fee rate set forth in Schedule 1 of this Agreement
CC = Contract Capacity
T = Total Operating Hours for the Month (Mondays to Saturdays 1000H-2100H, except holidays)
FM = Number of Operating Hours subject to Force Majeure and/or Section 2.1.4

B. Fixed Operations & Maintenance Payment

The Fixed Operations & Maintenance Payment (FOMP) shall be calculated as follows:

$$FOMP = CC * \left(FOM * \frac{CPI_c}{CPI_b} \right) * \frac{(T - FM)}{T}$$

Where:

CC = as previously defined
FOM = Fixed O&M Fee rate set forth in Schedule 1 of this Agreement
CPI_c = the Philippine Consumer Price Index for All Income Households in the Philippines – All Items (2006=100) taken from the National Statistics Office website for the immediately preceding month of the relevant Billing Period
CPI_b = the base Philippine Consumer Price Index for All Income Households in the Philippines – All Items (2006=100) as indicated in Schedule 1 of this Agreement
T = as previously defined
FM = as previously defined

C. Variable Operations & Maintenance Payment

The Variable Operations & Maintenance Payment (VOMP) shall be calculated as follows:

$$VOMP = AE * \left(VOM * \frac{CPI_c}{CPI_b} \right)$$

Where:

AE = summation of bilateral contract quantities declared by the Power Supplier in the WESM for the Buyer in accordance with Section 3.2.1
VOM = Variable O&M Fee rate set forth in Schedule 1 of this Agreement

CPI_c = as previously defined
CPI_b = as previously defined

D. Fuel Payment

The Fuel Payment (FP) shall be calculated as follows:

FP = AE * FPR

Where:
AE = as previously defined
FPR = Fuel Payment Rate (in PHP/kWh) calculated based on the actual consumption rate of the plant and the actual cost of Heavy Fuel Oil, Light Fuel Oil and Lube Oil computed using weighted average inventory prices as consumed. Power Supplier shall provide Meralco the necessary supporting documents on the actual cost of Heavy Fuel Oil, Light Fuel Oil and Lube Oil based on weighted average inventory prices, actual energy generated by the Plant, and actual fuel consumption of the Plant during the relevant Billing Period.

E. Net WESM Sales

The Net WESM Sales shall be calculated as follows:

$$\text{Net WESM Sales} = \sum_{j=1}^{Day} \sum_{i=1}^{Interval} [(DAN - BCQ_{initial}) * EAP_{ij}]$$

Where:
DAN = Day-Ahead Nomination submitted by MERALCO for interval i and day j, in kWh
$BCQ_{initial}$ = Bilateral Contract Quantity declared by Supplier to the Market Operator for interval i and day j, in kWh
EAP_{ij} = WESM ex-ante price at Plant Node at interval i and Day j as billed by the WESM, in PHP/kWh; excluding the market participation fees of the Power Supplier and any other pertinent cost, taxes, fees and charges imposed by the Market Operator with respect to such energy traded in the WESM

F. BCQ Correction

The BCQ Correction (applicable only to erroneous BCQ declarations) shall be calculated as follows:

$$\text{BCQ Correction} = \sum_{j=1}^{Day} \sum_{i=1}^{Interval} [(BCQ_{initial} - BCQ_{final}) * (EAP_{ij} - \text{Var. Cost})]$$

Where:
$BCQ_{initial}$ = Bilateral Contract Quantity declared by Supplier to the Market Operator for interval i and day j, in kWh
BCQ_{final} = Bilateral Contract Quantity determined at the end of the month at interval I and day j, in kWh

EAP_{ij}	= WESM ex-ante price at Plant Node at interval i and Day j as billed by the WESM, in PHP/kWh excluding the market participation fees of the Power Supplier and any other pertinent cost, taxes, fees and charges imposed by the Market Operator with respect to such energy traded in the WESM
Var. Cost	= Fuel Payment and Variable O&M Price for the relevant supply month, in PHP/kWh

SCHEDULE 1

Contract Capacity	CC	kW	**45,000**
Capital Recovery Fee	CRF	PHP/kW-month	649.4760 Less Discount: 488.3660 **161.1100**
Fixed O&M Fee	FOM	PHP/kW-month	**418.8600**
Variable O&M Fee	VOM	PHP/kWh	**0.3449**
Base Philippine Consumer Price Index – All Items (Feb 2014)	CPI_b		**137.80**

ANNEX "C"

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

IN THE MATTER OF THE APPLICATION FOR THE APPROVAL OF THE INTERIM POWER SUPPLY AGREEMENTS BETWEEN: (A) MANILA ELECTRIC COMPANY (MERALCO) AND TOLEDO POWER CO. (TPC); AND (B) MERALCO AND PANAY POWER CORPORATION (PPC), WITH PRAYER FOR PROVISIONAL AUTHORITY

ERC CASE NO. 2016 -___ RC

MANILA ELECTRIC COMPANY (MERALCO), TOLEDO POWER CO. (TPC) AND PANAY POWER CORPORATION (PPC),
Applicants.
x----------x

JUDICIAL AFFIDAVIT OF CIPRINILO C. MENESES

The following examination of witness Mr. Ciprinilo C. Meneses, of legal age, with office address at 4th Floor, Technical Services Building, MERALCO Compound, Ortigas Avenue, Pasig City, who is an employee of the Manila Electric Company ("MERALCO") as the Head of the Energy Sourcing Office, was conducted by Atty. Angelica Diane B. Monteza, counsel for the Applicant, at the 7th Floor, Lopez Building, Ortigas Avenue, Pasig City, this 18th day of January 2016.

The testimony of Mr. Ciprinilo C. Meneses is being offered to prove the following:

1. He is employed with MERALCO as the Head of the Energy Sourcing Office;

2. The necessity for the issuance of a Provisional Approval, to allow MERALCO to meet customer demand requirements and to afford MERALCO's customers the full benefits thereof;

3. The reasonableness and fairness of the provisions of the IPSA, including the contract price thereunder;

4. Identification of documents in the course of the hearing; and

5. All other matters pertinent to this Application.

I, **CIPRINILO C. MENESES**, of legal age, Filipino, with office address at 4th Floor, Technical Services Building, MERALCO Compound, Ortigas Avenue, Pasig City, after being sworn to in accordance with law, hereby depose and state:

Q1: What are your educational and professional qualifications?
A1: I have obtained a Bachelor's degree in Electrical Engineering and in Computer Engineering from the Mapua Institute of Technology and a Master's degree in Electrical Engineering from the University of the Philippines-Diliman. Also, I am a Registered Electrical Engineer.

Q2: Where are you presently employed?
A2: At present, I am employed at the Manila Electric Company ("MERALCO") as Head of the Energy Sourcing Office.

Q3: Since when have you been employed in MERALCO?
A3: I have been employed in MERALCO since 5 May 1982. On 20 January 2011, I became the Head of the Energy Sourcing Office.

Q4: What are some of your duties and responsibilities as the Head of the Energy Sourcing Office?
A4: My duties and responsibilities include, among others, planning for the sourcing of MERALCO's capacity and energy requirements, managing the Company's energy sourcing operations, overseeing the energy accounting and power supplier bill validations, and participating in the negotiations for power supply agreements and contracts.

Q5: Are you familiar with the case entitled: *"In the Matter of the Application for the Approval of the Interim Power Supply Agreements between: a) Manila Electric Company (MERALCO) and Toledo Power Co. (TPC); and b) MERALCO and Panay Power Corporation (PPC), with Prayer for Provisional Authority"* jointly filed by Applicants MERALCO, TPC and PPC? If so, why?

A5: Yes, I am familiar with the same as I was directly involved in the preparation of the Application and its Annexes, for submission to the Energy Regulatory Commission ("ERC") for approval. Also, as a member of the power supply agreement working team of MERALCO, I am cognizant of the Interim Power Supply Agreements (IPSAs) that were executed between (i) MERALCO and TPC, and (ii) MERALCO and PPC.

Q6: For what purpose is your Judicial Affidavit being taken?

A6: My Judicial Affidavit is being taken in support of the aforesaid Application for the Approval of the IPSAs between (i) MERALCO and TPC, and (ii) MERALCO and PPC and the prayer for the immediate issuance of a Provisional Authority to implement the same.

Q7: What are the salient features of the IPSAs between MERALCO and TPC?

A7: The salient features of the PSA between MERALCO and TPC are as follows:

"Article 1 Term and Effectivity

1.1 Term of Agreement

1.1.1 This Agreement shall become effective immediately upon execution provided that Power Supplier's obligation to deliver, and Meralco's obligation to purchase, Contract Energy shall commence upon Energy Regulatory Commission ("ERC") Provisional Authority ("PA") or Final Approval ("FA") (the "Commencement Date") and shall expire on February 25, 2017, unless terminated earlier in accordance with the terms of this Agreement or extended by the parties by the application of Section 1.1.2 ("Term").

1.1.2 The Term shall be automatically extended for an additional period of one (1) year under the same terms and conditions set forth in this Agreement, unless terminated by either Party by sending written notice to the other Party ninety (90) days prior to the expiration of the Term. In no case shall the automatic extension of this Agreement exceed four (4) years.

1.2 ERC Approval

1.2.1 Within five (5) days after the date of this Agreement, the Parties shall file a joint application with the ERC for the approval of this Agreement, including the Contract Price as detailed in Appendix "A" ("ERC Application").

1.2.2 If the ERC PA or FA requires any portion of any sum that has been paid by Meralco to Power Supplier to be adjusted, the Power Supplier shall make the necessary adjustments in accordance with the direction of the ERC. In the event of any disallowance in the Contract Price, the same shall be for the account of Power Supplier.

1.2.3 If the ERC FA requires an amendment of any provision herein, including provisions on amounts payable under this Agreement, or subjects such approval to any material term or condition that is not acceptable to either Party, acting reasonably ("ERC Conditional Approval"), the Parties shall cooperate in good faith to resolve the required ERC amendment(s) or to address the material term or condition. The Parties shall agree to:

(a) Within fifteen (15) days after the receipt by the Parties of the ERC Conditional Approval, seek a reconsideration of the ERC Conditional Approval. During the period that the motion for reconsideration is pending, Power Supplier shall make available the Contract Energy following the rate in the ERC Conditional Approval, subject to the ERC's Final Approval; and/or

(b) If necessary, within thirty (30) days after receipt by the Parties of the ERC Conditional Approval, revise and file an amended Agreement for approval by the ERC;

provided that if the motion for reconsideration is denied by the ERC, or if the Parties fail to agree on the amendment of this Agreement within the period prescribed in Section 1.2.3 (b), or the amended Agreement is disapproved by the ERC, or approved by the ERC but still with any material term or condition that is not acceptable to either Party, acting reasonably, the Agreement can be terminated by any Party by giving a thirty (30)-day prior written notice of such termination to the other Party.

Article 2 Sale and Purchase of Contract Energy

2.1 Supply of Power

Subject to the terms and conditions of this Agreement:

2.1.1 Immediately upon the approval by the ERC of this Agreement, Power Supplier shall make available, sell and deliver to Meralco and Meralco shall purchase from Power Supplier the Contract Energy at the Contract Price as detailed in Appendix "A." The Parties agree that Power Supplier shall have no obligation to supply more than the Contract Energy.

2.1.2 Subject to Section 2.1.3, Power Supplier shall not, without Meralco's prior written consent, sell, divert, transfer, dedicate, reserve or assign all or any portion of the Contract Energy to any Person other than Meralco.

2.1.3 Power Supplier shall, under certain conditions, trade in the WESM any portion of the Contract Energy that is not taken by Meralco. The Parties acknowledge and agree that any trading of this energy shall be for the sole benefit of Meralco. Except for the market participation fees of Power Supplier, any and all costs, taxes, fees, and charges imposed by the Market Operator with respect to such energy traded in the WESM for the portion of the Contract Energy not taken by Meralco, including the proportionate billing adjustments in relation thereto, such as but not limited to, price substitution mechanism adjustments, shall be for the sole account of Meralco. Meralco hereby authorizes Power Supplier to offset any and all of the foregoing amounts against the revenues derived from the trading of the portion of the Contract Energy not taken by Meralco, in accordance with formula E. (Net WESM Sales) as detailed in Appendix A.

2.1.4 On a day-after and month-after basis, in the event that the WESM line rental charges exceed PhP0.30/kWh in any trading interval, Meralco shall have the option to not take the Contract Energy for such trading interval. If Meralco exercises such option, it shall not be required to make any Capacity Payment and Fixed O&M Payment with respect to Contract Energy that is not taken by Meralco.

2.1.5 Power Supplier shall not be entitled to any planned/scheduled or forced outage allowances. In case of any such outage, Power Supplier shall procure replacement energy, and Meralco shall pay for the same at the Contract Price.

xxx xxx xxx

4.2 Payments

xxx xxx xxx

4.2.1 Each Final Invoice shall be due and payable not later than the last day of the calendar month following the month in which the end of the Billing Period for such Final Invoice relates; provided that if such day is not a business day, then the Final Invoice shall be due and payable on the next succeeding business day ("Payment Date"); provided further that in the event that the Final Invoice is not received by Meralco within the time set forth in Section 4.1.6, the payment shall be due and payable on the due date for the subsequent Billing Period; provided finally that Meralco shall not be required to make payment on any Final Invoice that is manifestly in error, apparently invalid or not in the form or substance contemplated by this Agreement..

4.2.2 If Meralco disputes all or any portion of a Final Invoice for a reason other than a manifest error in, or the patent invalidity or incorrect form or substance of, such Final Invoice, Meralco shall, nonetheless, pay the full amount of such Invoice. Any payment by Meralco under this Section is without prejudice to Meralco's right at a later date to dispute, protest or question any amount so paid.

xxx xxx xxx

Article 5 Taxes, Fees and Costs

5.1 Responsibility for Taxes, Fees and Costs

5.1.1 Power Supplier shall be responsible for and shall make timely payment of the following amounts:

(a) WESM costs attributable to Power Supplier;

(b) Benefits to host communities charges; and

(c) VAT on the foregoing amounts, if any.

Power Supplier shall also be liable for the payment of all other existing taxes, fees, charges and costs, including penalties, arising from this Agreement that properly pertain to the business of Power Supplier.

5.1.2 The following amounts that Meralco is responsible for paying to third parties shall form part of the price that Meralco will charge to its customers:

(a) VAT on Contract Energy in accordance with Bureau of Internal Revenue ("BIR") Memorandum Circular No. 61-2005 and ERC Resolution No. 20-2005, except in respect of any portion thereof that applies to VAT zero-rated and VAT-exempt customers of Meralco;

(b) WESM line rental charges associated with the declaration of Bilateral Contract Quantities from the Plant to Meralco's WESM Node, subject to adjustments provided for in Section 2.1.4. and Appendix "A;" and

(c) NGCP charges.

Notwithstanding this Section, Meralco shall, at all times, be liable for payment of all other existing taxes, fees, charges and costs, including penalties, arising from this Agreement that properly pertain to the business of Meralco.

xxx xxx xxx

Article 9 Termination

9.1 If for any reason, except as provided in Article 7, there is an actual failure on the part of Power Supplier to deliver the Contract Energy to Meralco for a period of ten (10) days, Meralco shall send written notice to Power Supplier stating that such a breach has occurred.

9.2 If, within thirty (30) days after receipt from Meralco of such written notice (the "Curing Period"), the actual failure on the part of Power Supplier to deliver the Contract Energy to Meralco has not been remedied by Power Supplier, Meralco may terminate this Agreement and pursue any remedy available to it under this Agreement, at law or in equity.

9.3 Meralco shall, from and after the occurrence of a breach under Section 9.1 and even during the Curing Period, be entitled to source energy from the WESM or other parties and Power Supplier shall be liable to pay Meralco the difference between the amount Meralco actually paid for such energy and the Contract Price.

9.4 Upon the early termination of this Agreement due to: (i) an actual failure on the part of Power Supplier to deliver the Contract Energy to Meralco, or (ii) the failure of Meralco to pay for the Contract Price under the terms and conditions of this Agreement, that results in the early termination of this Agreement, and without prejudice to any other provisions of this Agreement prior to such early termination, the Party in breach shall pay liquidated damages in an amount equivalent to the present value of the Capacity Recovery Fees for the remaining Term discounted at twelve percent (12%).

9.5 Either Party shall have the right to terminate this Agreement by serving thirty (30)-day advance written notice to the other due to violation of any of the provisions hereof or any of the grounds provided for herein; Provided, that the termination under this Section shall not prejudice the right of the aggrieved Party to liquidated damages under Section 9.4.

9.6 Subject to seven (7) days prior written notice to Meralco, Power Supplier may terminate this Agreement if:

(a) After forty (40) days from filing of the ERC Application for approval of this Agreement, no ERC approval has been issued; or

(b) If ERC PA or FA has been issued, Power Supplier is not amenable to any changes in the terms and conditions of the PSA, including the rate, as may be provided in the ERC PA or FA.

9.7 In the event of pre-termination of this Agreement on grounds as provided in this Agreement, Meralco shall purchase energy from the WESM.

xxx xxx xxx"

A copy of the IPSA between MERALCO and TPC, including its attachments, is attached to the Application as Annex "A".

Q8: What is the capacity and/or energy contracted under the IPSA with TPC?

A8: The contract energy is up to 28 MW (firm basis) from trading intervals 1000H to 2100H, Mondays to Saturdays.

Q9: What is the effective delivered price under the IPSA between MERALCO and TPC?

A9: The effective delivered price under the IPSA per the simulations for the supply month of May 2016 is PhP8.2706 per kWh, as shown in the sample calculation below:

TPC IPSA - Sample Calculation

May 2016

BILLING COMPONENT	UNIT	BILLING RATE	CPI Adj Factor	BILLING DETERMINANT		AMOUNT (PHP)
A. Capital Recovery Payment						
Peso Portion	(Php/kW-mo)	183.7840		28,000	(kW)	5,145,952.00
B. Fixed O&M Payment						
Peso Portion	(Php/kW-mo)	396.2160	1.032656	28,000	(kW)	11,456,335.49
C. Variable O&M Payment						
Peso Portion	(Php/kWh)	0.2349	1.032656	7,168,000	(kWh)	1,738,748.21
D. Fuel Payment						
Peso Portion	(Php/kWh)	4.9130		7,168,000	(kWh)	35,216,634.52
TOTAL PAYMENT	**(Php)**					**53,557,670.22**
Effective Rate at Plant Gate	**(Php/kWh)**					**7.4718**
WESM Line Rental Rate[2]	**(Php/kWh)**					**0.7989**
Delivered Rate	**(Php/kWh)**					**8.2706**
Effective Cost at WESM Price[3]	**(Php/kWh)**					**13.2424**
Increase / (Decrease) over WESM Price	**(Php/kWh)**					**(4.9717)**
Meralco Captive Energy Demand[4]	**(kWh)**					**2,861,523,324**
Increase / (Decrease) in Generation Cost	**(Php)**					**(35,637,282.44)**
Increase / (Decrease) in Generation Cost	**(Php/kWh)**					**(0.0125)**

Assumptions:

(1) CPI Adj for Fixed O&M and Variable O&M based on PH CPI (2006=100) = 142.30, Dec 2015, base PH CPI (2006=100) = 137.8, Feb 2014

(2) Estimated TPC line rental rate based on actual Apr - Jul 2014 average line rental of TPC

(3) Cost if equivalent volume of TPC was sourced instead from the WESM based on May 2016 forecast hourly prices

(4) Meralco Captive Energy Demand based on May 2016 forecast

A copy of the TPC IPSA Sample Calculation (May 2016) is attached hereto as **Annex "A"**.

Q10: If approved, how will the IPSA between MERALCO and TPC affect the generation rates imposed on MERALCO's customers?

A10: As seen in the rate impact below, for the duration of the term of the IPSA, the simulated delivered price thereunder would result in an overall savings of PhP0.0003 per kWh.

Impact to MERALCO Generation Charge

	Generation Charge PHP/kWh
	Mar 2016 - Feb 2017 Overall
Without Toledo Interim PSA	4.5328
With Toledo Interim PSA	4.5325
inc / -dec, P/kWh	*-0.0003*
inc / -dec, Million PhP	*-7.82*

A copy of the TPC IPSA Rate Impact (March 2016 – February 2017) is attached hereto as **Annex "B"**.

Q11: Section 2.1.3 of the IPSA between MERALCO and TPC provides that TPC shall, under certain conditions, trade in the Wholesale Electricity Spot Market ("WESM"). Can you explain this?

A11: Yes. Section 2.1.3 of the IPSA between MERALCO and TPC provides for a WESM rebate mechanism wherein TPC shall, under certain conditions, trade in the WESM any portion of the Contract Energy not taken by MERALCO. Such trading shall be for the sole benefit of MERALCO and shall redound to the benefit of its customers.

Q12: What are the salient features of the IPSA between MERALCO and PPC?

A12: The salient features of the PSA between MERALCO and PPC are as follows:

"Article 1 Term and Effectivity

1.1 Term of Agreement

1.1.1 This Agreement shall become effective immediately upon execution, provided that Power Supplier's obligation to deliver, and Meralco's obligation to purchase Contract Energy, shall commence upon Energy Regulatory Commission ("ERC") Provisional Authority ("PA") or Final Approval ("FA") (the "Commencement Date") and shall expire on February 25, 2017, unless terminated earlier in accordance with the terms of this Agreement or extended by the parties by the application of Section 1.1.2 ("Term").

1.1.2 The Term shall be automatically extended for an additional period of one (1) year under the same terms and conditions set forth in this Agreement, unless terminated by either Party by sending written notice to the other Party ninety (90) days prior to the expiration of the Term. In no case shall the automatic extension of this Agreement exceed four (4) years.

1.2 ERC Approval

1.2.1 Within five (5) days after the date of this Agreement, the Parties shall file a joint application with the ERC for the approval of this Agreement, including the Contract Price as detailed in Appendix "A" ("ERC Application").

1.2.2 If the ERC PA or FA requires any portion of any sum that has been paid by Meralco to Power Supplier to be adjusted, the Power Supplier shall make the necessary adjustments in accordance with the direction of the ERC. In the event of any disallowance in the Contract Price, the same shall be for the account of Power Supplier.

1.2.3 If the ERC FA requires an amendment of any provision herein, including provisions on amounts payable under this Agreement, or subjects such approval to any material term or condition that is not acceptable to either Party, acting reasonably ("ERC Conditional Approval"), the Parties shall cooperate in good faith to resolve the required ERC amendment(s) or to address the material term or condition. The Parties shall agree to:

(a) Within fifteen (15) days after the receipt by the Parties of the ERC Conditional Approval, seek a reconsideration of the ERC Conditional Approval. During the period that the motion for reconsideration is pending, Power Supplier shall make available the Contract Energy following the rate in the ERC Conditional Approval, subject to the ERC's Final Approval; and/or

(b) If necessary, within thirty (30) days after receipt by the Parties of the ERC Conditional Approval, revise and file an amended Agreement for approval by the ERC;

provided that if the motion for reconsideration is denied by the ERC, or if the Parties fail to agree on the amendment of this Agreement within the period prescribed in Section 1.2.3 (b), or the amended Agreement is disapproved by the ERC, or approved by the ERC but still with any material term or condition that is not acceptable to either Party, acting reasonably, the Agreement can be terminated by any Party by giving a thirty (30)-day prior written notice of such termination to the other Party.

Article 2 Sale and Purchase of Contract Energy

2.1 Supply of Power

Subject to the terms and conditions of this Agreement:

2.1.1 Immediately upon the Commencement Date, Power Supplier shall make available, sell and deliver to Meralco and Meralco shall purchase from Power Supplier the Contract Energy at the Contract Price as detailed in Appendix "A". The Parties agree that Power Supplier shall have no obligation to supply more than the Contract Energy.

2.1.2 Subject to Section 2.1.3, Power Supplier shall not, without Meralco's prior written consent, sell, divert, transfer, dedicate, reserve or assign all or any portion of the Contract Energy to any Person other than Meralco.

2.1.3 Power Supplier shall, under certain conditions, trade in the WESM any portion of the Contract Energy that is not taken by Meralco. The Parties acknowledge and agree that any trading of this energy shall be for the sole benefit of Meralco. Except for the market participation fees of Power Supplier, any and all costs, taxes, fees and charges, imposed by the Market Operator with respect to such energy traded in the WESM for the portion of the Contract Energy not taken by Meralco, including the proportionate billing adjustments in relation thereto, such as but not limited to, price substitution mechanism adjustments, shall be for the sole account of Meralco. Meralco hereby authorizes Power Supplier to offset any and all of the foregoing amounts against the revenues derived from the trading of the portion of the Contract Energy not taken by Meralco, in accordance with formula E. (Net WESM Sales) as detailed in Appendix A.

2.1.4 On a day-after and month-after basis, in the event that the WESM line rental charges exceed PhP0.30/kWh in any trading interval, Meralco shall have the option to not take the Contract Energy for such trading interval. If Meralco exercises such option, it shall not be required to make any Capacity Payment and Fixed O&M Payment with respect to Contract Energy that is not taken by Meralco.

2.1.5 Power Supplier shall not be entitled to any planned/scheduled or forced outage allowances. In case of any such outage, Power Supplier shall procure replacement energy, and Meralco shall pay for the same at the Contract Price.

xxx xxx xxx

4.2 Payments

4.2.1 Each Final Invoice shall be due and payable not later than the last day of the calendar month following the month in which the end of the Billing Period for such Final Invoice relates; provided that if such day is not a business day, then the Final Invoice shall be due and payable on the next succeeding business day ("Payment Date"); provided further that in the event that the Final Invoice is not received by Meralco within the time set forth in Section 4.1.6, the payment shall be due and payable on the due date for the subsequent Billing Period; provided finally that Meralco shall not be required to make payment on any Final Invoice that is manifestly in error, apparently invalid or not in the form or substance contemplated by this Agreement.

4.2.2 If Meralco disputes all or any portion of a Final Invoice for a reason other than a manifest error in, or the patent invalidity or incorrect form or substance of, such Final Invoice, Meralco shall, nonetheless, pay the full amount of such Invoice. Any payment by Meralco under this Section is without prejudice to Meralco's right at a later date to dispute, protest or question any amount so paid.

xxx xxx xxx

Article 5 Taxes, Fees and Costs

5.1 Responsibility for Taxes, Fees and Costs

5.1.1 Power Supplier shall be responsible for and shall make timely payment of the following amounts:

(a) WESM costs attributable to Power Supplier;

(b) Benefits to host communities charges; and

(c) VAT on the foregoing amounts, if any.

Power Supplier shall also be liable for the payment of all other existing taxes, fees, charges and costs, including penalties, arising from this Agreement that properly pertain to the business of Power Supplier.

5.1.2 The following amounts that Meralco is responsible for paying to third parties shall form part of the price that Meralco will charge to its customers:

(a) VAT on Contract Energy in accordance with Bureau of Internal Revenue ("BIR") Memorandum Circular No. 61-2005 and ERC Resolution No. 20-2005, except in respect of any portion thereof that applies to VAT zero-rated and VAT-exempt customers of Meralco;

(b) WESM line rental charges associated with the declaration of Bilateral Contract Quantities from the Plant to Meralco's WESM Node, subject to adjustments provided for in Section 2.1.4. and Appendix "A;" and

(c) NGCP Charges.

Notwithstanding this Section, Meralco shall, at all times, be liable for payment of all other existing taxes, fees, charges and costs, including penalties, arising from this Agreement that properly pertain to the business of Meralco.

xxx xxx xxx

Article 9 Termination

9.1 If for any reason, except as provided in Article 7, there is an actual failure on the part of Power Supplier to deliver the Contract Energy to Meralco for a period of ten (10) days, Meralco shall send written notice to Power Supplier stating that such a breach has occurred.

9.2 If, within thirty (30) days after receipt from Meralco of such written notice (the "Curing Period"), the actual failure on the part of Power Supplier to deliver the Contract Energy to Meralco has not been remedied by Power Supplier, Meralco may terminate this Agreement and pursue any remedy available to it under this Agreement, at law or in equity.

9.3 Meralco shall, from and after the occurrence of a breach under Section 9.1 and even during the Curing Period, be entitled to source energy from the WESM or other parties and Power Supplier shall be liable to pay Meralco the difference between the amount Meralco actually paid for such energy and the Contract Price.

9.4 Upon the early termination of this Agreement due to: (i) an actual failure on the part of Power Supplier to deliver the Contract Energy to Meralco, or (ii) the failure of Meralco to pay for the Contract Price under the terms and conditions of this Agreement, that results in the early termination of this Agreement, and without prejudice to any other provisions of this Agreement prior to such early termination, the Party in breach shall pay liquidated damages in an amount equivalent to the present value of the Capacity Recovery Fees for the remaining Term discounted at twelve percent (12%).

9.5 Either Party shall have the right to terminate this Agreement by serving thirty (30)-day advance written notice to the other due to violation of any of the provisions hereof or any of the grounds provided for herein; Provided, that the termination under this Section shall not prejudice the right of the aggrieved Party to liquidated damages under Section 9.4.

9.6 Subject to seven (7) days prior written notice to Meralco, Power Supplier may terminate this Agreement if:

(a) After forty (40) Days from filing of the ERC Application for approval of this Agreement, no approval has been issued; or

(b) If ERC PA or FA has been issued, Power Supplier is not amenable to any changes in the terms and conditions of the PSA, including the rate, as may be provided in the ERC PA or FA.

9.7 In the event of pre-termination of this Agreement on grounds as provided in this Agreement, Meralco shall purchase energy from the WESM.

xxx xxx xxx"

A copy of the IPSA between MERALCO and PPC, including its attachments, is attached to the Application as Annex "B".

Q13: What is the capacity and/or energy contracted under the IPSA with PPC?

A13: The contract energy is up to 45 MW (firm basis) from trading intervals 1000H to 2100H, Mondays to Saturdays.

Q14: What is the effective delivered price under the IPSA between MERALCO and PPC?

A14: The effective delivered price under the IPSA per the simulations for the supply month of May 2016 is PhP5.6754 per kWh, as shown in the sample calculation below:

PPC IPSA - Sample Calculation

May 2016

BILLING COMPONENT	UNIT	BILLING RATE	CPI Adj Factor	BILLING DETERMINANT		AMOUNT (PHP)
A. Capital Recovery Payment						
Peso Portion	(Php/kW-mo)	161.1100		45,000	(kW)	7,249,950.00
B. Fixed O&M Payment						
Peso Portion	(Php/kW-mo)	418.8600	1.032656	45,000	(kW)	19,464,223.58
C. Variable O&M Payment						
Peso Portion	(Php/kWh)	0.3449	1.032656	13,410,000	(kWh)	4,776,146.67
D. Fuel Payment						
Peso Portion	(Php/kWh)	3.2121		13,410,000	(kWh)	43,074,571.44
TOTAL PAYMENT	(Php)					74,564,891.69
Effective Rate at Plant Gate	(Php/kWh)					5.5604
WESM Line Rental Rate[2]	(Php/kWh)					0.1151
Delivered Rate	(Php/kWh)					5.6754
Effective Cost at WESM Price[3]	(Php/kWh)					11.9620
Increase / (Decrease) over WESM Price	(Php/kWh)					(6.2866)
Meralco Captive Energy Demand[4]	(kWh)					2,861,523,324
Increase / (Decrease) in Generation Cost	(Php)					(84,302,973.11)
Increase / (Decrease) in Generation Cost	(Php/kWh)					(0.0295)

Assumptions:
(1) CPI Adj for Fixed O&M and Variable O&M based on PH CPI (2006=100) = 142.30, Dec 2015, base PH CPI (2006=100) = 137.8, Feb 2014
(2) Estimated PPC line rental rate based on actual Apr - Jul 2014 average line rental of PPC
(3) Cost if equivalent volume of PPC was sourced instead from the WESM based on May 2016 forecast hourly prices
(4) Meralco Captive Energy Demand based on May 2016 forecast

A copy of the PPC IPSA Sample Calculation (May 2016) is attached hereto as **Annex "C"**.

Q15: If approved, how will the IPSA between MERALCO and PPC affect the generation rates imposed on MERALCO's customers?

A15: As seen in the rate impact below, for the duration of the term of the IPSA, the simulated delivered price thereunder would result in an overall savings of PhP0.0074 per kWh.

Impact to MERALCO Generation Charge

	Generation Charge PHP/kWh
	Mar 2016 - Feb 2017 Overall
Without Panay Interim PSA	4.5328
With Panay Interim PSA	4.5254
inc / -dec, P/kWh	*-0.0074*
inc / -dec, Million PhP	*-229.03*

A copy of the PPC IPSA Rate Impact (March 2016 – February 2017) is attached hereto as **Annex "D"**.

Q16: Section 2.1.3 of the IPSA between MERALCO and PPC provides that PPC shall, under certain conditions, trade in the WESM. Can you explain this?

A16: Similar to the IPSA between MERALCO and TPC, Section 2.1.3 of the IPSA between MERALCO and PPC provides for a WESM rebate mechanism wherein PPC shall, under certain conditions, trade in the WESM any portion of the Contract Energy not taken by MERALCO. Such trading shall be for the sole benefit of MERALCO and shall redound to the benefit of its customers.

Q17: In the Application for the approval of the subject IPSAs, MERALCO prayed for issuance of a Provisional Authority. Why is MERALCO asking for this provisional relief?

A17: There is a paramount and urgent necessity for the immediate issuance of a provisional authority to implement the IPSAs in order to reduce MERALCO's WESM purchases and protect its customers from forecasted high WESM prices, to help ensure reasonable prices for such customers.

Based on its power supply-demand outlook for 2016, MERALCO foresees a significant capacity deficit in its portfolio, especially for the summer months of 2016, due to the expected high demand and the scheduled maintenance shutdowns of its contracted generating units as well as possible occurrences of forced plant outage.

If the IPSA is not implemented during said period beginning 26 February 2016, MERALCO will be constrained to source the energy volume covered by the IPSAs from the WESM. Hence, the immediate implementation of the IPSA will clearly redound to the benefit of the end-users as it will shield them from the volatility of WESM prices.

Q18: Do you affirm and confirm the truthfulness and veracity of your answers to the questions asked?
A18: Yes.

IN WITNESS WHEREOF, I have hereunto affixed my signature this FEB 04 2016, at Pasig City, Philippines.

Ciprinilo C. Meneses

CIPRINILO C. MENESES
Affiant

ATTESTATION

I, **ATTY. ANGELICA DIANE B. MONTEZA**, of legal age, Filipino, with office address at 7th Floor, Lopez Building, MERALCO Compound, Ortigas Avenue, Pasig City attest to the following that:

1. I am the lawyer who conducted the examination of witness, Mr. Ciprinilo C. Meneses;

2. I have faithfully recorded or caused to be recorded the questions I asked and the answers given by the witness;

3. Neither I nor any other person coached the witness regarding his answers.

IN WITNESS WHEREOF, I have hereunto affixed my signature this FEB 04 2016, at Pasig City, Philippines.

ATTY. ANGELICA DIANE B. MONTEZA
Affiant

SUBSCRIBED AND SWORN TO before me this FEB 0 4 2016 by Engr. Ciprinilo C. Meneses and Atty. Angelica Diane B. Monteza, exhibiting their SSS IDs with Nos. 03-6515286-8 and 34-0968670-5, respectively, as proof of their identities.

Doc. No.: 131;
Page No.: 28;
Book No.: III;
Series of 2016.

ATTY. MONICA M. MARTIN
NOTARY PUBLIC
Pasig, Pateros, Taguig & San Juan
Issued on July 13, 2015 at Pasig City
until December 31, 2016
Roll No. 55693, IBP No. 1023746; 1-8-16, PPLM Chapter
PTR No. 1473411; 1-21-16 Pasig City
7th Floor, Lopez Bldg., Ortigas Ave., Pasig City

TPC IPSA - Sample Calculation

(May 2016)

ANNEX " A "

BILLING COMPONENT	UNIT	BILLING RATE	CPI Adj Factor	BILLING DETERMINANT		AMOUNT (PHP)
A. Capital Recovery Payment						
Peso Portion	(Php/kW-mo)	183.7840		28,000	(kW)	5,145,952.00
B. Fixed O&M Payment						
Peso Portion	(Php/kW-mo)	396.2160	1.032656	28,000	(kW)	11,456,335.49
C. Variable O&M Payment						
Peso Portion	(Php/kWh)	0.2349	1.032656	7,168,000	(kWh)	1,738,748.21
D. Fuel Payment						
Peso Portion	(Php/kWh)	4.9130		7,168,000	(kWh)	35,216,634.52
TOTAL PAYMENT	(Php)					**53,557,670.22**
Effective Rate at Plant Gate	(Php/kWh)					**7.4718**
WESM Line Rental Rate[2]	(Php/kWh)					**0.7989**
Delivered Rate	(Php/kWh)					**8.2706**
Effective Cost at WESM Price[3]	(Php/kWh)					**13.2424**
Increase / (Decrease) over WESM Price	(Php/kWh)					**(4.9717)**
Meralco Captive Energy Demand[4]	(kWh)					**2,861,523,324**
Increase / (Decrease) in Generation Cost	**(Php)**					**(35,637,282.44)**
Increase / (Decrease) in Generation Cost	**(Php/kWh)**					**(0.0125)**

Assumptions:

(1) CPI Adj for Fixed O&M and Variable O&M based on PH CPI (2006=100) = 142.30, Dec 2015, base PH CPI (2006=100) = 137.8, Feb 2014

(2) Estimated TPC line rental rate based on actual Apr - Jul 2014 average line rental of TPC

(3) Cost if equivalent volume of TPC was sourced instead from the WESM based on May 2016 forecast hourly prices

(4) Meralco Captive Energy Demand based on May 2016 forecast

Ciprinilo C. Meneses

Prepared By: Ciprinilo C. Meneses

Reviewed By: Rolando M. Cagampan

TPC IPSA - Rate Impact
(March 2016 - February 2017)

ANNEX "B"

	Capacity MW	Dispatch GWh												
		Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar 2016 - Feb 2017 Overall
TPC Interim PSA	28	1.76	6.10	7.17	7.64	6.30	4.28	3.86	4.03	3.70	2.30	1.23	3.22	51.60
PCF		9.05%	29.30%	35.56%	36.69%	31.25%	20.56%	18.55%	20.00%	17.74%	11.39%	5.91%	15.46%	20.98%

	Cost if Sourced from WESM (PHP/kWh)												
	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar 2016 - Feb 2017 Overall
TPC Interim PSA	6.2372	10.1745	13.2424	14.3985	11.5279	9.2101	7.3042	7.0310	6.0337	6.7449	6.3144	6.8354	9.9667

	Delivered Price * PHP/kWh												
	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar 2016 - Feb 2017 Overall
TPC Interim PSA	15.3662	8.6744	8.2706	8.1264	8.5898	9.8299	10.2511	10.0721	10.4464	13.1854	19.4304	11.1105	9.8152

*** Assumptions:**

- CPI Adj for Fixed O&M and Variable O&M based on PH CPI (2006=100) = 142.30, Dec 2015, base PH CPI (2006=100) = 137.8, Feb 2014
- HFO, LFO and LO Prices based on given cost by TPC as of Jan 2016
- Estimated TPC line rental rate based on actual Apr - Jul 2014 average line rental of TPC

Impact to MERALCO Generation Charge

	Generation Charge PHP/kWh												
	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar 2016 - Feb 2017 Overall
Without TPC Interim PSA	4.4298	4.6926	5.0962	5.0205	5.0361	4.3665	4.3019	4.1826	4.1255	3.8159	4.5695	4.5651	4.5328
With TPC Interim PSA	4.4367	4.6892	5.0837	5.0042	5.0292	4.3675	4.3062	4.1873	4.1318	3.8222	4.5770	4.5712	4.5325
inc / -dec, P/kWh	*0.0069*	*-0.0034*	*-0.0125*	*-0.0163*	*-0.0069*	*0.0009*	*0.0044*	*0.0047*	*0.0063*	*0.0063*	*0.0075*	*0.0061*	*-0.0003*
inc / -dec, Million PhP	*16.10*	*-9.16*	*-35.64*	*-47.94*	*-18.51*	*2.66*	*11.39*	*12.26*	*16.31*	*14.79*	*16.16*	*13.77*	*-7.82*

Impact to WESM Exposure

	WESM share of Captive Demand %												
	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar 2016 - Feb 2017 Overall
Without TPC Interim PSA	7.66%	7.50%	8.09%	7.58%	6.72%	16.75%	10.84%	9.21%	7.26%	5.39%	-0.10%	3.30%	7.76%
With TPC Interim PSA	7.58%	7.27%	7.84%	7.32%	6.49%	16.59%	10.69%	9.05%	7.12%	5.30%	-0.15%	3.16%	7.59%
inc / -dec	*-0.08%*	*-0.22%*	*-0.25%*	*-0.26%*	*-0.24%*	*-0.15%*	*-0.15%*	*-0.15%*	*-0.14%*	*-0.10%*	*-0.06%*	*-0.14%*	*-0.17%*

	WESM Price PHP/kWh												
	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar 2016 - Feb 2017 Overall
Luzon WESM Average Price	3.3709	5.9885	8.0426	8.5198	6.6227	4.6999	4.0928	4.2079	3.3579	3.3777	2.4250	3.2450	4.8292

Prepared By: Ciprinilo C. Meneses

Reviewed By: Rolando M. Cagampan

PPC IPSA - Sample Calculation

(May 2016)

ANNEX "C"

BILLING COMPONENT	UNIT	BILLING RATE	CPI Adj Factor	BILLING DETERMINANT		AMOUNT (PHP)
A. Capital Recovery Payment						
Peso Portion	(Php/kW-mo)	161.1100		45,000	(kW)	7,249,950.00
B. Fixed O&M Payment						
Peso Portion	(Php/kW-mo)	418.8600	1.032656	45,000	(kW)	19,464,223.58
C. Variable O&M Payment						
Peso Portion	(Php/kWh)	0.3449	1.032656	13,410,000	(kWh)	4,776,146.67
D. Fuel Payment						
Peso Portion	(Php/kWh)	3.2121		13,410,000	(kWh)	43,074,571.44
TOTAL PAYMENT	(Php)					74,564,891.69
Effective Rate at Plant Gate	(Php/kWh)					5.5604
WESM Line Rental Rate[2]	(Php/kWh)					0.1151
Delivered Rate	(Php/kWh)					5.6754
Effective Cost at WESM Price[3]	(Php/kWh)					11.9620
Increase / (Decrease) over WESM Price	(Php/kWh)					(6.2866)
Meralco Captive Energy Demand[4]	(kWh)					2,861,523,324
Increase / (Decrease) in Generation Cost	(Php)					(84,302,973.11)
Increase / (Decrease) in Generation Cost	(Php/kWh)					(0.0295)

Assumptions:

(1) CPI Adj for Fixed O&M and Variable O&M based on PH CPI (2006=100) = 142.30, Dec 2015, base PH CPI (2006=100) = 137.8, Feb 2014

(2) Estimated PPC line rental rate based on actual Apr - Jul 2014 average line rental of PPC

(3) Cost if equivalent volume of PPC was sourced instead from the WESM based on May 2016 forecast hourly prices

(4) Meralco Captive Energy Demand based on May 2016 forecast

Ciprinilo C. Meneses

Prepared By: Ciprinilo C. Meneses

Reviewed By: Rolando M. Cagampan

PPC IPSA - Rate Impact
(March 2016 - February 2017)

ANNEX "D"

	Capacity MW	Dispatch GWh												
		Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar 2016 - Feb 2017 Overall
PPC Interim PSA	45	7.79	12.56	13.41	14.36	12.51	11.21	10.31	12.20	9.72	8.19	4.91	9.99	127.13
PCF		24.86%	37.50%	41.39%	42.88%	38.61%	33.47%	30.78%	37.64%	29.03%	25.28%	14.65%	29.84%	32.16%

	Cost if Sourced from WESM (PHP/kWh)												
	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar 2016 - Feb 2017 Overall
PPC Interim PSA	4.9179	8.8893	11.9620	12.9486	10.1659	7.3627	6.1591	5.8068	5.4212	5.4519	5.0190	5.5795	8.0066

	Delivered Price * PHP/kWh												
	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar 2016 - Feb 2017 Overall
PPC Interim PSA	7.1148	5.8111	5.6754	5.5443	5.8188	6.0675	6.2757	5.8739	6.4317	6.9451	9.1297	6.3574	6.2050

*** Assumptions:**

- CPI Adj for Fixed O&M and Variable O&M based on PH CPI (2006=100) = 142.30, Dec 2015, base PH CPI (2006=100) = 137.8, Feb 2014
- HFO, LFO and LO Prices based on given cost by PPC as of Jan 2016
- Estimated PPC line rental rate based on actual Apr - Jul 2014 average line rental of PPC

Impact to MERALCO Generation Charge

	Generation Charge PHP/kWh												
	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar 2016 - Feb 2017 Overall
Without PPC Interim PSA	4.4298	4.6926	5.0962	5.0205	5.0361	4.3665	4.3019	4.1826	4.1255	3.8159	4.5695	4.5651	4.5328
With PPC Interim PSA	4.4372	4.6784	5.0667	4.9843	5.0158	4.3614	4.3023	4.1829	4.1293	3.8211	4.5788	4.5685	4.5254
inc / -dec. P/kWh	*0.0074*	*-0.0142*	*-0.0295*	*-0.0362*	*-0.0203*	*-0.0052*	*0.0005*	*0.0003*	*0.0038*	*0.0052*	*0.0093*	*0.0035*	*-0.0074*
inc / -dec. Million PhP	*17.10*	*-38.65*	*-84.30*	*-106.29*	*-54.38*	*-14.51*	*1.20*	*0.82*	*9.82*	*12.23*	*20.16*	*7.77*	*-229.03*

Impact to WESM Exposure

	WESM share of Captive Demand %												
	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar 2016 - Feb 2017 Overall
Without PPC Interim PSA	7.66%	7.50%	8.09%	7.58%	6.72%	16.75%	10.84%	9.21%	7.26%	5.39%	-0.10%	3.30%	7.76%
With PPC Interim PSA	7.32%	7.04%	7.62%	7.09%	6.26%	16.35%	10.44%	8.74%	6.89%	5.05%	-0.32%	2.86%	7.35%
inc / -dec	*-0.34%*	*-0.46%*	*-0.47%*	*-0.49%*	*-0.47%*	*-0.40%*	*-0.40%*	*-0.46%*	*-0.37%*	*-0.35%*	*-0.23%*	*-0.45%*	*-0.41%*

	WESM Price PHP/kWh												
	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar 2016 - Feb 2017 Overall
Luzon WESM Average Price	3.3709	5.9885	8.0426	8.5198	6.6227	4.6999	4.0928	4.2079	3.3579	3.3777	2.4250	3.2450	4.8292

Prepared By: Ciprinilo C. Meneses

Reviewed By: Rolando M. Cagampan

MERALCO

ORTIGAS AVENUE, PASIG CITY
0300 PHILIPPINES

ANNEX "D"

SECRETARY'S CERTIFICATE

I, WILLIAM S. PAMINTUAN, a duly elected, qualified and incumbent Assistant Corporate Secretary of the Manila Electric Company (MERALCO), a corporation duly organized and existing under and by virtue of the laws of the Philippines, do hereby certify that:

At the regular meeting of the Board of Directors of the Company duly convened and held on December 14, 2015, at which meeting a quorum was present, acted throughout and voted, the following resolutions were approved and said resolutions are in full force and effect on the date hereof:

"RESOLVED, that the Board of Directors of the Manila Electric Company Electric Company (MERALCO) hereby authorizes MERALCO to enter into an Interim Power Supply Agreement with Toledo Power Co. (TPC);

"RESOLVED, FURTHER, that the following officers, namely Messrs. MANUEL V. PANGILINAN, Chairman of the Board, OSCAR S. REYES, President & Chief Executive Officer, ALFREDO S. PANLILIO, Senior Vice President, Head, Customer Retail Services and Head, Corporate Communication and RONNIE L. APEROCHO, First Vice President & Head, Networks, are hereby directed and empowered, for and in behalf of the Company, to sign, execute and deliver any contract, agreement, instrument, and other documents which may be deemed necessary or appropriate for the purpose, and to perform or execute all other acts and deeds as may be necessary or appropriate to carry out or accomplish the said purpose;

"RESOLVED, FURTHERMORE, that the Board of Directors authorize, as it hereby authorizes, MERALCO, through Ms. IVANNA G. DELA PEÑA, First Vice President & Head, Regulatory Management Office and Atty. JOSE RONALD V. VALLES, Vice President and Head, Regulatory Affairs, or any lawyer or employee of MERALCO that any of them may designate, name or appoint:

(1) To file the appropriate application with the Energy Regulatory Commission (ERC) for the approval of the Interim Power Supply Agreement between MERALCO and Toledo Power Co., (TPC), for the supply and delivery of electric power to MERALCO;

(2) to sign, execute, and deliver in connection therewith the necessary pleadings, motions, verification, affidavit of merit, certificate of non-forum shopping, powers of attorney, and other instruments as may be necessary or proper; and

(3) To designate, name, and appoint, a representative or an attorney-in-fact in behalf of the Company during the preliminary conference, pre-trial, trial, execution and all other stages of or incidents related to the case, proceeding or action; to negotiate, enter into, and agree to an amicable settlement, make admissions or stipulations of fact and/or documents; and to perform

and execute any and all actions and such other matters as may aid in the prompt disposition of such case, proceeding or action."

WITNESS THE SIGNATURE of the undersigned as such officer of the Company and its corporate seal hereunto affixed on this 28 JAN 2016 day of January 2016.

WILLIAM S. PAMINTUAN
Assistant Corporate Secretary

SUBSCRIBED AND SWORN to before me this 28 JAN 2016 day of January 2016, affiant exhibited to me his Taxpayer Identification Number (TIN) 146-473-562, issued by the Bureau of Internal Revenue (BIR) as his competent evidence of identity.

Doc. No. 129;
Page No. 27;
Book No. IV;
Series of 2016.

ATTY. CARMEN GRACE S. RAMOS
NOTARY PUBLIC
Pasig, Pateros, Taguig & San Juan
Issued on July 13, 2015 at Pasig City
until December 31, 2016
Roll No. 55945; IBP No. 1023723; 1-8-16 RSM Chapter
PTR No. 1773401; 1-21-16 Pasig City
7th Floor, Lopez Bldg., Ortigas Ave., Pasig City

MERALCO

ORTIGAS AVENUE, PASIG CITY
0300 PHILIPPINES

ANNEX "D"

SECRETARY'S CERTIFICATE

I, WILLIAM S. PAMINTUAN, a duly elected, qualified and incumbent Assistant Corporate Secretary of the Manila Electric Company (MERALCO), a corporation duly organized and existing under and by virtue of the laws of the Philippines, do hereby certify that:

At the regular meeting of the Board of Directors of the Company duly convened and held on December 14, 2015, at which meeting a quorum was present, acted throughout and voted, the following resolutions were approved and said resolutions are in full force and effect on the date hereof:

"RESOLVED, that the Board of Directors of the Manila Electric Company Electric Company (MERALCO) hereby authorizes MERALCO to enter into an Interim Power Supply Agreement with Panay Power Corporation (PPC);

"RESOLVED, FURTHER, that the following officers, namely Messrs. MANUEL V. PANGILINAN, Chairman of the Board, OSCAR S. REYES, President & Chief Executive Officer, ALFREDO S. PANLILIO, Senior Vice President, Head, Customer Retail Services and Head, Corporate Communication and RONNIE L. APEROCHO, First Vice President & Head, Networks, are hereby directed and empowered, for and in behalf of the Company, to sign, execute and deliver any contract, agreement, instrument, and other documents which may be deemed necessary or appropriate for the purpose, and to perform or execute all other acts and deeds as may be necessary or appropriate to carry out or accomplish the said purpose;

"RESOLVED, FURTHERMORE, that the Board of Directors authorize, as it hereby authorizes, MERALCO, through Ms. IVANNA G. DELA PEÑA, First Vice President & Head, Regulatory Management Office and Atty. JOSE RONALD V. VALLES, Vice President and Head, Regulatory Affairs, or any lawyer or employee of MERALCO that any of them may designate, name or appoint:

(1) To file the appropriate application with the Energy Regulatory Commission (ERC) for the approval of the Interim Power Supply Agreement between MERALCO and Panay Power Corporation (PPC), for the supply and delivery of electric power to MERALCO;

(2) to sign, execute, and deliver in connection therewith the necessary pleadings, motions, verification, affidavit of merit, certificate of non-forum shopping, powers of attorney, and other instruments as may be necessary or proper; and

(3) To designate, name, and appoint, a representative or an attorney-in-fact in behalf of the Company during the preliminary conference, pre-trial, trial, execution and all other stages of or incidents related to the case, proceeding or action; to negotiate, enter into, and agree to an amicable settlement, make admissions or stipulations of fact and/or documents; and to perform

and execute any and all actions and such other matters as may aid in the prompt disposition of such case, proceeding or action."

WITNESS THE SIGNATURE of the undersigned as such officer of the Company and its corporate seal hereunto affixed on this _____ day of January 2016.

2 8 JAN 2016

WILLIAM S. PAMINTUAN
Assistant Corporate Secretary

2 8 JAN 2016

SUBSCRIBED AND SWORN to before me this _____ day of January 2016, affiant exhibited to me his Taxpayer Identification Number (TIN) 146-473-562, issued by the Bureau of Internal Revenue (BIR) as his competent evidence of identity.

Doc. No. 128;
Page No. 27;
Book No. IV;
Series of 2016.

ATTY. CARMEN GRACE S. RAMOS
NOTARY PUBLIC
Pasig, Pateros, Taguig & San Juan
Issued on July 13, 2015 at Pasig City
until December 31, 2016
Roll No. 55945; IBP No. 1023777; 1-8-16 RSM Chapter
PTR No. 1473409; 1-7-16 Pasig City
7th Floor, Lopez Bldg., Ortigas Ave., Pasig City

ANNEX "E"

REPUBLIC OF THE PHILIPPINES)
MAKATI CITY) S.S.

SECRETARY'S CERTIFICATE

I, **Amanda Roselle A. Bengson,** of legal age, Filipino, with office address at the 22nd Floor, GT Tower International, 6813 Ayala Ave. cor. H.V. dela Costa St., Makati City, after having been duly sworn in accordance with law, hereby depose and state that:

1. I am the duly elected and incumbent Partnership Secretary of **TOLEDO POWER CO.** (the "Partnership"), a partnership duly organized and existing under the laws of the Republic of the Philippines with office address at Brgy. Daanlungsod, Toledo City.

2. At the meeting of the Partnership Board held on 28 January 2016, at which meeting a quorum was present, participated, and acted throughout, the following resolutions were adopted and approved:

> *"**RESOLVED,** that Toledo Power Co. (the "Partnership") be, as it is hereby, authorized and empowered to enter into an Interim Power Supply Agreement ("IPSA") with Manila Electric Company ("MERALCO") for the supply of electric power from its 40 MW diesel-fired power plant located in Carmen, Toledo City, Cebu, and to deliver and perform the obligations of an electric power supplier under the IPSA;*
>
> *"**RESOLVED, FURTHER,** that the Partnership Board approves and authorizes the joint filing of the Application for Approval of the IPSA between MERALCO and the Partnership, with prayer for provisional authority, with the Energy Regulatory Commission (the "ERC");*
>
> *"**RESOLVED, FURTHER,** that the President of the Partnership, Mr. Rolando T. Bacani, and its Executive Vice President, Mr. Jaime T. Azurin, acting singly or jointly, or such other officer/person any of them may designate in writing, be authorized (i) to negotiate the terms of the IPSA, and to sign, execute, deliver, receive, and receipt, for and on behalf of the Partnership, any and all documents and instruments required or necessary to carry out the foregoing resolutions, including but not limited to the IPSA, or any amendments thereto; (ii) to sign, execute, and delivery any and all documents, including but not limited to approving or causing the preparation and filing of the above-mentioned Application with the ERC and other pleadings, motions, and other legal documents, verifying allegations therein, executing affidavits or sworn statements, giving testimonies, and executing certifications against forum-shopping; and (iii) to do any and all legal acts necessary to carry out the foregoing resolutions;*
>
> *"**RESOLVED, FINALLY,** that the Partnership ratifies and confirms, as it hereby ratifies and confirms, any and all acts which the foregoing directors/officers have done or shall lawfully do or cause to be done in accordance with the terms of the foregoing resolutions."*

3. The foregoing resolutions are in accordance with the record of the Partnership, are in full force and effect, and have not been amended or rescinded.

IN WITNESS WHEREOF, I have hereunto affixed my signature this _____ in Makati City.

Amanda Roselle A. Bengson
Partnership Secretary

SUBSCRIBED AND SWORN to before me this FEB 01 2016 in Makati City, affiant exhibiting to me her CTC No. 05086364 issued on 15 January 2016 in Makati City and satisfactorily proving to me her identity through her Passport No. EC0012906, valid until 15 January 2019, that she is the same person who personally signed before me the foregoing Secretary's Certificate and acknowledged that she executed the same.

Doc. No. 91;
Page No. 15;
Book No. 8;
Series of 2016.

ATTY. MELISSA B. REYES
NOTARY PUBLIC FOR MAKATI CITY UNTIL DEC. 31, 2016
ROLL NO. 41369 / APPOINTMENT NO. M-249
IBP NO. 0983825 / PTR. NO. 4775329
45/F GT TOWER INTERNATIONAL, AYALA AVENUE
CORNER H.V. DE LA COSTA, MAKATI CITY

ANNEX "F"

REPUBLIC OF THE PHILIPPINES)
MAKATI CITY) S.S.

SECRETARY'S CERTIFICATE

I, **Amanda Roselle A. Bengson,** of legal age, Filipino, with office address at the 22nd Floor, GT Tower International, 6813 Ayala Ave. cor. H.V. dela Costa St., Makati City, after having been duly sworn in accordance with law, hereby depose and state that:

1. I am the duly elected and incumbent Corporate Secretary of **PANAY POWER CORPORATION** (the "Corporation"), a corporation duly organized and existing under the laws of the Republic of the Philippines with office address at Brgy. Ingore, La Paz, Iloilo City.

2. At the meeting of the Board of Directors of the Corporation held on 28 January 2016, at which meeting a quorum was present, participated, and acted throughout, the following resolutions were adopted and approved:

> *"**RESOLVED,** that Panay Power Corporation (the "Corporation") be, as it is hereby, authorized and empowered to enter into an Interim Power Supply Agreement ("IPSA") with Manila Electric Company ("MERALCO") for the supply of electric power from its 72 MW diesel-fired power plant located in Brgy. Ingore, La Paz, Iloilo City, and to deliver and perform the obligations of an electric power supplier under the IPSA;*
>
> *"**RESOLVED, FURTHER,** that the Board of Directors approves and authorizes the joint filing of the Application for Approval of the IPSA between MERALCO and the Corporation, with prayer for provisional authority, with the Energy Regulatory Commission (the "ERC");*
>
> *"**RESOLVED, FURTHER,** that the President of the Corporation, Mr. Rolando T. Bacani, and its Executive Vice President, Mr. Jaime T. Azurin, acting singly or jointly, or such other officer/person any of them may designate in writing, be authorized (i) to negotiate the terms of the IPSA, and to sign, execute, deliver, receive, and receipt, for and on behalf of the Corporation, any and all documents and instruments required or necessary to carry out the foregoing resolutions, including but not limited to the IPSA, or any amendments thereto; (ii) to sign, execute, and delivery any and all documents, including but not limited to approving or causing the preparation and filing of the above-mentioned Application with the ERC and other pleadings, motions, and other legal documents, verifying allegations therein, executing affidavits or sworn statements, giving testimonies, and executing certifications against forum-shopping; and (iii) to do any and all legal acts necessary to carry out the foregoing resolutions;*
>
> *"**RESOLVED, FINALLY,** that the Corporation ratifies and confirms, as it hereby ratifies and confirms, any and all acts which the foregoing directors/officers have done or shall lawfully do or cause to be done in accordance with the terms of the foregoing resolutions."*

3. The foregoing resolutions are in accordance with the record of the Corporation, are in full force and effect, and have not been amended or rescinded.

IN WITNESS WHEREOF, I have hereunto affixed my signature this _____ in Makati City.

Amanda Roselle A. Bengson
Corporate Secretary

SUBSCRIBED AND SWORN to before me this FEB 01 2016 in Makati City, affiant exhibiting to me her CTC No. 05086364 issued on 15 January 2016 in Makati City and satisfactorily proving to me her identity through her Passport No. EC0012906, valid until 15 January 2019, that she is the same person who personally signed before me the foregoing Secretary's Certificate and acknowledged that she executed the same.

Doc. No. 92;
Page No. 15;
Book No. 8;
Series of 2016.

ATTY. MELISSA B. REYES
NOTARY PUBLIC FOR MAKATI CITY UNTIL DEC. 31, 2016
ROLL NO. 41369 / APPOINTMENT NO. M-249
IBP NO. 0983825 / PTR. NO. 4775329
45/F GT TOWER INTERNATIONAL, AYALA AVENUE
CORNER H.V. DE LA COSTA, MAKATI CITY

Republic of the Philippines
SANGGUNIANG PANLUNGSOD
City Government of Pasig

ACKNOWLEDGMENT

This is to acknowledge the receipt of a copy of Manila Electric Company's (MERALCO), Toledo Power Co. (TPC) and Panay Power Corporation's (PPC) verified Joint Application entitled "IN THE MATTER OF THE APPLICATION FOR THE APPROVAL OF THE INTERIM POWER SUPPLY AGREEMENTS BETWEEN: (A) MANILA ELECTRIC COMPANY (MERALCO) AND TOLEDO POWER CO. (TPC); AND (B) MERALCO AND PANAY POWER CORPORATION (PPC), WITH PRAYER FOR PROVISIONAL AUTHORITY," *with* ***attached Annexes***, being served by MERALCO, prior to its filing with the Energy Regulatory Commission (ERC).

This acknowledgment is being issued upon the request of MERALCO for whatever legal intents and purposes it may served.

Issued this **4th** day of **February 2016** at Pasig City.

LOIDA U. VILLANUEVA
Acting City Council Secretary

STATEMENT OF ACCOUNT

ENERGY REGULATORY COMMISSION
http://www.erc.gov.ph

Pacific Center Building
San Miguel Ave, Pasig City
Phone 689-5372 loc.5378 Fax 638-4519

STATEMENT NO : 2016-PSA-0294

BILL TO : MANILA ELECTRIC COMPANY, TOLEDO POWER CO. & PANAY
Brgy. Ugong, Pasig City

DATE ISSUED : February 05, 2016
DUE DATE : February 10, 2016

PARTICULARS	AMOUNT
Application for Approval of Interim Power Supply Agreement bet.(A)MERALCO & Toledo Power Co.;(B)MERALCO & Panay Power Corp.w/ prayer for provisional authority (Revenue Code: 4-02-01-010)	3,700.00
JPLRF(Revenue Code: 4-02-01-010)	37.00
TOTAL AMOUNT (PhP)	**3,737.00**

THREE THOUSAND SEVEN HUNDRED THIRTY SEVEN PESOS

Approved by : ATTY. ALFREDO P. VERGARA JR.
OIC, LEGAL SERVICE

OR # 0005915
2.10.16

Approved by : ELLEN C. EBCAS
DIRECTOR III, OIC-FAS

Attested by : ZYWEEN A. SEVILLENO
BILLING SECTION

ACCOUNTABLE FORM NO. 51 (ORIGINAL)
Revised January, 1992

Official Receipt of the Republic of the Philippines

No. 0005915

Date 2/10/2016

Agency ENERGY REGULATORY COMMISSION Fund

Payor Manila Electric Company, Toledo Power Co. & Panay

Nature of Collection	Account Code	Amount
Filing Fee	4-02-01-130	₱ 3,700.00
UPLRF	2-99-99-990	37.00
2016-PSA-0294		
TOTAL		₱ 3,737.00

Amount in Words three thousand seven hundred thirty seven pesos only

☐ Cash ☒ Check ☐ Money Order

Drawee Bank: BDO Number: 01883375 Date: 2/4/2016

Received the amount stated above
MILA A. MIRANDA
Cashier II

Collecting Officer

NOTE: Write the number and date of this receipt on the back of check or money order received.

TODAY IN Health&Fitness

TEN STEPS TO A HEALTHIER HEART

ISSN 1908-1189

2015 ENVIRONMENTAL LEADERSHIP AWARD | UNITED NATIONS MEDIA AWARD 2008

BusinessMirror

→Now the No. 1 Daily Business Newspaper in the Philippines

A broader look at today's business

www.businessmirror.com.ph

■ Thursday, February 4, 2016 Vol. 11 No. 119

P25.00 NATIONWIDE | 5 SECTIONS 32 PAGES | 7 DAYS A WEEK

BusinessMirror@10
BM 10.0
NEWS EVOLVED

INSIDE

MODE OF 2016'S

PPP Act, SSL 4 left hanging as solons end 16th Congress

By Jovee Marie N. dela Cruz

THE House of Representatives

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

IN THE MATTER OF THE APPLICATION FOR THE APPROVAL OF THE INTERIM POWER SUPPLY AGREEMENTS BETWEEN: (A) MANILA ELECTRIC COMPANY (MERALCO) AND TOLEDO POWER CO. (TPC); AND (B) MERALCO AND PANAY POWER CORPORATION (PPC), WITH PRAYER FOR PROVISIONAL AUTHORITY

ERC CASE NO. 2016 -___ RC

MANILA ELECTRIC COMPANY (MERALCO), TOLEDO POWER CO. (TPC) AND PANAY POWER CORPORATION (PPC),
Applicants.
x----------x

JOINT APPLICATION

Applicants **MANILA ELECTRIC COMPANY ("MERALCO"), TOLEDO POWER CO. ("TPC")** and **PANAY POWER CORPORATION ("PPC")**, through their respective undersigned counsel, most respectfully state:

1. Applicant MERALCO is a private corporation existing under the laws of the Republic of the Philippines, with principal office located at Ortigas Avenue, Barangay Ugong, Pasig City. It may be served with notices and other processes of this Honorable Commission at its principal office address or through its counsel at the address indicated herein.

2. MERALCO has a legislative franchise to operate and maintain a distribution system in the cities/municipalities of Metro Manila, Bulacan, Cavite and Rizal and certain cities/municipalities/barangays in Batangas, Laguna, Quezon and Pampanga, pursuant to Republic Act No. 9209, and is authorized to charge all its customers for their electric consumption at the rates approved by the Honorable Commission.

3. Applicant TPC is a partnership duly organized and existing under the laws of the Republic of the Philippines, with its principal office address at Barangay Daantungsod, Toledo City, Cebu. TPC owns and operates a 40 MW diesel-fired power plant located in Carmen, Toledo City, Cebu. It may be served with notices and other processes of this Honorable Commission through its counsel at the address indicated herein.

4. Applicant PPC is a corporation duly organized and existing under the laws of the Republic of the Philippines, with its principal office address at Brgy. Ingore, La Paz, Iloilo City. It owns and operates a 72 MW diesel-fired power plant located in Brgy. Ingore, La Paz, Iloilo City. It may be served with notices and other processes of this Honorable Commission through its counsel at the address indicated herein.

5. Based on the power situation outlook for 2016 MERALCO foresees a significant capacity deficit in its portfolio, especially for the summer months of 2016, due to the expected high demand and the scheduled maintenance shutdowns of its contracted generating units as well as possible occurrences of forced plant outage.

6. In view thereof, and in order to mitigate exposure to the Wholesale Electricity Spot Market **("WESM")**, there is a need for MERALCO to source additional capacity through short-term bilateral power supply contracts.

7. Under Section 45(b) of Republic Act No. 9136 ("EPIRA"), it is provided that *"Distribution utilities may enter into bilateral power supply contracts subject to review by the ERC xxx"*.

8. Accordingly, after the conduct of a competitive selection process in accordance with ERC Resolution No. 13, Series of 2015, and subsequent good faith negotiations, on January 22, 2016, MERALCO executed Interim Power Supply Agreements ("IPSAs") with TPC and PPC for the capacity indicated below:

POWER SUPPLIER	CONTRACT ENERGY
TPC	Up to 28 MW (firm basis) from trading intervals 1000H to 2100H, Mondays to Saturdays
PPC	Up to 45 MW (firm basis) from trading intervals 1000H to 2100H, Mondays to Saturdays

I. IPSA between MERALCO and TPC

9. The IPSA between MERALCO and TPC, a copy of which is attached as **ANNEX "A"** and made an integral part hereof, contains the following salient features:

"Article 1 Term and Effectivity

1.1 Term of Agreement

1.1.1 This Agreement shall become effective immediately upon execution, provided that Power Supplier's obligation to deliver, and Meralco's obligation to purchase Contract Energy, shall commence upon Energy Regulatory Commission ("ERC") Provisional Authority ("PA") or Final Approval ("FA") (the "Commencement Date") and shall expire on February 25, 2017, unless terminated earlier in accordance with the terms of this Agreement or extended by the parties by the application of Section 1.1.2 ("Term").

1.1.2 The Term shall be automatically extended for an additional period of one (1) year under the same terms and conditions set forth in this Agreement, unless terminated by either Party by sending written notice to the other Party ninety (90) days prior to the expiration of the Term. In no case shall the automatic extension of this Agreement exceed four (4) years.

1.2 ERC Approval

1.2.1 Within five (5) days after the date of this Agreement, the Parties shall file a joint application with the ERC for the approval of this Agreement, including the Contract Price as detailed in Appendix "A" ("ERC Application").

1.2.2 If the ERC PA or FA requires any portion of any sum that has been paid by Meralco to Power Supplier to be adjusted, the Power Supplier shall make the necessary adjustments in accordance with the direction of the ERC. In the event of any disallowance in the Contract Price, the same shall be for the account of Power Supplier.

1.2.3 If the ERC FA requires an amendment of any provision herein, including provisions on amounts payable under this Agreement, or subjects such approval to any material term or condition that is not acceptable to either Party, acting reasonably ("ERC Conditional Approval"), the Parties shall cooperate in good faith to resolve the required ERC amendment(s) or to address the material term or condition. The Parties shall agree to:

(a) Within fifteen (15) days after the receipt by the Parties of the ERC Conditional Approval, seek a reconsideration of the ERC Conditional Approval. During the period that the motion for reconsideration is pending, Power Supplier shall make available the Contract Energy following the rate in the ERC Conditional Approval, subject to the ERC's Final Approval; and/or

(b) If necessary, within thirty (30) days after receipt by the Parties of the ERC Conditional Approval, revise and file an amended Agreement for approval by the ERC;

provided that if the motion for reconsideration is denied by the ERC, or if the Parties fail to agree on the amendment of this Agreement within the period prescribed in Section 1.2.3 (b), or the amended Agreement is disapproved by the ERC, or approved by the ERC but still with any material term or condition that is not acceptable to either Party, acting reasonably, the Agreement can be terminated by any Party by giving a thirty (30)-day prior written notice of such termination to the other Party.

Article 2 Sale and Purchase of Contract Energy

2.1 Supply of Power

Subject to the terms and conditions of this Agreement:

2.1.1 Immediately upon the Commencement Date, Power Supplier shall make available, sell and deliver to Meralco and Meralco shall purchase from Power Supplier the Contract Energy at the Contract Price as detailed in Appendix "A". The Parties agree that Power Supplier shall have no obligation to supply more than the Contract Energy.

2.1.2 Subject to Section 2.1.3, Power Supplier shall not, without Meralco's prior written consent, sell, divert, transfer, dedicate, reserve or assign all or any portion of the Contract Energy to any Person other than Meralco.

2.1.3 Power Supplier shall, under certain conditions, trade in the WESM any portion of the Contract Energy that is not taken by Meralco. The Parties acknowledge and agree that any trading of this energy shall be for the sole benefit of Meralco. Except for the market participation fees of Power Supplier, any and all costs, taxes, fees, and charges imposed by the Market Operator with respect to such energy traded in the WESM for the portion of the Contract Energy not taken by Meralco, including the proportionate billing adjustments in relation thereto, such as but not limited to, price substitution mechanism adjustments, shall be for the sole account of Meralco. Meralco hereby authorizes Power Supplier to offset any and all of the foregoing amounts against the revenues derived from the trading of the portion of the Contract Energy not taken by Meralco, in accordance with formula E (Net WESM Sales) as detailed in Appendix A.

2.1.4 On a day-after and month-after basis, in the event that the WESM line rental charges exceed PhP0.30/kWh in any trading interval, Meralco shall have the option to not take the Contract Energy for such trading interval. If Meralco exercises such option, it shall not be required to make any Capacity Payment and Fixed O&M Payment with respect to Contract Energy that is not taken by Meralco.

2.1.5 Power Supplier shall not be entitled to any planned/scheduled or forced outage allowances. In case of any such outage, Power Supplier shall procure replacement energy, and Meralco shall pay for the same at the Contract Price.

xxx xxx xxx

4.2 Payments

4.2.1 Each Final Invoice shall be due and payable not later than the last day of the calendar month following the month in which the end of the Billing Period for such Final Invoice relates; provided that if such day is not a business day, then the Final Invoice shall be due and payable on the next succeeding business day ("Payment Date"); provided further that in the event that the Final Invoice is not received by Meralco within the time set forth in Section 4.1.6, the payment shall be due and payable on the due date for the subsequent Billing Period; provided finally that Meralco shall not be required to make payment on any Final Invoice that is manifestly in error, apparently invalid or not in the form or substance contemplated by this Agreement.

4.2.2 If Meralco disputes all or any portion of a Final Invoice for a reason other than a manifest error in, or the patent invalidity or incorrect form or substance of, such Final Invoice, Meralco shall, nonetheless, pay the full amount of such Invoice. Any payment by Meralco under this Section is without prejudice to Meralco's right at a later date to dispute, protest or question any amount so paid.

xxx xxx xxx

Article 5 Taxes, Fees and Costs

5.1 Responsibility for Taxes, Fees and Costs

5.1.1 Power Supplier shall be responsible for and shall make timely payment of the following amounts:

(a) WESM costs attributable to Power Supplier;

(b) Benefits to host communities charges; and

(c) VAT on the foregoing amounts, if any.

Power Supplier shall also be liable for the payment of all other existing taxes, fees, charges and costs, including penalties, arising from this Agreement that properly pertain to the business of Power Supplier.

5.1.2 The following amounts that Meralco is responsible for paying to third parties shall form part of the price that Meralco will charge to its customers:

(a) VAT on Contract Energy in accordance with Bureau of Internal Revenue ("BIR") Memorandum Circular No. 61-2005 and ERC Resolution No. 20-2005, except in respect of any portion thereof that applies to VAT zero-rated and VAT-exempt customers of Meralco;

(b) WESM line rental charges associated with the declaration of Bilateral Contract Quantities from the Plant to Meralco's WESM Node, subject to adjustments provided for in Section 2.1.4. and Appendix "A;" and

(c) NGCP charges.

Notwithstanding this Section, Meralco shall, at all times, be liable for payment of all other existing taxes, fees, charges and costs, including penalties, arising from, this Agreement that properly pertain to the business of Meralco.

xxx xxx xxx

Article 9 Termination

9.1 If for any reason, except as provided in Article 7, there is an actual failure on the part of Power Supplier to deliver the Contract Energy to Meralco for a period of ten (10) days, Meralco shall send written notice to Power Supplier stating that such a breach has occurred.

9.2 If, within thirty (30) days after receipt from Meralco of such written notice (the "Curing Period"), the actual failure on the part of Power Supplier to deliver the Contract Energy to Meralco has not been remedied by Power Supplier, Meralco may terminate this Agreement and pursue any remedy available to it under this Agreement, at law or in equity.

9.3 Meralco shall, from and after the occurrence of a breach under Section 9.1 and even during the Curing Period, be entitled to source energy from the WESM or other parties and Power Supplier shall be liable to pay Meralco the difference between the amount Meralco actually paid for such energy and the Contract Price.

9.4 Upon the early termination of this Agreement due to: (i) an actual failure on the part of Power Supplier to deliver the Contract Energy to Meralco, or (ii) the failure of Meralco to pay for the Contract Price under the terms and conditions of this Agreement, that results in the early termination of this Agreement, and without prejudice to any other provisions of this Agreement prior to such early termination, the Party in breach shall pay liquidated damages in an amount equivalent to the present value of the Capacity Recovery Fees for the remaining Term discounted at twelve percent (12%).

9.5 Either Party shall have the right to terminate this Agreement by serving thirty (30)-day advance written notice to the other due to violation of any of the provisions hereof or any of the grounds provided for herein; Provided, that the termination under this Section shall not prejudice the right of the aggrieved Party to liquidated damages under Section 9.4.

9.6 Subject to seven (7) days prior written notice to Meralco, Power Supplier may terminate this Agreement if:

(a) After forty (40) Days from filing of the ERC Application for approval of this Agreement, no approval has been issued; or

(b) If ERC PA or FA has been issued, Power Supplier is not amenable to any changes in the terms and conditions of the PSA, including the rate, as may be provided in the ERC PA or FA.

9.7 In the event of pre-termination of this Agreement on grounds as provided in this Agreement, Meralco shall purchase energy from the WESM.

xxx xxx xxx"

II. IPSA between MERALCO and PPC

13. The IPSA between MERALCO and PPC, a copy of which is attached as **ANNEX "B"** and made an integral part hereof, contains the following salient features:

"Article 1 Term and Effectivity

1.1 Term of Agreement

1.1.1 This Agreement shall become effective immediately upon execution, provided that Power Supplier's obligation to deliver, and Meralco's obligation to purchase Contract Energy, shall commence upon Energy Regulatory Commission ("ERC") Provisional Authority ("PA") or Final Approval ("FA") (the "Commencement Date") and shall expire on February 25, 2017, unless terminated earlier in accordance with the terms of this Agreement or extended by the parties by the application of Section 1.1.2 ("Term").

1.1.2 The Term shall be automatically extended for an additional period of one (1) year under the same terms and conditions set forth in this Agreement, unless terminated by either Party by sending written notice to the other Party ninety (90) days prior to the expiration of the Term. In no case shall the automatic extension of this Agreement exceed four (4) years.

1.2 ERC Approval

1.2.1 Within five (5) days after the date of this Agreement, the Parties shall file a joint application with the ERC for the approval of this Agreement, including the Contract Price as detailed in Appendix "A" ("ERC Application").

1.2.2 If the ERC PA or FA requires any portion of any sum that has been paid by Meralco to Power Supplier to be adjusted, the Power Supplier shall make the necessary adjustments in accordance with the direction of the ERC. In the event of any disallowance in the Contract Price, the same shall be for the account of Power Supplier.

1.2.3 If the ERC FA requires an amendment of any provision herein, including provisions on amounts payable under this Agreement, or subjects such approval to any material term or condition that is not acceptable to either Party, acting reasonably ("ERC Conditional Approval"), the Parties shall cooperate in good faith to resolve the required ERC amendment(s) or to address the material term or condition. The Parties shall agree to:

(a) Within fifteen (15) days after the receipt by the Parties of the ERC Conditional Approval, seek a reconsideration of the ERC Conditional Approval. During the period that the motion for reconsideration is pending, Power Supplier shall make available the Contract Energy following the rate in the ERC Conditional Approval, subject to the ERC's Final Approval; and/or

(b) If necessary, within thirty (30) days after receipt by the Parties of the ERC Conditional Approval, revise and file an amended Agreement for approval by the ERC;

provided that if the motion for reconsideration is denied by the ERC, or if the Parties fail to agree on the amendment of this Agreement within the period prescribed in Section 1.2.3 (b), or the amended Agreement is disapproved by the ERC, or approved by the ERC but still with any material term or condition that is not acceptable to either Party, acting reasonably, the Agreement can be terminated by any Party by giving a thirty (30)-day prior written notice of such termination to the other Party.

Article 2 Sale and Purchase of Contract Energy

2.1 Supply of Power

Subject to the terms and conditions of this Agreement:

2.1.1 Immediately upon the Commencement Date, Power Supplier shall make available, sell and deliver to Meralco and Meralco shall purchase from Power Supplier the Contract Energy at the Contract Price as detailed in Appendix "A". The Parties agree that Power Supplier shall have no obligation to supply more than the Contract Energy.

2.1.2 Subject to Section 2.1.3, Power Supplier shall not, without Meralco's prior written consent, sell, divert, transfer, dedicate, reserve or assign all or any portion of the Contract Energy to any Person other than Meralco.

2.1.3 Power Supplier shall, under certain conditions, trade in the WESM any portion of the Contract Energy that is not taken by Meralco. The Parties acknowledge and agree that any trading of this energy shall be for the sole benefit of Meralco. Except for the market participation fees of Power Supplier, any and all costs, taxes, fees and charges, imposed by the Market Operator with respect to such energy traded in the WESM for the portion of the Contract Energy not taken by Meralco,

xxx xxx xxx

Article 9 Termination

9.1 If for any reason, except as provided in Article 7, there is an actual failure on the part of Power Supplier to deliver the Contract Energy to Meralco for a period of ten (10) days, Meralco shall send written notice to Power Supplier stating that such a breach has occurred.

9.2 If, within thirty (30) days after receipt from Meralco of such written notice (the "Curing Period"), the actual failure on the part of Power Supplier to deliver the Contract Energy to Meralco has not been remedied by Power Supplier, Meralco may terminate this Agreement and pursue any remedy available to it under this Agreement, at law or in equity.

9.3 Meralco shall, from and after the occurrence of a breach under Section 9.1 and even during the Curing Period, be entitled to source energy from the WESM or other parties and Power Supplier shall be liable to pay Meralco the difference between the amount Meralco actually paid for such energy and the Contract Price.

9.4 Upon the early termination of this Agreement due to: (i) an actual failure on the part of Power Supplier to deliver the Contract Energy to Meralco, or (ii) the failure of Meralco to pay for the Contract Price under the terms and conditions of this Agreement, that results in the early termination of this Agreement, and without prejudice to any other provisions of this Agreement prior to such early termination, the Party in breach shall pay liquidated damages in an amount equivalent to the present value of the Capacity Recovery Fees for the remaining Term discounted at twelve percent (12%).

9.5 Either Party shall have the right to terminate this Agreement by serving thirty (30)-day advance written notice to the other due to violation of any of the provisions hereof or any of the grounds provided for herein; Provided, that the termination under this Section shall not prejudice the right of the aggrieved Party to liquidated damages under Section 9.4.

9.6 Subject to seven (7) days prior written notice to Meralco, Power Supplier may terminate this Agreement if:

(a) After forty (40) Days from filing of the ERC Application for approval of this Agreement, no approval has been issued; or

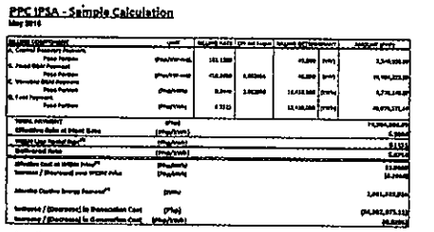
(b) If ERC PA or FA has been issued, Power Supplier is not amenable to any changes in the terms and conditions of the PSA, including the rate, as may be provided in the ERC PA or FA.

9.7 In the event of pre-termination of this Agreement on grounds as provided in this Agreement, Meralco shall purchase energy from the WESM.

xxx xxx xxx"

14. Based on simulations, the effective delivered price under the IPSA between MERALCO and PPC for the supply month of May 2016 is PhP5.8754 per kWh, as shown in the sample calculation below:

PPC IPSA - Sample Calculation
May 2016



15. As seen in the rate impact below, for the duration of the term of the IPSA between MERALCO and PPC, the simulated delivered price thereunder would result in an overall savings of PhP0.0074 per kWh.

Impact to MERALCO Generation Charge

	Generation Charge PHP/kWh
	Mar 2016 - Feb 2017 Overall
Without Panay Interim PSA	4.5328
With Panay Interim PSA	4.5254
Inc/-dec PHkWh	-0.0074
Inc/-dec, Million PHP	-229.63

16. Again, in addition to such overall savings, the IPSA between MERALCO and PPC provides for a WESM rebate mechanism wherein PPC shall, under certain conditions, trade in the WESM any portion of the Contract Energy not taken by MERALCO. Such trading shall be for the sole benefit of MERALCO and shall redound to the benefit of its customers.

Allegations in Support of the Prayer for Provisional Authority

17. As previously mentioned, based on MERALCO's power supply-demand outlook for 2016, a significant capacity deficit in its portfolio, especially for the summer months, is foreseen due to expected high demand and scheduled maintenance shutdowns of its contracted generating units as well as possible occurrences of forced plant outage.

18. Consequently, if the IPSAs are not implemented during

MERALCO to source additional capacity through short-term bilateral power supply contracts.

7. Under Section 45(b) of Republic Act No. 9136 ("EPIRA"), it is provided that "*Distribution utilities may enter into bilateral power supply contracts subject to review by the ERC xxx*".

8. Accordingly, after the conduct of a competitive selection process in accordance with ERC Resolution No. 13, Series of 2015, and subsequent good faith negotiations, on January 22, 2016, MERALCO executed Interim Power Supply Agreements ("IPSAs") with TPC and PPC for the capacity indicated below:

POWER SUPPLIER	CONTRACT ENERGY
TPC	Up to 28 MW (firm basis) from trading intervals 1000H to 2100H, Mondays to Saturdays
PPC	Up to 45 MW (firm basis) from trading intervals 1000H to 2100H, Mondays to Saturdays

I. IPSA between MERALCO and TPC

9. The IPSA between MERALCO and TPC, a copy of which is attached as **ANNEX "A"** and made an integral part hereof, contains the following salient features:

"Article 1 Term and Effectivity

1.1 Term of Agreement

1.1.1 This Agreement shall become effective immediately upon execution provided that Power Supplier's obligation to deliver, and Meralco's obligation to purchase, Contract Energy shall commence upon Energy Regulatory Commission ("ERC") Provisional Authority ("PA") or Final Approval ("FA") (the "Commencement Date") and shall expire on February 25, 2017, unless terminated earlier in accordance with the terms of this Agreement or extended by the parties by the application of Section 1.1.2 ("Term").

1.1.2 The Term shall be automatically extended for an additional period of one (1) year under the same terms and conditions set forth in this Agreement, unless terminated by either Party by sending written notice to the other Party ninety (90) days prior to the expiration of the Term. In no case shall the automatic extension of this Agreement exceed four (4) years.

1.2 ERC Approval

1.2.1 Within five (5) days after the date of this Agreement, the Parties shall file a joint application with the ERC for the approval of this Agreement, including the Contract Price as detailed in Appendix "A" ("ERC Application").

1.2.2 If the ERC PA or FA requires any portion of any sum that has been paid by Meralco to Power Supplier to be adjusted, the Power Supplier shall make the necessary adjustments in accordance with the direction of the ERC. In the event of any disallowance in the Contract Price, the same shall be for the account of Power Supplier.

1.2.3 If the ERC FA requires an amendment of any provision herein, including provisions on amounts payable under this Agreement, or subjects such approval to any material term or condition that is not acceptable to either Party, acting reasonably ("ERC Conditional Approval"), the Parties shall cooperate in good faith to resolve the required ERC amendment(s) or to address the material term or condition. The Parties shall agree to:

(a) Within fifteen (15) days after the receipt by the Parties of the ERC Conditional Approval, seek a reconsideration of the ERC Conditional Approval. During the period that the motion for reconsideration is pending, Power Supplier shall make available the Contract Energy following the rate in the ERC Conditional Approval, subject to the ERC's Final Approval; and/or

(b) If necessary, within thirty (30) days after receipt by the Parties of the ERC Conditional Approval, revise and file an amended Agreement for approval by the ERC;

provided that if the motion for reconsideration is denied by the ERC, or if the Parties fail to agree on the amendment of this Agreement within the period prescribed in Section 1.2.3 (b), or the amended Agreement is disapproved by the ERC, or approved by the ERC but still with any material term or condition that is not acceptable to either Party, acting reasonably, the Agreement can be terminated by any Party by giving a thirty (30)-day prior written notice of such termination to the other Party.

Article 2 Sale and Purchase of Contract Energy

2.1 Supply of Power

Subject to the terms and conditions of this Agreement:

2.1.1 Immediately upon the approval by the ERC of this Agreement, Power Supplier shall make available, sell and deliver to Meralco and Meralco shall purchase from Power Supplier the Contract Energy at the Contract Price as detailed in Appendix "A". The Parties agree that Power Supplier shall have no obligation to supply more than the Contract Energy.

2.1.2 Subject to Section 2.1.3, Power Supplier shall not, without Meralco's prior written consent, sell, divert, transfer, dedicate, reserve or assign all or any portion of the Contract Energy to any Person other than Meralco.

2.1.3 Power Supplier shall, under certain conditions, trade in the WESM any portion of the Contract Energy that is not taken by Meralco. The Parties acknowledge and agree that any trading of this energy shall be for the sole benefit of Meralco. Except for the market participation fees of Power Supplier, any and all costs, taxes, fees and charges, imposed by the Market Operator with respect to such energy traded in the WESM for the portion of the Contract Energy not taken by Meralco, including the proportionate billing adjustments in relation thereto, such as but not limited to, price substitution mechanism adjustments, shall be for the sole account of Meralco. Meralco hereby authorizes Power Supplier to offset any and all of the foregoing amounts against the revenues derived from the trading of the portion of the Contract Energy not taken by Meralco, in accordance with formula E. (Net WESM Sales) as detailed in Appendix A.

2.1.4 On a day-after and month-after basis, in the event that the WESM line rental charges exceed PhP0.30/kWh in any trading interval, Meralco shall have the option to not take the Contract Energy for such trading interval. If Meralco exercises such option, it shall not be required to make any Capacity Payment and Fixed O&M Payment with respect to Contract Energy that is not taken by Meralco.

2.1.5 Power Supplier shall not be entitled to any planned/scheduled or forced outage allowances. In case of any such outage, Power Supplier shall procure replacement energy, and Meralco shall pay for the same at the Contract Price.

xxx xxx xxx

4.2 Payments

4.2.1 Each Final Invoice shall be due and payable not later than the last day of the calendar month following the month in which the end of the Billing Period for such Final Invoice relates; provided that if such day is not a business day, then the Final Invoice shall be due and payable on the next succeeding business day ("Payment Date"); provided further that in the event that the Final Invoice is not received by Meralco within the time set forth in Section 4.1.6, the payment shall be due and payable on the due date for the subsequent Billing Period; provided finally that Meralco shall not be required to make payment on any Final Invoice that is manifestly in error, apparently invalid or not in the form or substance contemplated by this Agreement.

4.2.2 If Meralco disputes all or any portion of a Final Invoice for a reason other than a manifest error in, or the patent invalidity or incorrect form or substance of, such Final Invoice, Meralco shall, nonetheless, pay the full amount of such Invoice. Any payment by Meralco under this Section is without prejudice to Meralco's right at a later date to dispute, protest or question any amount so paid.

xxx xxx xxx

Article 5 Taxes, Fees and Costs

5.1 Responsibility for Taxes, Fees and Costs

5.1.1 Power Supplier shall be responsible for and shall make timely payment of the following amounts:

(a) WESM costs attributable to Power Supplier;

(b) Benefits to host communities charges; and

(c) VAT on the foregoing amounts, if any.

Power Supplier shall also be liable for the payment of all other existing taxes, fees, charges and costs, including penalties, arising from this Agreement that properly pertain to the business of Power Supplier.

5.1.2 The following amounts that Meralco is responsible for paying to third parties shall form part of the price that Meralco will charge to its customers:

(a) VAT on Contract Energy in accordance with Bureau of Internal Revenue ("BIR") Memorandum Circular No. 61-2005 and ERC Resolution No. 20-2005, except in respect of any portion thereof that applies to VAT zero-rated and VAT-exempt customers of Meralco;

(b) WESM line rental charges associated with the declaration of Bilateral Contract Quantities from the Plant to Meralco's WESM Node, subject to adjustments provided for in Section 2.1.4. and Appendix "A;" and

(c) NGCP charges.

Notwithstanding this Section, Meralco shall, at all times, be liable for payment of all other existing taxes, fees, charges and costs, including penalties, arising from this Agreement that properly pertain to the business of Meralco.

xxx xxx xxx

Article 9 Termination

9.1 If for any reason, except as provided in Article 7, there is an actual failure on the part of Power Supplier to deliver the Contract Energy to Meralco for a period of ten (10) days, Meralco shall send written notice to Power Supplier stating that such a breach has occurred.

9.2 If, within thirty (30) days after receipt from Meralco of such written notice (the "Curing Period"), the actual failure on the part of Power Supplier to deliver the Contract Energy to Meralco has not been remedied by Power Supplier, Meralco may terminate this Agreement and pursue any remedy available to it under this Agreement, at law or in equity.

9.3 Meralco shall, from and after the occurrence of a breach under Section 9.1 and even during the Curing Period, be entitled to source energy from the WESM or other parties and Power Supplier shall be liable to pay Meralco the difference between the amount Meralco actually paid for such energy and the Contract Price.

9.4 Upon the early termination of this Agreement due to: (i) an actual failure on the part of Power Supplier to deliver the Contract Energy to Meralco, or (ii) the failure of Meralco to pay for the Contract Price under the terms and conditions of this Agreement, that results in the early termination of this Agreement, and without prejudice to any other provisions of this Agreement prior to such early termination, the Party in breach shall pay liquidated damages in an amount equivalent to the present value of the Capacity Recovery Fees for the remaining Term discounted at twelve percent (12%).

9.5 Either Party shall have the right to terminate this Agreement by serving thirty (30)-day advance written notice to the other due to violation of any of the provisions hereof or any of the grounds provided for herein; Provided, that the termination under this Section shall not prejudice the right of the aggrieved Party to liquidated damages under Section 9.4.

9.6 Subject to seven (7) days prior written notice to Meralco, Power Supplier may terminate this Agreement if:

(a) After forty (40) days from filing of the ERC Application for approval of this Agreement, no ERC approval has been issued; or

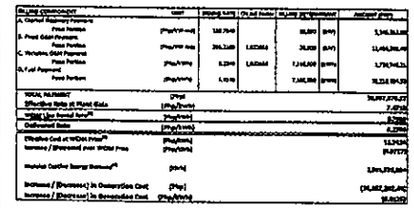
(b) If ERC PA or FA has been issued, Power Supplier is not amenable to any changes in the terms and conditions of the PSA, including the rate, as may be provided in the ERC PA or FA.

9.7 In the event of pre-termination of this Agreement on grounds as provided in this Agreement, Meralco shall purchase energy from the WESM.

xxx xxx xxx"

10. Based on simulations, the effective delivered price under the IPSA between MERALCO and TPC for the supply month of May 2016 is PhP8.2706 per kWh, as shown in the sample calculation below:

TPC IPSA - Sample Calculation
May 2016



11. As seen in the rate impact below, for the duration of the term of the IPSA between MERALCO and TPC, the simulated delivered price thereunder would result in an overall savings of PhP0.0003 per kWh.

Impact to MERALCO Generation Charge

	Generation Charge PHP/kWh
	Mar 2016 - Feb 2017 Overall
Without Parsay Interim PSA	4.5378
With Parsay Interim PSA	4.5374
Incl / -dec, PhP/kWh	-0.0003
Incl / -dec, Million PhP	-33.00

12. Similarly, for the duration of the term of the IPSA between MERALCO and PPC, the simulated delivered price thereunder would result in an overall savings of PhP0.0074 per kWh.

Impact to MERALCO Generation Charge

	Generation Charge PHP/kWh
	Mar 2016 - Feb 2017 Overall
Without Parsay Interim PSA	4.5378
With Parsay Interim PSA	4.5254
Incl / -dec, PhP/kWh	-0.0074
Incl / -dec, Million PhP	-229.03

13. Again, in addition to such overall savings, the IPSA between MERALCO and PPC provides for a WESM rebate mechanism wherein PPC shall, under certain conditions, trade in the WESM any portion of the Contract Energy not taken by MERALCO. Such trading shall be for the sole benefit of MERALCO and shall redound to the benefit of its customers.

Allegations in Support of the Prayer for Provisional Authority

14. As previously mentioned, based on MERALCO's power supply-demand outlook for 2016, a significant capacity deficit in its portfolio, especially for the summer months, is foreseen due to expected high demand and scheduled maintenance shutdowns of its contracted generating units as well as possible occurrences of forced plant outage.

15. Consequently, if the IPSAs are not implemented during said period, MERALCO will be constrained to source from the WESM, where prices are volatile, especially during the summer months. This can be further aggravated and would likely result in higher WESM prices in light of the very tight supply under thin reserve margin conditions during said period.

16. Accordingly, there is a paramount necessity for the timely approval of this Application, and for the issuance of a provisional authority therefore, so that MERALCO can immediately implement these IPSAs in order to reduce MERALCO's WESM purchases and protect its customers from forecasted high WESM prices, to help ensure reasonable prices for such customers, especially during the summer months of 2016.

17. In support of this Application, the Judicial Affidavit of Mr. CIPRINILO C. MENESES, Head of MERALCO's Energy Sourcing Office, is attached as **ANNEX "C"** and made an integral part hereof.

PRAYER

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

1. Upon initial review of the instant Application and pending hearing on the merits, issue an Order provisionally approving the implementation of the IPSAs between: (a) MERALCO and TPC; and (b) MERALCO and PPC; thereby authorizing TPC and PPC to charge and collect from MERALCO electricity fees based on rates that the Honorable Commission may provisionally approve, and authorizing Applicant MERALCO to pass the full amount thereof to its customers; and,
2. After trial on the merits, issue a Decision approving the IPSAs; thereby authorizing TPC and PPC to charge and collect from MERALCO the electricity fees based on the final rates approved by the Honorable Commission, and authorizing MERALCO to pass the full amount thereof to its customers.

It is further respectfully prayed that in the event that the rate provisionally approved by the Honorable Commission is lower than the rate finally approved by it, the Honorable Commission allow TPC and PPC to recover from MERALCO the rate difference and authorize MERALCO to pass the full amount thereof to its customers.

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

Pasig City, 28 January 2016.

MANILA ELECTRIC COMPANY
Applicant
MERALCO Compound, Lopez Building,
Ortigas Avenue, Pasig City

By:

FRANCIS DINO S. ANTONIO
Roll of Attorneys No. 48145
PTR No. 1473407; 01/21/16; Pasig City
IBP No. 1023724; 01/08/16; RSM
MCLE Compliance No. V-0004606; 6 November 2014

CARMEN GRACE S. RAMOS
Roll of Attorneys No. 55845
PTR No. 1473409; 01/21/16; Pasig City
IBP No. 1023723; 01/08/16; RSM
MCLE Compliance No. V-0004823; 6 November 2014

KATHERINE MARI S. GARCIA-MORENO
Roll of Attorneys No. 56002
PTR No. 1473412; 01/21/16; Pasig City
IBP No. 1023727; 01/08/16; RSM
MCLE Compliance No. V-0002588; 9 June 2014

TOLEDO POWER CO.
AND
PANAY POWER CORPORATION
Applicants

By:

AMANDA R. ABRERA BENGSON
IBP Lifetime Membership No. 05698, Makati City
PTR No. 5334776/January 18, 2016, Makati City
Roll of Attorneys No. 40163
MCLE Compliance No. IV-0015603 (04/10/2013)
amanda.bengson@globalpower.com.ph

ROGELIO B. PUNO, JR.
IBP No. 945771/January 02, 2014/RSM
PTR No. 5334778/January 18, 2016/Makati City
Roll of Attorneys No. 55386
MCLE Compliance No. IV-0016564
rogelio.puno@globalpower.com.ph

MARK JOREL O. CALIDA
IBP No. 979200/January 06, 2015/Makati City
PTR No. 5334779/January 18, 2016/Makati City
Roll of Attorneys No. 61457
MCLE Compliance No. IV-0013581
markjorel.calida@globalpower.com.ph

c/o Global Business Power Corporation
22/F, GT Tower International
6813 Ayala Avenue corner H.V. de la Costa Street
Makati City
Tel. No. 464 1800, Fax No. 464 1000 Loc 1147

REPUBLIC OF THE PHILIPPINES)
CITY OF PASIG)S.S.

VERIFICATION
AND CERTIFICATION OF NON-FORUM SHOPPING

I, **JOSE RONALD V. VALLES**, Filipino, of legal age, married, with office address at 7th Floor, Lopez Building, MERALCO Compound, Ortigas Avenue, Barangay Ugong, Pasig City, after being sworn in accordance with law, hereby depose and say that—

1. I am the Vice President and Head, Regulatory Affairs Office, of Applicant Manila Electric Company ("MERALCO"). In such capacity, I have caused the preparation and filing of the foregoing Application;

2. Moreover, I have been authorized by the Board of Directors of MERALCO to certify that Applicant has not heretofore filed any similar action, pleading or application involving the same issues before the Supreme Court, the Court of Appeals or any other lower courts or administrative bodies. A copy of the Secretary's Certificate authorizing me to cause the preparation of the instant Application and sign this Verification and Certification is attached hereto as **ANNEX "D"**;

3. I have read and understood the allegations contained therein and the same are true and correct based on my personal knowledge and authentic records made available to me in the ordinary course of business of MERALCO;

4. To the best of my knowledge, no similar action or proceeding is pending before the Supreme Court, the Court of Appeals, the lower courts or administrative bodies;

5. If I should hereafter learn that a similar action has been filed before the Supreme Court, the Court of Appeals, the lower courts or administrative bodies, I undertake to report such fact to this Honorable Commission within five (5) days from notice of such fact.

IN WITNESS WHEREOF, I have hereunto affixed my signature this FEB 03 2016 at Pasig City, Philippines.

JOSE RONALD V. VALLES
Affiant

SUBSCRIBED and SWORN to before me this FEB 03 2016, affiant having exhibited to me his Social Security System ID bearing the number 33-10900088.

Doc. No. 193;
Page No. 39;
Book No. IV;
Series of 2016.

ATTY. CARMEN GRACE S. RAMOS
NOTARY PUBLIC
Pasig, Pateros, Taguig & San Juan
Issued on July 13, 2015 at Pasig City
until December 31, 2016
Roll No. 53945; IBP No. 993777 / 1-4-16 / RSM Chapter
PTR No. 5171401 / 1-4-16 / Pasig City
7th Floor, Lopez Bldg., Ortigas Ave., Pasig City

REPUBLIC OF THE PHILIPPINES)
CITY OF)S.S.

VERIFICATION
AND CERTIFICATION OF NON-FORUM SHOPPING

I, **JAIME T. AZURIN**, of legal age, Filipino, and with office address at the 22/F, GT Tower International, 6813 Ayala Avenue corner H.V. de la Costa Street, Makati City, after having been duly sworn to in accordance with law, depose and state that:

1. I am the Executive Vice President of Toledo Power Co. (TPC), a co-applicant in the above-captioned case;

2. Moreover, I have been authorized by the Board of Directors of TPC to certify that Applicant has not heretofore filed any similar action, pleading or application involving the same issues before the Supreme Court, the Court of Appeals or any other lower courts or administrative bodies. A copy of the Secretary's Certificate authorizing me to cause the preparation of the instant Application and sign this Verification and Certification is attached hereto as **ANNEX "E"**;

3. I have read and understood the allegations contained therein and the same are true and correct based on my personal knowledge and authentic records made available to me in the ordinary course of business of TPC;

4. To the best of my knowledge, no similar action or proceeding is pending before the Supreme Court, the Court of Appeals, the lower courts or administrative bodies;

5. If I should hereafter learn that a similar action has been filed before the Supreme Court, the Court of Appeals, the lower courts or administrative bodies, I undertake to report such fact to this Honorable Commission within five (5) days from notice of such fact.

IN WITNESS WHEREOF, I have hereunto affixed my signature this 01 February 2016 at Makati City, Philippines.

JAIME T. AZURIN

SUBSCRIBED AND SWORN to before me this 01 February 2016, by JAIME T. AZURIN, who has satisfactorily proven to me his identity through his Passport No. EC3880797 valid until 07 April 2020, that he is the same person who personally signed before me the foregoing Verification and Certification and acknowledged that he executed the same.

Doc. No. 91;
Page No. 15;
Book No. 8;
Series of 2016.

ATTY. MELISSA B. REYES
NOTARY PUBLIC FOR MAKATI CITY UNTIL DEC. 31, 2016
ROLL NO. 41359 / APPOINTMENT NO. M-249
IBP NO. 0963825 / PTR. NO. 4775329
45/F GT TOWER INTERNATIONAL, AYALA AVENUE
CORNER H.V. DE LA COSTA, MAKATI CITY

REPUBLIC OF THE PHILIPPINES)
CITY OF)S.S.

VERIFICATION
AND CERTIFICATION OF NON-FORUM SHOPPING

I, **JAIME T. AZURIN**, of legal age, Filipino, and with office address at the 22/F, GT Tower International, 6813 Ayala Avenue corner H.V. de la Costa Street, Makati City, after having been duly sworn to in accordance with law, depose and state that:

1. I am the Executive Vice President of Panay Power Corporation (PPC), a co-applicant in the above-captioned case;

The Natio

Editor: Dionisio L. Pelayo

BusinessMirror

Military girds for bi of hostilities in Mir

BY RENE ACOSTA

THE military is beefing up security efforts in Mindanao owing to the nonpassage of the Bangsamoro basic law (BBL) that was promised by President Aquino to the Moro Islamic Liberation Front (MILF) and the elections in May.

National issues with underlying security implications, such as the "dead" BBL that gives the MILF greater powers in the south; the presidential elections that would come in three months; and even the continuing problem of terrorism in Mindanao, have forced the military to readjust its security posture.

On Tuesday Defense Secretary Voltaire T. Gazmin visited the headquarters of the Armed Forces Eastern Mindanao Command (Eastmincom) based in Davao City, where he was given a rundown of the threat situation within the command's operational areas, as well as the security plans and responses of the commanders on the ground to various threats.

"Secretary Gazmin's visit is part of his field visits to the unified commands to personally meet military field commanders and units, and to assess the security situation in the area," a statement from the Eastmincom said.

On Monday Gazmin was at headquarters of the Army's Fo Infantry "Diamond" Divisio Cagayan de Oro City, where he likewise, briefed with the pre ing security situation in Nortl Mindanao, along with the milit plans in dealing with emergin curity scenarios.

Gazmin's presence in the of Eastmincom was marked by detonation of a homemade bon Sultan Kudarat, which injured t persons, and it happened just a Liberal Party (LP) vice preside candidate, LP Rep. Leni Robrec Camarines Sur, left the provinc

The homemade bomb, wl warhead was made of nails anc 8-millimeter steel bars with size batteries and an alarm c as detonator.

On Wednesday an unexplc homemade bomb was recovere the province.

In both visits, Gazmin told r

Philippine Embassy, IOM to help Iraq in antihuman trafficking campaign

THE Philippine Embassy in Iraq and the International Organization for Migration (IOM) will intensify their efforts to assist Filipino workers who are subjected to human trafficking and support the authorities in Iraq to enhance their capacities to effectively combat this crime.

During a meeting at the IOM offices in Baghdad on Tuesday, Philippine Embassy Chargé d'Affaires Elmer G. Cato and IOM Chief of Mission for Iraq Thomas Lothar Weiss agreed to further strengthen their collaboration, particularly in protecting distressed Filipinos and other migrant workers in Iraq.

"As we start another year, we look forward to strengthening our active partnership with IOM, particularly in helping the Iraqi government build its capacities in addressing migration and trafficking-in persons issues," Cato said.

Saying that human trafficking will be a priority issue in 2016, the Filipino envoy told Weiss the Embassy is ready to work with IOM in reinforcing the positive steps that the Iraqi government has been taken during the past several years to address this concern.

In their meeting, Cato highlighted the successful cooperation between the embassy and IOM in 2015 that led to the rescue and repatriation of 10 Filipino women who were trafficking victims in Kurdistan. He also cited the joint campaign with IOM in raising public awareness on the issue of trafficking in persons. "We would not have successfully carried these out without IOM," Cato said as he thanked Weiss for the support extended by the organization, which shouldered the repatriation and reintegration of the 10 victims. *Recto L. Mercene*

Palace mum on Sereno stater

BY DAVID CAGAHASTIAN

PALACE officials said on Wednesday that it is better to wait for the Supreme Court's (SC) decision on the disqualification cases against presidential candidate Sen. Grace Poe than dwell on the reported statements of Chief Justice Maria Lourdes Sereno during the oral arguments which are apparently in Poe's favor.

"It is best that we wait for the Supreme Court en banc decision on the disqualification case and not rely on the opinion of a single individual," Presidential Spokesman Edwin Lacierda said.

During the oral arguments at the SC on the disqualification cases against Poe, Sereno cited the implications of ruling that a foundling such as Poe is not a natural-born Filipino, such as they would not qualify to be appointed as justices, nor can they be elected as senator or congressman.

"If I am going to say that a foundling is not a natural-born Filipino citizen, that they car hold thousands of offices that quire natural-born citizens, [c it mean that] any of those pers holding any of those positions is alleged to be a foundling, n be removed?" Sereno asked at oral arguments on Tuesday.

Presidential Communicati Secretary Herminio B. Colom said that, in deference to the dependence of the Court, Mal ñang officials should withh their comments on the leaning individual justices.

Elections Commissioner Art Lim, however, clarified that ComCommission on Electio (Comelec) decision on the disqu fications cases against Poe were rived at upon a finding that she m false material representatior her certificate of candidacy (CC which is a ground for the can lation of the certificate, altho some of the original petitions f against Poe at the Comelec indeed raised, as issues questi

Groups to track poll candidates' stance

BY JONATHAN L. MAYUGA

PROENVIRONMENT groups on Wednesday vowed to mainstream the issue of environment in the 2016 national election and vowed to unmask candidates with bad environmental track record.

Clemente Bautista of the Kalikasan-People's Network for the

Manuel Araneta Roxas II.

United Nationalist Alliand (UNA) standard bearer Vice Pres dent Jejomar C. Binay, on th other hand, appears to be pron ining and even vowed to suppo large-scale miners, which the e vironmental groups say would lea to massive destruction of ecosy tems, Bautista said.

Davao City Mayor Rodrigo F

Applicant Manila Electric Company (MERALCO). In such capacity, I have caused the preparation and filing of the foregoing Application;

2. Moreover, I have been authorized by the Board of Directors of MERALCO to certify that Applicant has not heretofore filed any similar action, pleading or application involving the same issues before the Supreme Court, the Court of Appeals or any other lower courts or administrative bodies. A copy of the Secretary's Certificate authorizing me to cause the preparation of the instant Application and sign this Verification and Certification is attached hereto as **ANNEX "D"**;

3. I have read and understood the allegations contained therein and the same are true and correct based on my personal knowledge and authentic records made available to me in the ordinary course of business of MERALCO;

4. To the best of my knowledge, no similar action or proceeding is pending before the Supreme Court, the Court of Appeals, the lower courts or administrative bodies;

5. If I should hereafter learn that a similar action has been filed before the Supreme Court, the Court of Appeals, the lower courts or administrative bodies, I undertake to report such fact to this Honorable Commission within five (5) days from notice of such fact.

IN WITNESS WHEREOF, I have hereunto affixed my signature this FEB 0 3 2016 at Pasig City, Philippines.

JOSE RONALDO V. VALLES
Affiant

SUBSCRIBED and SWORN to before me this FEB 0 3 2016, affiant having exhibited to me his Social Security System ID bearing the number 33-10900088.

Doc. No. 164;
Page No. 32;
Book No. IV;
Series of 2016.

ATTY. CARMEN GRACE S. RAMOS
NOTARY PUBLIC
Pasig, Pateros, Taguig & San Juan
Issued on July 13, 2015 at Pasig City
until December 31, 2016
Roll No. 55945; IBP No. 991777 / Jan '16 / RSM Chapter
PTR No. 4775296 / Jan '16 / Pasig City
7th Floor, Capet Bldg., Ortigas Ave., Pasig City

REPUBLIC OF THE PHILIPPINES)
CITY OF)s.s.

VERIFICATION
AND CERTIFICATION OF NON-FORUM SHOPPING

I, JAIME T. AZURIN, of legal age, Filipino, and with office address at the 22/F, GT Tower International, 6813 Ayala Avenue corner H.V. de la Costa Street, Makati City, after having been duly sworn to in accordance with law, depose and state that:

1. I am the Executive Vice President of Toledo Power Co. (TPC), a co-applicant in the above-captioned case;

2. Moreover, I have been authorized by the Board of Directors of TPC to certify that Applicant has not heretofore filed any similar action, pleading or application involving the same issues before the Supreme Court, the Court of Appeals or any other lower courts or administrative bodies. A copy of the Secretary's Certificate authorizing me to cause the preparation of the instant Application and sign this Verification and Certification is attached hereto as **ANNEX "E"**;

3. I have read and understood the allegations contained therein and the same are true and correct based on my personal knowledge and authentic records made available to me in the ordinary course of business of TPC;

4. To the best of my knowledge, no similar action or proceeding is pending before the Supreme Court, the Court of Appeals, the lower courts or administrative bodies;

5. If I should hereafter learn that a similar action has been filed before the Supreme Court, the Court of Appeals, the lower courts or administrative bodies, I undertake to report such fact to this Honorable Commission within five (5) days from notice of such fact.

IN WITNESS WHEREOF, I have hereunto affixed my signature this 01 February 2016 at Makati City, Philippines.

JAIME T. AZURIN

SUBSCRIBED AND SWORN to before me this 01 February 2016, by JAIME T. AZURIN, who has satisfactorily proven to me his identity through his Passport No. EC3880797 valid until 07 April 2020, that he is the same person who personally signed before me the foregoing Verification and Certification and acknowledged that he executed the same.

Doc. No. 161;
Page No. 15;
Book No. X;
Series of 2016.

ATTY. MELISSA B. REYES
NOTARY PUBLIC FOR MAKATI CITY UNTIL DEC. 31, 2016
ROLL NO. 41369 / APPOINTMENT NO. M-249
IBP NO. 0963625 / PTR. NO. 4775329
45/F GT TOWER INTERNATIONAL, AYALA AVENUE
CORNER H.V. DE LA COSTA, MAKATI CITY

REPUBLIC OF THE PHILIPPINES)
CITY OF)s.s.

VERIFICATION
AND CERTIFICATION OF NON-FORUM SHOPPING

I, JAIME T. AZURIN, of legal age, Filipino, and with office address at the 22/F, GT Tower International, 6813 Ayala Avenue corner H.V. de la Costa Street, Makati City, after having been duly sworn to in accordance with law, depose and state that:

1. I am the Executive Vice President of Panay Power Corporation (PPC), a co-applicant in the above-captioned case;

2. Moreover, I have been authorized by the Board of Directors of PPC to certify that Applicant has not heretofore filed any similar action, pleading or application involving the same issues before the Supreme Court, the Court of Appeals or any other lower courts or administrative bodies. A copy of the Secretary's Certificate authorizing me to cause the preparation of the instant Application and sign this Verification and Certification is attached hereto as **ANNEX "F"**;

3. I have read and understood the allegations contained therein and the same are true and correct based on my personal knowledge and authentic records made available to me in the ordinary course of business of PPC;

4. To the best of my knowledge, no similar action or proceeding is pending before the Supreme Court, the Court of Appeals, the lower courts or administrative bodies;

5. If I should hereafter learn that a similar action has been filed before the Supreme Court, the Court of Appeals, the lower courts or administrative bodies, I undertake to report such fact to this Honorable Commission within five (5) days from notice of such fact.

IN WITNESS WHEREOF, I have hereunto affixed my signature this 01 February 2016 at Makati City, Philippines.

JAIME T. AZURIN

SUBSCRIBED AND SWORN to before me this 01 February 2016, by JAIME T. AZURIN, who has satisfactorily proven to me his identity through his Passport No. EC3880797 valid until 07 April 2020, that he is the same person who personally signed before me the foregoing Verification and Certification and acknowledged that he executed the same.

Doc. No. 163;
Page No. 15;
Book No. X;
Series of 2016.

ATTY. MELISSA B. REYES
NOTARY PUBLIC FOR MAKATI CITY UNTIL DEC. 31, 2016
ROLL NO. 41369 / APPOINTMENT NO. M-249
IBP NO. 0963625 / PTR. NO. 4775329
45/F GT TOWER INTERNATIONAL, AYALA AVENUE
CORNER H.V. DE LA COSTA, MAKATI CITY

THE military is beefing up security efforts in Mindanao owing to the nonpassage of the Bangsamoro basic law (BBL) that was promised by President Aquino to the Moro Islamic Liberation Front (MILF) and the elections in May.

National issues with underlying security implications, such as the "dead" BBL that gives the MILF greater powers in the south; the presidential elections that would come in three months; and even the continuing problem of terrorism in Mindanao, have forced the military to readjust its security posture.

On Tuesday Defense Secretary Voltaire T. Gazmin visited the headquarters of the Armed Forces Eastern Mindanao Command (Eastmincom) based in Davao City, where he was given a rundown of the threat situation within the command's operational areas, as well as the security plans and responses of the commanders on the ground to various threats.

"Secretary Gazmin's visit is part of his field visits to the unified commands to personally meet military field commanders and units, and to assess the security situation in the area," a statement from the headquarters of the Army's 1st Infantry "Diamond" Divisic Cagayan de Oro City, where he likewise, briefed with the pr ing security situation in Nort Mindanao, along with the milit plans in dealing with emergir curity scenarios.

Gazmin's presence in the of Eastmincom was marked b detonation of a homemade bo Sultan Kudarat, which injured persons, and it happened just a Liberal Party (LP) vice preside candidate, LP Rep. Leni Robre Camarines Sur, left the provin

The homemade bomb, w warhead was made of nails an 8-millimeter steel bars with size batteries and an alarm as detonator.

On Wednesday an unexpl homemade bomb was recover the province.

In both visits, Gazmin told

Philippine Embassy, IOM to help Iraq in antihuman trafficking campaign

THE Philippine Embassy in Iraq and the International Organization for Migration (IOM) will intensify their efforts to assist Filipino workers who are subjected to human trafficking and support the authorities in Iraq to enhance their capacities to effectively combat this crime.

During a meeting at the IOM offices in Baghdad on Tuesday, Philippine Embassy Chargé d'Affaires Elmer G. Cato and IOM Chief of Mission for Iraq Thomas Lothar Weiss agreed to further strengthen their collaboration, particularly in protecting distressed Filipinos and other migrant workers in Iraq.

"As we start another year, we look forward to strengthening our active partnership with IOM, particularly in helping the Iraqi government build its capacities in addressing migration and trafficking-in persons issues," Cato said.

Saying that human trafficking will be a priority issue in 2016, the Filipino envoy told Weiss the Embassy is ready to work with IOM in reinforcing the positive steps that the Iraqi government has been taken during the past several years to address this concern.

In their meeting, Cato highlighted the successful cooperation between the embassy and IOM in 2015 that led to the rescue and repatriation of 10 Filipino women who were trafficking victims in Kurdistan. He also cited the joint campaign with IOM in raising public awareness on the issue of trafficking in persons. "We would not have successfully carried these out without IOM," Cato said as he thanked Weiss for the support extended by the organization, which shouldered the repatriation and reintegration of the 10 victims. *Recto L. Mercene*

Fr. Jonil Lalap, 49

REV. Fr. Jose Nilo "Jonil" Natividad Lalap of the Salesians of Don Bosco (SDB) passed away on January 31 at 4:30 a.m. at the Makati Medical Center.

He was 49. His parents, both deceased, were Policarpio Rodriguez Lalap, an engineer, and Raymunda Natividad Lalap.

Lalap entered the Don Bosco Juniorate in Pampanga at the age of 13 and was ordained a Salesian priest on December 8, 1995.

At the time of his demise—the feast day of Saint John Bosco—Lalap was assigned at the San Ildefonso Parish, Pio del Pilar, Makati City.

He is survived by siblings Alex (married to Susana Zarco) and Maria Cattleya L. Medenilla (married to Dexter C. Medenilla), as well as by sister-in-law Cecilia Castillo.

The wake will be held up to February 4 at Siranglupa, Calamba City, Laguna, and at the Don Bosco Seminary in Canlubang, Laguna, from 10 a.m. on Thursday.

Interment will take place on February 6, after the 9 a.m. Mass.

Palace mum on Sereno statei

By David Cagahastian

PALACE officials said on Wednesday that it is better to wait for the Supreme Court's (SC) decision on the disqualification cases against presidential candidate Sen. Grace Poe than dwell on the reported statements of Chief Justice Maria Lourdes Sereno during the oral arguments which are apparently in Poe's favor.

"It is best that we wait for the Supreme Court en banc decision on the disqualification case and not rely on the opinion of a single individual," Presidential Spokesman Edwin Lacierda said.

During the oral arguments at the SC on the disqualification cases against Poe, Sereno cited the implications of ruling that a foundling such as Poe is not a natural-born Filipino, such as they would not qualify to be appointed as justices, nor can they be elected as senator or congressman.

"If I am going to say that a foundling is not a natural-born Filipino citizen, that they ca hold thousands of offices tha quire natural-born citizens, [it mean that] any of those per holding any of those positions is alleged to be a foundling, r be removed?" Sereno asked at oral arguments on Tuesday.

Presidential Communicat Secretary Herminio B. Colom said that, in deference to th dependence of the Court, Mal ñang officials should withh their comments on the leanin individual justices.

Elections Commissioner Ar Lim, however, clarified that ComCommission on Electio (Comelec) decision on the disqu fications cases against Poe were rived at upon a finding that she false material representatio her certificate of candidacy (C which is a ground for the can lation of the certificate, altho some of the original petitions f against Poe at the Comelec indeed raised, as issues questi

Groups to track poll candidates' stance

By Jonathan L. Mayuga

PROENVIRONMENT groups on Wednesday vowed to mainstream the issue of environment in the 2016 national election and vowed to unmask candidates with bad environmental track record.

Clemente Bautista of the Kalikasan-People's Network for the Environment (Kalikasan-PNE) said most candidates set aside the issue of environment during the campaign.

Likewise, Bautista said voters are more concerned on other issues such as employment, food security, education, health and other issues, which indicate that the low level of awareness about environmental issues.

"We are tracking the platforms of national candidates. Right now, *puro* motherhood statement," he added.

He said green groups will weigh the candidates based on their track record and stance on at least 10 major environmental issues.

"*Si* Roxas, definitely *pangit na ang* record *sa amin*. His pronouncements so far has no critique of the track of the current administration, which is not pro-environment," he said, referring to Liberal Party standard bearer Manuel Araneta Roxas II.

United Nationalist Allianc (UNA) standard bearer Vice Pres dent Jejomar C. Binay, on th other hand, appears to be prom ining and even vowed to suppor large-scale miners, which the en vironmental groups say would lea to massive destruction of ecosys tems, Bautista said.

Davao City Mayor Rodrigo F Duterte, on the other hand, has good policy when it comes to min ing, Bautista said, but added tha the tough-talking mayor is pro coal-fired power plants.

On Tuesday along wit other environmental groups Kalikasan-PNE launched th "Green Vote Campaign 2016, which aims to scrutinize th current crop of electoral candi dates from the presidential t the senatorial levels.

Bautista said they will conduc a background research on the trac records and enjoin candidates t take a survey.

"We want to know who amon the candidates have proenviron ment platforms. We want to know their position on critical environ mental issues," Bautista added.

The 10 major environmenta concerns that they will challenge candidates to take on as their plat forms are big mining; large-scale