

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 AGREEMENT
(IPSA) BETWEEN MANILA
ELECTRIC COMPANY
(MERALCO) AND 1590
ENERGY CORPORATION
(1590EC), WITH PRAYER FOR
PROVISIONAL AUTHORITY,

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ERC CASE NO. 2016 - 010 RC

MANILA ELECTRIC COMPANY
(MERALCO) AND 1590
ENERGY CORPORATION
(1590EC),

Applicants.

X-----X

JOINT APPLICATION

Applicants **MANILA ELECTRIC COMPANY ("MERALCO")**
and **1590 ENERGY CORPORATION ("1590EC")**, through their
respective undersigned counsel, 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 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 and 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 this Honorable Commission.

3. Applicant 1590EC is a corporation duly organized and existing under the laws of the Republic of the Philippines, with its office address at 107 Midland Condominium, Gamboa Street, Legaspi Village, Makati City, Metro Manila. It may be served with notices and other processes of this Honorable Commission through its counsel at the address indicated herein.

4. 1590EC operates and manages the energy output of the 215 MW bunker oil-fired diesel engine power plant located at Bauang, La Union (the “**Plant**”).

5. Based on its power supply-demand outlook for 2016, MERALCO foresees a significant capacity deficit in its portfolio for the period of March to October 2016 due to 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 19, 2016, MERALCO executed an Interim Power Supply Agreement (“**IPSA**”) with 1590EC for the capacity indicated below:

CAPACITY	TRADING INTERVAL	PERIOD
170 MW (firm)	1000H – 2100H, Mondays to Saturdays	February 26 – July 25, 2016
Up to 170 MW (non-firm)	1000H – 2100H Mondays to Saturdays	July 26, 2016 – February 25, 2017

9. The IPSA, 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 upon the provisional approval (“**Provisional Approval**”) or final approval (“**Final Approval**”) of the Energy Regulatory Commission (“**ERC**”) (“**Commencement Date**”), and shall expire on February 25, 2017, unless terminated earlier in accordance with Article 9 of this Agreement or extended 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 two (2) 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 Provisional Approval or Final Approval 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 Final Approval 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

(“**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 receipt by the Parties of the Conditional Approval, seek a reconsideration of the Conditional Approval. During the period that the motion for reconsideration is pending, Power Supplier shall make available the Contract Capacity and Associated Energy following the rate in the Conditional Approval, subject to the Final Approval; and/or
- (b) Within thirty (30) days after receipt by the Parties of the 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 Capacity and Associated 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 Capacity and Associated Energy at the Contract Price determined in accordance with **Appendix A**.

2.1.2 Power Supplier shall not, without Meralco's prior written consent, sell, divert, transfer, dedicate, reserve or assign all or any portion of the firm Contract Capacity and Associated Energy to any person other than Meralco.

2.1.3 Power Supplier shall not be entitled to any planned/scheduled or forced outage allowances.

xxx

Article 4 Billing and Payment

xxx

4.2 Payments

4.2.1 Provided that Meralco receives the Final Invoice within the time set forth in Section 4.1.6, each Final Invoice shall be due and payable not later than the twenty fifth (25th) 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 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

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 – 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 to third parties in connection with the purchase of Contract Capacity and Associated Energy shall form part of the price that Meralco will charge to its customers:

- (a) VAT on Contract Capacity and Associated Energy in accordance with Bureau of Internal Revenue (“**BIR**”) Revenue 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) All fees and charges imposed by WESM to Meralco, which include the following:
 - i. line rental charges for the transmission of Associated Energy from the Plant to the delivery point;
 - ii. Must Run Unit Adjustments;
 - iii. Price Substitution Mechanism;

iv. Net Settlement Surplus; 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

Article 8 Termination

- 8.1** If for any reason, except as provided in Article 6, there is an actual failure on the part of Power Supplier to make available the Contract Capacity and deliver to Meralco the Associated Energy for a period of ten (10) days, Meralco shall send written notice to Power Supplier stating that such a breach has occurred.
- 8.2** 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 make available the Contract Capacity and deliver to Meralco the Associated Energy 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.
- 8.3** Meralco shall, from and after the occurrence of a breach under Section 8.1 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.
- 8.4** Upon the early termination of this Agreement due to (i) an actual failure on the part of Power Supplier to make available the Contract Capacity and deliver to Meralco the Associated Energy, or (ii) the failure of Meralco to pay the Contract Price under the terms and conditions 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 Capital

Recovery Fees for the remaining Term discounted at twelve percent (12%).

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

- (a) due to violation of any of the provisions hereof or any of the grounds provided for herein;
- (b) if the Parties fail to agree on the amendment of this Agreement within the period prescribed in Section 1.2.3;
- (c) if 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 pursuant to Section 1.2.3;
- (d) or if the Parties fail to agree on a Price Adjustment, pursuant to Section 9.4, within thirty (30) days from notice by Power Supplier to Meralco of a Change in Law;

Provided, that the termination under this Section shall not prejudice the right of the aggrieved Party to liquidated damages under Section 8.4.

8.6 Subject to seven (7) days prior written notice to Meralco, this Agreement may be terminated by Power Supplier if:

- (a) after forty (40) days from filing of the ERC Application for the approval of this Agreement, no approval has been issued;
- (b) a Provisional Approval or Final Approval has been issued and Power Supplier is not amenable to any changes in the terms and conditions of this Agreement, including the Contract Price, as approved in the Provisional Approval or Final Approval.
- (c) after thirty (30) days from due date, Meralco fails to pay any undisputed amount in the Final Invoice;

(d) for any reason, the Power Supplier's lease on the Plant is terminated or not renewed by the government.

8.7 In the event of pre-termination of this Agreement on grounds as provided in this Agreement, Meralco shall be allowed to purchase energy from the WESM until such time it is able to source available replacement capacity through a competitive selection process as required by the ERC.

xxx”

10. Based on simulations, the effective delivered price under the IPSA for the supply month of May 2016 is PhP7.0869 per kWh, as shown in the sample calculation below:

1590EC 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)	366.6700		170,000	(kW)	62,333,900.00
B. Fixed O&M Payment						
Peso Portion	(Php/kW-mo)	348.3300	1.000000	170,000	(kW)	59,216,100.00
C. Variable O&M Payment						
Peso Portion	(Php/kWh)	0.4000	1.000000	46,920,000	(kWh)	18,768,000.00
D. Fuel Payment						
HFO Payment Peso Portion	(Php/kWh)	3.5823		46,920,000	(kWh)	168,080,357.08
LO Payment Peso Portion	(Php/kWh)	0.1786		46,920,000	(kWh)	8,381,231.39
LFO Payment Peso Portion	(Php/start-up)	104,858.40		41	(no. of start-up)	4,299,194.40
TOTAL PAYMENT	(Php)					321,078,782.87
Effective Rate at Plant Gate	(Php/kWh)					6.8431
WESM Line Rental Rate ⁽²⁾	(Php/kWh)					0.2438
Delivered Rate	(Php/kWh)					7.0869
Effective Cost at WESM Price ⁽³⁾	(Php/kWh)					12.6213
Increase / (Decrease) over WESM Price	(Php/kWh)					(5.5344)
Meralco Captive Energy Demand ⁽⁴⁾	(kWh)					2,861,523,324
Increase / (Decrease) in Generation Cost	(Php)					(259,673,983.10)
Increase / (Decrease) in Generation Cost	(Php/kWh)					(0.0907)

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) = 142.30, Dec 2015
 (2) Estimated 1590EC line rental rate based on actual Jan - Jul 2015 average line rental of 1590EC
 (3) Cost if equivalent volume of 1590EC 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 (firm) of the IPSA, the simulated delivered price thereunder would result in an overall savings of PhP0.0541 per kWh.

Impact to MERALCO Generation Charge

	Generation Charge PHP/kWh
	Mar - Jul 2016 Overall
Without Bauang Interim PSA	4.8721
With Bauang Interim PSA	4.8180
<i>inc / -dec, P/kWh</i>	<i>-0.0541</i>
<i>inc / -dec, Million PhP</i>	<i>-732.08</i>

Allegations in Support of Prayer for Provisional Authority

12. As previously mentioned, based on MERALCO’s power supply-demand outlook for 2016, a significant capacity deficit in its portfolio for the period of March to October 2016 is foreseen due to scheduled maintenance shutdowns of its contracted generating units as well as possible occurrences of forced plant outage.

13. Consequently, if the IPSA is 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.

14. 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 the IPSA in order to reduce MERALCO’s WESM purchases and protect its customers from forecasted high WESM prices, to help ensure reasonable prices of electricity for such customers, especially during the critical period of 26 February to 25 July, 2016.

15. In support of this Application, the Judicial Affidavit of MR. CIPRINILO C. MENESES, Head of MERALCO’s Energy Sourcing Office, is attached as **ANNEX “B”** and made an integral part hereof.

PRAYER

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

1. Upon initial review of this Application and pending hearing on the merits, issue an Order provisionally approving the implementation of the IPSA between MERALCO and 1590EC,

thereby authorizing 1590EC to charge and collect from MERALCO electricity fees based on rates that this Honorable Commission may provisionally approve, and authorizing MERALCO to pass the full amount thereof to its customers; and,

2. After trial on the merits, issue a Decision approving the IPSA, thereby authorizing 1590EC to charge and collect from MERALCO the electricity fees based on the final rates approved by this 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 this Honorable Commission is lower than the rate finally approved by it, this Honorable Commission allow 1590EC 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.

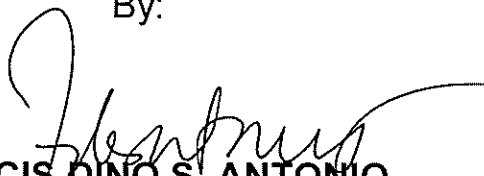
Pasig City, 28 January 2016.

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



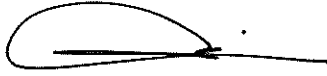
CARMEN GRACE S. RAMOS

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IBP No. 1023723; 01/08/16; RSM

MCLE Compliance No. V-0004623; 6 November 2014



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IBP No. 1023727; 01/08/16; RSM

MCLE Compliance No. V-0002588; 9 June 2014



RAYMOND B. YAP

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IBP No. 1023728; 01/08/16; Capiz

MCLE Compliance No. V-001784; 26 March 2014

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Tel no. 1622-2260; Fax No: 1622-3550

1590 ENERGY CORPORATION

Applicant



CATHERINE S. BRINGAS

Unit 107 First Midland Office Condominium Bldg.
Gamboa Street, Legaspi Village, Makati City
Telephone No. 403-6551/Fax No. 553-4730
Roll of Attorneys No. 56525
PTR No. 5326583; 1/5/2016; Makati City
IBP Lifetime Member No. 012530; RSM
MCLE Compliance No. IV-0003732; December 9, 2011

- and -

J.P. GARCIA AND ASSOCIATES

Units 1501-1502, 15th Floor Ayala Life-FGU Center
Mindanao Avenue corner Biliran Road
Cebu Business Park, Cebu City

By:

JOAN A. GIDUQUIO-BARON

Roll of Attorneys No.: 41829
PTR No.: 874058; 1/5/2016; Cebu City
IBP O.R. No. 1014730; 1/4/2016; Cebu City
MCLE Compliance No.: V-0011654; 11/25/2015

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;

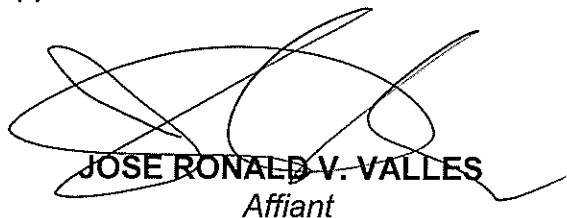
2. Moreover, I have been authorized by the Board of Directors of MERALCO to certify that Applicant has not heretofore filed any similar action, pleading or application involving the same issues before the Supreme Court, the Court of Appeals or any other lower courts or administrative bodies. A copy of 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 “C”**;

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;

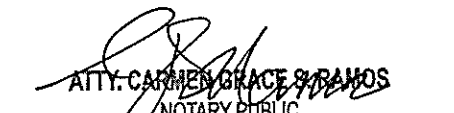
4. To the best of my knowledge, no similar action or proceeding is pending before the Supreme Court, the Court of Appeals, the lower courts or administrative bodies;

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.


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. 1023727, 1-2-16 RSM Chapter
PTR No. 177409, 1-21-16 Pasig City
7th Floor, Lopez Bldg., Ortigas Ave., Pasig City

Doc. No. 144 ;
Page No. 20 ;
Book No. IV ;
Series of 2016.

VERIFICATION and CERTIFICATION OF
NON-FORUM SHOPPING

I, THEO C. Sunico, Filipino, of legal age, and with office address at Unit 107 First Midland Condominium Building, Gamboa Street, Legaspi Village, Makati City, after having been duly sworn to in accordance with law, hereby depose and state that:

1. I am the Assistant Vice President for Trading and Marketing of Applicant 1590 Energy Corporation ("1590 EC");
2. I have been duly authorized by the Board of Directors of 1590 EC to cause the preparation and filing of the Application with the Energy Regulatory Commission (ERC), and I have actually caused the preparation and filing of this Application pursuant to such authority;
3. I have been likewise authorized by the Board of Directors of 1590 EC to execute and/or sign a Certification and Verification Against Forum-Shopping on behalf of 1590 EC for the Application;
4. I have fully read and understood the attached Application and I hereby certify that all the allegations therein are true and correct to the best of my knowledge and belief and are based on authentic records and documents.

I hereby certify that 1590 EC has not commenced any action nor filed any claim involving the same issues raised in the foregoing Application before any court, tribunal or quasi-judicial agency, and to the best of my knowledge, there is no other action or claim is pending therein; and if I should hereafter learn that a similar action has been filed or pending, I shall report such fact to this Honorable Commission within five (5) days from knowledge thereof.

IN WITNESS WHEREOF, I have hereunto affixed my signature this ____ day of January 2016 at Makati City, Philippines.

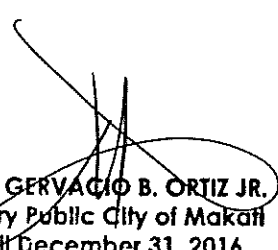

THEO C. Sunico
Affiant

Republic of the Philippines}
City of Makati } S.S.

SUBSCRIBED AND SWORN to before me, a Notary Public for and in the City of Makati on this JAN 21 2016 day of January 2016, at Makati City, Philippines. Affiant who is personally known to me personally appeared and exhibited to me his Driver's License No. PASSPORT ID W/ NO. EC0840943 issued on EXPIRY DATE ON 4/13/19, as competent proof of his identity.

Witness my hand and seal.

Doc. No. 500;
Page No. 101;
Book No. ✓1;
Series of 2016.


ATTY. GERVACIO B. ORTIZ JR.
Notary Public City of Makati
Until December 31, 2016
;BP No. 656155-Lifetime Member
MCLE Compliance No. V-0006934
Appointment No. M-199 (2015-2016)
PTR No. 5323504 Jan. 4, 2016
Makati City Roll No. 40091
101 Urban Ave. Campos Rueda Bldg.
Brgy. Pio Del Pilar, Makati City

16

ANNEX "A"

INTERIM POWER SUPPLY AGREEMENT

Between

MANILA ELECTRIC COMPANY

and

1590 ENERGY CORPORATION

January 19, 2016

A

POWER SUPPLY AGREEMENT

This Power Supply Agreement (the “Agreement”) is entered into on January 19, 2016 by and between:

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

1590 Energy Corporation (hereinafter “Power Supplier”), a corporation duly organized and existing under the laws of the Republic of the Philippines, with office address at 107 Midland Condominium, Gamboa Street, Legaspi Village, Makati City, Metro Manila.

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 operates and manages the energy output of the 215 MW bunker oil-fired diesel engine power plant located at Bauang, La Union (the “Plant”).
- C. Based on Meralco’s power supply-demand outlook for 2016, the company 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. Power Supplier has offered to sell, and Meralco has accepted such offer to purchase, after the conduct of a competitive selection process and good faith negotiations, on the terms and conditions contained herein, the capacity indicated below:

CAPACITY	TRADING INTERVAL	PERIOD
170 MW (firm Contract Capacity)	1000H – 2100H, Mondays to Saturdays	February 26 – July 25, 2016
Up to 170 MW (non-firm)	1000H – 2100H Mondays to Saturdays	July 26, 2016 – February 25, 2017

- E. Meralco and Power Supplier desire to define in this Agreement their respective rights and obligations with respect to the sale and purchase of Contract Capacity and the corresponding electrical output (“Associated 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 upon the provisional approval (“**Provisional Approval**”) or final approval (“**Final Approval**”) of the Energy Regulatory Commission (“**ERC**”) (“**Commencement Date**”), and shall expire on February 25, 2017, unless terminated earlier in accordance with Article 9 of this Agreement or extended 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 two (2) 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 Provisional Approval or Final Approval 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 Final Approval 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 (“**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 receipt by the Parties of the Conditional Approval, seek a reconsideration of the Conditional Approval. During the period that the motion for reconsideration is pending, Power Supplier shall make available the Contract Capacity and Associated Energy following the rate in the Conditional Approval, subject to the Final Approval; and/or
 - (b) Within thirty (30) days after receipt by the Parties of the 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 Capacity and Associated 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 Capacity and Associated Energy at the Contract Price determined in accordance with **Appendix A**.
- 2.1.2 Power Supplier shall not, without Meralco's prior written consent, sell, divert, transfer, dedicate, reserve or assign all or any portion of the firm Contract Capacity and Associated Energy to any person other than Meralco.
- 2.1.3 Power Supplier shall not be entitled to any planned/scheduled or forced outage allowances.

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, and 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 capacity requirements for such period.
- 2.2.2 Meralco shall furnish Power Supplier with binding day-ahead nominations on an hour-by-hour basis, subject to the technical limits of the Plant provided in **Appendix B** and 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, or such other period as may be allowed (without incurring any penalties) by the WESM Rules, before gate closure, as provided in the WESM Rules, of the first affected trading interval.
- 2.2.3 In all trading intervals, Meralco's nominations shall be in accordance with the technical limits of the Plant provided in **Appendix B**.

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 Philippine 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 copies of the prior day's hourly declaration of bilateral contract quantities reported by Power Supplier 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. The failure of Meralco to inform Power Supplier of any discrepancy or exception in such day-after hourly declaration shall not constitute a waiver by Meralco of its right to raise and dispute such discrepancies or exceptions at any time thereafter. 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 Capacity and Associated 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 hereof shall be rendered in the first instance in the form of a Provisional Invoice. 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.

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4.2 Payments

- 4.2.1 Provided that Meralco receives the Final Invoice within the time set forth in Section 4.1.6, each Final Invoice shall be due and payable not later than the twenty fifth (25th) 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 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 4.2.1 or Section 6.1, Meralco shall pay to Power Supplier interest on such unpaid amount in accordance with Section 4.2.3 of this Agreement. The Power Supplier has the right to immediately suspend the delivery of Contracted Energy and declare Contract Price for Contract Capacity supplied but not invoiced immediately due and payable, whereupon Meralco shall pay such Contract

Price immediately upon delivery by Power Supplier of the corresponding invoice to Meralco.

4.2.8 The failure of Meralco to pay any undisputed amount due to Power Supplier after a period of thirty (30) days from due date shall give rise to the right of the Power Supplier to terminate the Agreement without liability to Meralco.

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

4.3 Setoff

Each Party reserves to itself all rights of setoff, 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

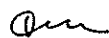
5.1.1 Power Supplier shall be responsible for and shall make timely payment of the following amounts:

- (a) WESM Costs – 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 to third parties in connection with the purchase of Contract Capacity and Associated Energy shall form part of the price that Meralco will charge to its customers:

- (a) VAT on Contract Capacity and Associated Energy in accordance with Bureau of Internal Revenue (“BIR”) Revenue 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) All fees and charges imposed by WESM to Meralco, which include the following:
 - i. line rental charges for the transmission of Associated Energy from the Plant to the delivery point;
 - ii. Must Run Unit Adjustments;
 - iii. Price Substitution Mechanism;
 - iv. Net Settlement Surplus; 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 deduct and withhold from the amounts payable under a Final Invoice, the applicable creditable withholding tax and Meralco shall remit any amounts withheld for such tax to the relevant taxing authorities. If Power Supplier believes such withholding tax is not applicable to it, Power Supplier shall provide Meralco with such documents and evidence to demonstrate that payments to Power Supplier are not subject to such withholding tax, such as but not limited to the following:

- (a) Board of Investments ("BOI") Certificate of Registration indicating Power Supplier's entitlement to Income Tax Holiday ("ITH");
- (b) BOI Certificate of ITH Entitlement indicating Power Supplier's entitlement to ITH renewed annually; and
- (c) Such documents that the BIR may require to support Power Supplier's claim for exemption from creditable withholding tax.

Meralco shall no longer deduct and withhold creditable withholding tax from the amounts payable under a Final Invoice upon its reliance on the documents and evidence submitted by Power Supplier.

Power Supplier shall indemnify Meralco for any final assessment, liability, surcharge, interests, penalties and other costs or fees arising from Meralco's failure to withhold creditable withholding tax from payments due under this Agreement in accordance with applicable BIR rules and regulations, provided that such failure by Meralco to withhold is (a) upon Power Supplier's request, or (b) due to any change, reversal or ruling affecting Power Supplier's status or claim of exemption from withholding tax. The Parties agree that any outstanding obligations of Power Supplier in respect of its obligation to indemnify under this Section 5.1.3 shall not be considered a ground for termination.

5.1.4. Meralco shall remit to Power Supplier the applicable VAT on Contract Capacity and Associated 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 Force Majeure

6.1 Events of Force Majeure

- 6.1.1 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 fulfill its obligation in a normal manner despite the exercise of due care. An Event of Force Majeure shall not excuse either Party from exercising due care to prevent it or minimize its effects.
- 6.1.2 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, System Operator or Market Operator.
- 6.1.3 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 capacity 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.
- 6.1.4 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 Capacity Payment and Fixed Operations and Maintenance ("**FOM**") in respect of (i) any Contract Capacity that is unavailable due to an Event of Force Majeure or (ii) any Contract Capacity that Meralco does not need due to an Event of Force Majeure.
- 6.1.5 If the Event of Force Majeure prevents (i) Power Supplier from making available Contract Capacity and/or delivering Associated Energy to Meralco, or (ii) Meralco from taking Contract Capacity and/or Associated Energy from Power Supplier, Meralco shall source the replacement capacity and/or energy from the WESM on its own account and cost.

- 6.1.6 The affected Party shall notify the other in writing of the occurrence of such Event of Force Majeure. 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.
- 6.1.7 If any Event of Force Majeure occurs within the February 26 to July 25 period for a continuous period of at least thirty (30) days, the Term may, by mutual agreement of the Parties, be extended by a period of time equivalent to the period of time for which performance is excused as a result of the Event of Force Majeure, which in no case shall exceed four (4) months; Provided that Meralco shall have the right to apply such extension at any time during the Term of this Agreement or immediately after the expiration thereof, subject to thirty (30)-day prior written notice to Power Supplier.

Article 7 Settlement of Disputes

- 7.1 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 7.2.
- 7.2 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 8 Termination

- 8.1 If for any reason, except as provided in Article 6, there is an actual failure on the part of Power Supplier to make available the Contract Capacity and deliver to Meralco the Associated Energy for a period of ten (10) days, Meralco shall send written notice to Power Supplier stating that such a breach has occurred.
- 8.2 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 make available the Contract Capacity and deliver to Meralco the Associated Energy 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.
- 8.3 Meralco shall, from and after the occurrence of a breach under Section 8.1 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.
- 8.4 Upon the early termination of this Agreement due to (i) an actual failure on the part of Power Supplier to make available the Contract Capacity and deliver to Meralco the Associated Energy, or (ii) the failure of Meralco to pay the Contract Price under the terms and conditions 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 Capital Recovery Fees for the remaining Term discounted at twelve percent (12%).

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

- (a) due to violation of any of the provisions hereof or any of the grounds provided for herein;
- (b) if the Parties fail to agree on the amendment of this Agreement within the period prescribed in Section 1.2.3;
- (c) if 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 pursuant to Section 1.2.3;
- (d) or if the Parties fail to agree on a Price Adjustment, pursuant to Section 9.4, within thirty (30) days from notice by Power Supplier to Meralco of a Change in Law;

Provided, that the termination under this Section shall not prejudice the right of the aggrieved Party to liquidated damages under Section 8.4.

8.6 Subject to seven (7) days prior written notice to Meralco, this Agreement may be terminated by Power Supplier if:

- (a) after forty (40) days from filing of the ERC Application for the approval of this Agreement, no approval has been issued;
- (b) a Provisional Approval or Final Approval has been issued and Power Supplier is not amenable to any changes in the terms and conditions of this Agreement, including the Contract Price, as approved in the Provisional Approval or Final Approval.
- (c) after thirty (30) days from due date, Meralco fails to pay any undisputed amount in the Final Invoice;
- (d) for any reason, the Power Supplier's lease on the Plant is terminated or not renewed by the government.

8.7 In the event of pre-termination of this Agreement on grounds as provided in this Agreement, Meralco shall be allowed to purchase energy from the WESM until such time it is able to source available replacement capacity through a competitive selection process as required by the ERC.

Article 9 Miscellaneous

9.1 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 (the "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.

9.2 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.

9.3 Governing Law

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

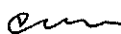
9.4 Change in Law

In the event of a change in governmental requirements or applicable law, including without limitation any change in the interpretation or application thereof, or the introduction of a new governmental requirement or applicable law occurring after the date of this Agreement (“**Change in Law**”), and as a result thereof, Power Supplier’s financial return on its investment is reduced, prejudiced or otherwise adversely affected, Power Supplier and Meralco shall mutually arrive at an adjustment to the Contract Price or the payment by Meralco of additional costs or fees, or a combination thereof (“**Price Adjustment**”) to address the effect of the Change in Law.

- 9.4.1 Within thirty (30) days from notice in writing by Power Supplier to Meralco of a Change in Law, the Parties shall enter into good faith negotiations to agree on a Price Adjustment that will sustainably restore the Power Supplier’s financial return prior to the occurrence of the Change in Law. Within ten (10) days after agreeing on the Price Adjustment, the Parties shall revise and file an amended Agreement for approval of the ERC, subject to Section 1.2.2 of this Agreement.

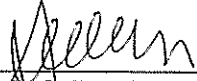
If the Parties fail to reach a mutually satisfactory adjustment, either Party may terminate this Agreement in accordance with Section 8.5.

- 9.4.2 During the period of negotiations and pending the Final Approval of the amended Agreement pursuant to the Change in Law, Power Supplier may suspend delivery of the Contract Capacity and Associated Energy.



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

MANILA ELECTRIC COMPANY

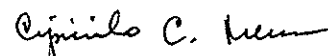
By: 
Name: **Alfredo S. Panlilio**
Title: Senior Vice President and Head,
Customer Retail Services and
Corporate Communications

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

1590 ENERGY CORPORATION

By: 
Name: **Arlo A.G. Sarmiento**
Title: President 

WITNESSED BY:

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

By: 
Name: **Theo C. Sunico**
Title: General Manager

APPENDIX A: CONTRACT PRICE

The Contract Price shall consist of the following components:

A. Capital Recovery Payment

1. Capital Recovery Fee Rate (CRF)

Firm: $CRF_F = \text{PHP } 366.67/\text{kW-month}$

$$\text{Non-Firm: } CRF_{NF} = \frac{CRF_F}{\frac{30 \text{ days/month}}{7 \text{ days/week}} * \frac{6 \text{ days}}{\text{week}}} = \text{PHP } 14.2594/\text{kW-day}$$

2. Monthly Capital Recovery Fee (MCRF)

Firm: $MCRF_F = CRF_F * CC_F$

$$\text{Non-Firm: } MCRF_{NF} = CRF_{NF} * \sum_{i=1}^{i=n} NC_i$$

Where:

CC_F = Firm Contract Capacity

NC_i = average of the hourly nominated Non-Firm capacity for day i

n = total number of days in the supply month

B. Fixed Operations & Maintenance Payment

1. Fixed Operations & Maintenance Fee Rate (FOM)

Firm: $FOM_F = \text{PHP } 348.33/\text{kW-month}$

$$\text{Non-Firm: } FOM_{NF} = \frac{FOM_F}{\frac{30 \text{ days/month}}{7 \text{ days/week}} * \frac{6 \text{ days}}{\text{week}}} = \text{PHP } 13.5462/\text{kW-day}$$

2. Monthly Fixed Operations & Maintenance Payment (MFOMP)

Firm: $MFOMP_F = [FOM_F * (PCPI_a/PCPI_b)] * CC_F$

$$\text{Non-Firm: } MFOMP_{NF} = FOM_{NF} * (PCPI_a/PCPI_b) * \sum_{i=1}^{i=n} NC_i$$

Where:

$PCPI_a$ = equivalent to the Philippine Consumer Price Index (2006=100; for All Income Households-All Items) of the anniversary month of the contract, as published in the www.census.gov.ph or its substitute or replacement agency, as the case may be.

$PCPI_b$ = equivalent to the Philippine Consumer Price Index (2006=100; for All Income Households-All Items) for the month the contract was signed, as published in the www.census.gov.ph or its substitute or replacement agency, as the case may be.

NC_i = as previously defined

n = as previously defined

C. Variable Operations & Maintenance Payment

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

$$MVOMP = [VOM * (PCPI_a / PCPI_b)] * AE$$

Where:

VOM = Variable O&M Fee rate equivalent to PHP 0.40/kWh

PCPI_a = equivalent to the Philippine Consumer Price Index (table 2006=100 summary for Monthly CPI for All Income Households-All Items) of the anniversary month of the contract, as published in the www.census.gov.ph or its substitute or replacement agency, as the case may be.

PCPI_b = equivalent to the Philippine Consumer Price Index (table 2006=100 summary for Monthly CPI for All Income Households-All Items) for the month the contract was signed, as published in the www.census.gov.ph or its substitute or replacement agency, as the case may be.

AE = Associated Energy

D. Fuel Payment

The Monthly Fuel Payment (MFP) shall be calculated as follows:

$$MFP = \text{HFO Price} * \text{HFO consumption rate} * AE$$

Where:

HFO Price = actual Heavy Fuel Oil net delivered price, in PHP/liter, based on "weighted average" inventory price;

HFO consumption rate = 0.2438 liter/kWh or the actual consumption rate, whichever is lower;

AE = Associated Energy

LFO and Lube Oil Cost shall be computed as follows:

$$\text{LFO payment} = \text{LFO Price} * \text{LFO consumption rate} * n * \text{TEU}$$

Where:

LFO Price = actual Light Fuel Oil net delivered price, in PHP/liter, based on "weighted average" inventory price;

LFO consumption rate = 200 liters per engine per instance of Start-up and Shutdown;

TEU = Total number of engine used;

n = number of start-up and shutdowns.

$$\text{LO payment} = \text{LO Price} * \text{LO consumption rate} * AE$$

Where:

LO Price = actual Lube Oil net delivered price, in PHP/liter, based on "weighted average" inventory price;

LO consumption rate = 0.0022 liter/kWh or the actual consumption rate, whichever is lower;

AE = Associated Energy.

APPENDIX B: TECHNICAL LIMITS

DEFINITIONS

All capitalized terms used herein shall have the meanings given to them in Section 1.1 of this Agreement, except as otherwise defined herein.

TECHNICAL LIMITS

Technical Parameter	Technical Limit
Maximum Monthly Capacity Factor	50%
Ramp Up Rate	4 MW per minute
Ramp Down Rate	4 MW per minute

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[Handwritten initials]

ACKNOWLEDGMENT

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

19 JAN 2016

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

	Competent Evidence of Identity	Date and Place Issued
Alfredo S. Panlilio	Passport No. EB5654502	Jun. 15, 2012/Manila
Ronnie L. Aperoch	Passport No. EB9627487	Nov. 20, 2013/Manila

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 __ pages, including this page on which this Acknowledgment is written, and Appendices A and B, which are attached to this 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.

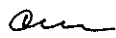
IN WITNESS WHEREOF, I have hereunto set my hand and affixed my notarial seal on the date and the place first above-written.

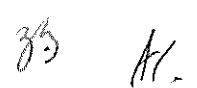
Doc. No: 124 ;
Page No: 30 ;
Book No: 10 ;
Series of 2016.


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. 1023773; 1-8-RSM Chapter
PTR No. 642392; 03/26/15; Pasig City
7th Floor, Lopez Bldg., Ortigas Ave., Pasig City









ACKNOWLEDGMENT

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

BEFORE ME, a Notary Public for and in Makati City, Philippines, this 19 day of January 2016, personally appeared:

	Competent Evidence of Identity	Date and Place Issued
Arlo A.G. Sarmiento	Passport No. EC0162066	Jan. 29, 2014/Cebu

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

This instrument consists of __ pages, including this page on which this Acknowledgment is written, and Appendices A and B, which are attached to this 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.

Doc. No: 14 ;
Page No: 5 ;
Book No: I ;
Series of 2016.


MARC IVAN D. PALPACAN
NOTARY PUBLIC FOR MAKATI CITY
Appointment No. M-513
Until 31 December 2016
PTR No. 5330549/Makati City/07 January 2016
IBP No. 1017835/Pasig City /06 January 2016
Roll No. 63658
4th & 6th Floors, Filipino Building, 135 Dela Rosa Street
corner Legaspi Street, Legaspi Village Makati City

am




35 AS

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

ANNEX " B "

**IN THE MATTER OF THE
APPLICATION FOR THE
APPROVAL OF THE INTERIM
POWER SUPPLY AGREEMENT
(IPSA) BETWEEN MANILA
ELECTRIC COMPANY
(MERALCO) AND 1590
ENERGY CORPORATION
(1590EC), WITH PRAYER FOR
PROVISIONAL AUTHORITY,**

ERC CASE NO. 2016 - ____ RC

**MANILA ELECTRIC COMPANY
(MERALCO) AND 1590
ENERGY CORPORATION
(1590EC),**

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 Applicant MERALCO, 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 show and prove:

1. The existence and details of the Interim Power Supply Agreement ("IPSA") executed between MERALCO and 1590 Energy Corporation ("1590EC");

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. Other matters relevant to the Application.

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

QUESTION 1: What are your educational and professional qualifications?

ANSWER 1: 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 Agreement (IPSA) between Manila Electric Company (MERALCO) and 1590 Energy Corporation (1590 Energy), with Prayer for Provisional Authority”* jointly filed by Applicants MERALCO and 1590 Energy Corporation (“1590EC”)? 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 Agreement (“IPSA”) that was executed between the Applicants.

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 IPSA between MERALCO and 1590EC and the prayer for the immediate issuance of a Provisional Authority to implement the same.

Q7: What are the salient provisions of the IPSA?

A7: The salient provisions of the IPSA are as follows:

“Article 1 Term and Effectivity

1.1 Term of Agreement

1.1.1. This Agreement shall become effective upon the provisional approval (“**Provisional Approval**”) or final approval (“**Final Approval**”) of the Energy Regulatory Commission (“**ERC**”) (“**Commencement Date**”), and shall expire on February 25, 2017, unless terminated earlier in accordance with Article 9 of this Agreement or extended 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 two (2) 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 Provisional Approval or Final Approval 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 Final Approval 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 ("**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 receipt by the Parties of the Conditional Approval, seek a reconsideration of the Conditional Approval. During the period that the motion for reconsideration is pending, Power Supplier shall make available the Contract Capacity and Associated Energy following the rate in the Conditional Approval, subject to the Final Approval; and/or
 - (b) Within thirty (30) days after receipt by the Parties of the 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 Capacity and Associated 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 Capacity and Associated Energy at the Contract Price determined in accordance with **Appendix A**.

2.1.2 Power Supplier shall not, without Meralco's prior written consent, sell, divert, transfer, dedicate, reserve or assign all or any portion of the firm Contract Capacity and Associated Energy to any person other than Meralco.

2.1.3 Power Supplier shall not be entitled to any planned/scheduled or forced outage allowances.

xxx

Article 4 Billing and Payment

xxx

4.2 Payments

4.2.1 Provided that Meralco receives the Final Invoice within the time set forth in Section 4.1.6, each Final Invoice shall be due and payable not later than the twenty fifth (25th) 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 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

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 – 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 to third parties in connection with the purchase of Contract Capacity and Associated Energy shall form part of the price that Meralco will charge to its customers:

- (a) VAT on Contract Capacity and Associated Energy in accordance with Bureau of Internal Revenue (“BIR”) Revenue 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) All fees and charges imposed by WESM to Meralco, which include the following:
 - i. line rental charges for the transmission of Associated Energy from the Plant to the delivery point;

- ii. Must Run Unit Adjustments;
- iii. Price Substitution Mechanism;
- iv. Net Settlement Surplus; 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

Article 8 Termination

- 8.1** If for any reason, except as provided in Article 6, there is an actual failure on the part of Power Supplier to make available the Contract Capacity and deliver to Meralco the Associated Energy for a period of ten (10) days, Meralco shall send written notice to Power Supplier stating that such a breach has occurred.
- 8.2** 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 make available the Contract Capacity and deliver to Meralco the Associated Energy 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.
- 8.3** Meralco shall, from and after the occurrence of a breach under Section 8.1 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.

8.4 Upon the early termination of this Agreement due to (i) an actual failure on the part of Power Supplier to make available the Contract Capacity and deliver to Meralco the Associated Energy, or (ii) the failure of Meralco to pay the Contract Price under the terms and conditions 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 Capital Recovery Fees for the remaining Term discounted at twelve percent (12%).

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

- (a) due to violation of any of the provisions hereof or any of the grounds provided for herein;
- (b) if the Parties fail to agree on the amendment of this Agreement within the period prescribed in Section 1.2.3;
- (c) if 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 pursuant to Section 1.2.3;
- (d) or if the Parties fail to agree on a Price Adjustment, pursuant to Section 9.4, within thirty (30) days from notice by Power Supplier to Meralco of a Change in Law;

Provided, that the termination under this Section shall not prejudice the right of the aggrieved Party to liquidated damages under Section 8.4.

8.6 Subject to seven (7) days prior written notice to Meralco, this Agreement may be terminated by Power Supplier if:

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

- (b) a Provisional Approval or Final Approval has been issued and Power Supplier is not amenable to any changes in the terms and conditions of this Agreement, including the Contract Price, as approved in the Provisional Approval or Final Approval.
- (c) after thirty (30) days from due date, Meralco fails to pay any undisputed amount in the Final Invoice;
- (d) for any reason, the Power Supplier's lease on the Plant is terminated or not renewed by the government.

8.7 In the event of pre-termination of this Agreement on grounds as provided in this Agreement, Meralco shall be allowed to purchase energy from the WESM until such time it is able to source available replacement capacity through a competitive selection process as required by the ERC.

xxx”

A copy of the IPSA, including its attachments, is attached to the Application as Annex “A”.

Q8: What is the capacity and/or energy contracted under the IPSA?
A8: The capacity contracted under the IPSA is as shown below:

CAPACITY	TRADING INTERVAL	PERIOD
170 MW (firm)	1000H – 2100H, Mondays to Saturdays	February 26 – July 25, 2016
Up to 170 MW (non-firm)	1000H – 2100H Mondays to Saturdays	July 26, 2016 – February 25, 2017

Q9: What is the effective delivered price under the IPSA?
A9: Based on simulations, the effective delivered price under the IPSA for the supply month of May 2016 is PhP7.0869 per kWh, as shown in the sample calculation below:

1590EC 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)	355.6700		170,000	(kW)	62,333,900.00
B. Fixed O&M Payment						
Peso Portion	(Php/kW-mo)	348.3300	1.000000	170,000	(kW)	59,216,100.00
C. Variable O&M Payment						
Peso Portion	(Php/kWh)	0.4000	1.000000	46,920,000	(kWh)	18,768,000.00
D. Fuel Payment						
HFO Payment Peso Portion	(Php/kWh)	3.5823		46,920,000	(kWh)	168,080,357.08
LO Payment Peso Portion	(Php/kWh)	0.1785		46,920,000	(kWh)	8,381,231.39
LFO Payment Peso Portion	(Php/start-up)	104,858.40		41	(no. of start-up)	4,299,194.40
TOTAL PAYMENT	(Php)					321,078,782.87
Effective Rate at Plant Gate	(Php/kWh)					6.8431
WESM Line Rental Rate⁽²⁾	(Php/kWh)					0.2438
Delivered Rate	(Php/kWh)					7.0869
Effective Cost at WESM Price⁽³⁾	(Php/kWh)					12.6213
Increase / (Decrease) over WESM Price	(Php/kWh)					(5.5344)
Merako Captive Energy Demand⁽⁴⁾	(kWh)					2,861,523,324
Increase / (Decrease) in Generation Cost	(Php)					(259,673,983.10)
Increase / (Decrease) in Generation Cost	(Php/kWh)					(0.0907)

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) = 142.30, Dec 2015
 (2) Estimated 1590EC line rental rate based on actual Jan - Jul 2015 average line rental of 1590EC
 (3) Cost if equivalent volume of 1590EC was sourced instead from the WESM based on May 2016 forecast hourly prices
 (4) Merako Captive Energy Demand based on May 2016 forecast

A copy of the 1590EC IPSA-Sample Calculation (May 2016) is attached to this Judicial Affidavit as **ANNEX “A”**.

Q10: If approved, how will the IPSA affect the generation rates imposed on MERALCO’s customers?
A10: As seen in the rate impact below, for the duration of the term (firm) of the IPSA, the simulated delivered price thereunder would result in an overall savings of PhP0.0541 per kWh.

Impact to MERALCO Generation Charge

	Generation Charge PHP/kWh
	Mar - Jul 2016 Overall
Without Bauang Interim PSA	4.8721
With Bauang Interim PSA	4.8180
inc / -dec, P/kWh	-0.0541
inc / -dec, Million PhP	-732.08

A copy of the 1590EC IPSA-Rate Impact (March-July 2016) is attached to this Judicial Affidavit as **ANNEX “B”**.

Q11: In the Application for the approval of the subject IPSA, MERALCO prayed for issuance of a Provisional Authority. Why is MERALCO asking for this provisional relief?

A11: 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 Wholesale Electricity Spot Market ("WESM") purchases and protect its customers from forecasted high WESM prices.

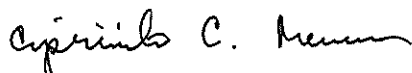
Based on its power supply-demand outlook for 2016, MERALCO foresees a significant capacity deficit in its portfolio for the period of March to October 2016 due to scheduled maintenance shutdowns of its contracted generating units as well as possible occurrences of forced plant outage.

If the IPSA is not implemented during said period beginning 26 February 2016, MERALCO will be constrained to source said energy volume covered by the IPSA 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.

Q12: Do you affirm and confirm the truthfulness and veracity of your answers to the questions asked?

A12: Yes.

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


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:

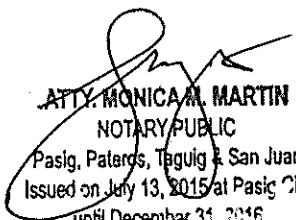
1. I am the lawyer who conducted the examination of witness, Mr. Ciprinilo C. Meneses;
2. I have faithfully recorded or caused to be recorded the questions I asked and the answers given by the witness;
3. Neither I nor any other person coached the witness regarding his answers.

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 04 2016 day of
January 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.: 130 ;
Page No.: 27 ;
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. 10237261-2-14 SSA Chapter
PTR No. 14734111-1-24-16 Pasig City
7th Floor, Lopez Bldg., Ortigas Ave., Pasig City

1590EC 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)	366,6700		170,000	(kW)	62,333,900.00
B. Fixed O&M Payment						
Peso Portion	(Php/kW-mo)	348,3300	1.000000	170,000	(kW)	59,216,100.00
C. Variable O&M Payment						
Peso Portion	(Php/kWh)	0.4000	1.000000	46,920,000	(kWh)	18,768,000.00
D. Fuel Payment						
HFO Payment Peso Portion	(Php/kWh)	3.5823		46,920,000	(kWh)	168,080,357.08
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LFO Payment Peso Portion	(Php/start-up)	104,858.40		41	(no. of start-up)	4,299,194.40
TOTAL PAYMENT	(Php)					321,078,782.87
Effective Rate at Plant Gate	(Php/kWh)					6.8431
WESM Line Rental Rate ⁽²⁾	(Php/kWh)					0.2438
Delivered Rate	(Php/kWh)					7.0869
Effective Cost at WESM Price ⁽³⁾	(Php/kWh)					12.6213
Increase / (Decrease) over WESM Price	(Php/kWh)					(5.5344)
Meralco Captive Energy Demand ⁽⁴⁾	(kWh)					2,861,523,324
Increase / (Decrease) in Generation Cost	(Php)					(259,673,983.10)
Increase / (Decrease) in Generation Cost	(Php/kWh)					(0.0907)

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) = 142.30, Dec 2015
- (2) Estimated 1590EC line rental rate based on actual Jan - Jul 2015 average line rental of 1590EC
- (3) Cost if equivalent volume of 1590EC 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. Cagampang

1590EC IPSA - Rate Impact
(March - July 2016)

ANNEX " B "

Capacity MW	Dispatch GWh					
	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Mar - Jul 2016 Overall
1590EC Interim PSA PCF	28	20.06 16.95%	43.69 34.54%	46.92 38.33%	51.51 40.73%	44.71 36.53%
						206.89 33.68%

Cost if Sourced from WESM (PHP/kWh)						
	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Mar - Jul 2016 Overall
1590EC Interim PSA	5.4818	9.3298	12.6213	13.4349	10.5303	10.9847

Delivered Price *						
	PHP/kWh					
	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Mar - Jul 2016 Overall
1590EC Interim PSA	10.7359	7.2756	7.0869	6.8418	7.2101	7.4462

* 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) = 142.30, Dec 2015
- HFO, LFO and LO Prices based on given cost by 1590EC
- Estimated 1590EC line rental rate based on actual Jan - Jul 2015 average line rental of 1590EC

Impact to MERALCO Generation Charge

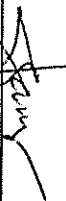
	Generation Charge PHP/kWh					
	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Mar - Jul 2016 Overall
Without 1590EC Interim PSA	4.4298	4.6926	5.0962	5.0205	5.0361	4.8721
With 1590EC Interim PSA	4.4752	4.6597	5.0054	4.9049	4.9807	4.8180
Inc / -dec. P/kWh	0.0454	-0.0329	-0.0907	-0.1156	-0.0554	-0.0541
Inc / -dec. Million Php	105.40	-89.75	-259.67	-339.61	-148.44	-732.08

Impact to WESM Exposure

	WESM share of Captive Demand %					
	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Mar - Jul 2016 Overall
Without 1590EC Interim PSA	7.66%	7.50%	8.09%	7.58%	6.72%	7.51%
With 1590EC Interim PSA	6.79%	5.90%	6.45%	5.82%	5.05%	5.99%
Inc / -dec	-0.86%	-1.60%	-1.64%	-1.75%	-1.67%	-1.53%

WESM Price PHP/kWh						
	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Mar - Jul 2016 Overall
Luzon WESM Average Price	3.3709	5.9885	8.0426	8.5198	6.6227	6.5396

Prepared By: Ciprinlio C. Meneses



Reviewed By: Rolando M. Cagampang



ORTIGAS AVENUE, PASIG CITY
0300 PHILIPPINES

ANNEX " C "

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 1590 Energy Corporation (1590EC);

"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;

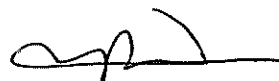
"RESOLVED, FURTHERMORE, that the Board of Directors authorize, as it hereby authorizes, MERALCO, through Ms. IVANNA G. DELA PEÑA, First Vice President & Head, Regulatory Management Office and Atty. JOSE RONALD V. VALLES, Vice President and Head, Regulatory Affairs, or any lawyer or employee of MERALCO 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 1590 Energy Corporation (1590EC), 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

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 day of January 2016.

28 JAN 2016



WILLIAM S. PAMINTUAN
Assistant Corporate Secretary

SUBSCRIBED AND SWORN to before me this 28 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.



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. 1027724-1-8-14 RSM Chapter
PTR No. 1473409-1-21-14, Pasig City
7th Floor, Lopez Bldg., Ortigas Ave., Pasig City

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

Republic of the Philippines)
City of) S.S.

SECRETARY'S CERTIFICATE

I, **CATHERINE S. BRINGAS**, Filipino, of legal age and with office address at 107 1st Midland Office Condominium Bldg., Gamboa Street, Legaspi Village, Makati City, Philippines, after having been duly sworn to in accordance with law hereby depose and state that:

1. I am the duly elected Assistant Corporate Secretary of **1590 ENERGY CORP.**, a corporation duly organized and existing pursuant to and under the laws of the Republic of the Philippines, with principal business address at Unit 907-908 Ayala Life-FGU Center, Mindanao Avenue corner Biliran Road, Cebu Business Park, Cebu City (the "Corporation").

2. During a Special Meeting of the Board of Directors of the Corporation held on January 6, 2016 during which meeting a quorum was present and acting throughout, the following resolutions were unanimously approved and adopted:

RESOLVED, that the Board of Directors of **1590 Energy Corporation** (the "Corporation") authorize, as it hereby authorizes the Company to file with the Energy Regulatory Commission ("ERC") an Application For The Approval Of The Interim Power Supply Agreement (IPSA) Between Manila Electric Company (MERALCO) And 1590 Energy Corporation (1590EC), With Prayer For Provisional Authority (the "ERC Application");

RESOLVED FURTHER, that the Corporation be authorized to appoint **MR. THEO C. SUNICO**, Assistant Vice President for Trading and Marketing, with authority:

- a. to represent the Corporation in the ERC Application;
- b. to execute, sign and obtain any document, including verifications and certifications of non-forum shopping, which may be required during the course of the ERC Application;
- c. to represent the Corporation as witness and/or to appoint any person to represent the Corporation as its witness during the hearing of the ERC Application; and
- d. to do and perform on behalf of the Corporation any act and deed necessary to be done in the premises, and the Corporation hereby ratifies and confirms all that he has

- d. to do and perform on behalf of the Corporation any act and deed necessary to be done in the premises, and the Corporation hereby ratifies and confirms all that he has done or caused to be done in the course of the ERC Application, and all that he shall do or cause to be done by virtue of his authority;

RESOLVED FURTHER, that **ATTY. JOAN A. GIDUQUIO-BARON** or any lawyers of **J.P. GARCIA & ASSOCIATES LAW OFFICES**, be authorized to represent the Corporation in the ERC Application, with authority to:

- a. to represent the Corporation and to appear for or on its behalf in all proceedings, including pre-trials, hearings, meetings and discussions before the ERC in respect of the ERC Application, to perform any and all acts and deeds and to submit and sign such documents and pleadings necessary to implement this authority;
- b. to act as agent of and appear in behalf of the Corporation in the proceedings relating to the ERC Application, with full power to make commitments and take positions, and to consider (i) the possibility of an amicable settlement or a submission to arbitration, mediation or other modes of alternative dispute resolution; (ii) the simplification of the issues; (iii) the necessity or desirability of amendments to the pleadings; (iv) the possibility of obtaining stipulations or admissions of facts and of documents totally or partially to avoid unnecessary proof; (v) the limitation of the number of witnesses or time allocated to particular witnesses and issues; (vi) the advisability of a preliminary reference of issues to a commissioner; (vii) the necessity or desirability of having an expository hearing or consumer forum; (viii) the procedures at the hearing and hearing schedule; (ix) the submission of written testimony and exhibits to be offered and the marking thereof; (x) the agreements regarding service of documents; and (xi) such other matters as may aid in the prompt disposition of the proceedings;
- c. to negotiate, conclude, enter into and execute a compromise or amicable settlement of the Application, if appropriate, or to submit the Application to alternative modes of dispute resolution, under such terms and conditions as they may deem just and reasonable;
- d. to file any appeal or represent the Corporation in further proceedings;

- e. to appoint such other counsel as may be necessary; and
- f. to do and perform on behalf of the Corporation any act and deed relating to the ERC Application which the Corporation could legally do and perform.

RESOLVED FINALLY, that the Corporation hereby ratifies and confirms all that its authorized representatives have done or caused to be done on behalf of the Corporation in the course of the ERC Application.”

3. These Board resolutions have not been revoked, amended or modified and remain valid and binding on the Corporation.

4. The foregoing Board resolutions are in accordance with the records of Corporation.

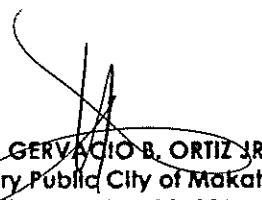
IN WITNESS WHEREOF, I have here unto set my hand this _____
at Makati City Philippines.


CATHERINE S. BRINGAS
Assistant Corporate Secretary

SUBSCRIBED AND SWORN TO, before me this JAN 21 2016 affiant personally exhibited to me her Driver's License No. D16-01-248424 which expires on September 30, 2018 and issued at LTO Head Office Quezon City, Philippines, as competent proof of her identity.

Witness my hand and seal.

Doc. No. 489
Page No. 101
Book No. VI;
Series of 2016.


ATTY. GERVACIO B. ORTIZ JR.
Notary Public City of Makati
Until December 31, 2016
;BP No. 656155-Lifetime Member
MCLE Compliance No. V-0006934
Appointment No. M-199 (2015-2016)
PTR No. 5323504 Jan. 4, 2016
Makati City Roll No. 40091
101 Urban Ave. Campos Rueda Bldg.
Bgy. Pio Del Pilar, 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) and 1590 Energy Corporation's (1590EC) verified Joint Application entitled "IN THE MATTER OF THE APPLICATION FOR THE APPROVAL OF THE INTERIM POWER SUPPLY AGREEMENT (IPSA) BETWEEN MANILA ELECTRIC COMPANY (MERALCO) AND 1590 ENERGY CORPORATION (1590EC), 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



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 OF ACCOUNT

STATEMENT NO : 2016-PSA-0295

BILL TO : MANILA ELECTRIC COMPANY AND 1590 ENERGY CORPORATIO
Brgy. Ugong, Pasig City

DATE ISSUED : February 05, 2016

DUE DATE : February 10, 2016

PARTICULARS

AMOUNT

Application for approval of the Interim Power Supply Agreement between MERALCO and 1590 Energy Corporation with prayer for provisional authority(Revenue Code: 4-02-01-010)	3,700.00
UPLRF(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

Approved by : ELLEN C. EBCAS

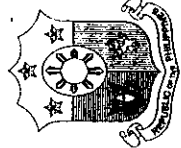
DIRECTOR III, OIC-FAS

Attested by : ZYWEEN A. SEVILLEN

BILLING SECTION

ACCOUNTABLE FORM No. 51
Revised January, 1992

(ORIGINAL)

		Official Receipt Republic of the Philippines	
		0005914 No. 0005914	
Date		2/10/2016	
Agency	ENERGY REGULATORY COMMISSION	Fund	
Payor	Manila Electric Company and 1590 Energy		
Nature of Transaction	Account Code	Amount	
Filing Fee	4-02-01-150	3,737.00	
UPLRF	2-02-02-080	37.00	
TOTAL		3,737.00	
Amount in Words		three thousand seven hundred thirty-seven pesos only	
☐ Cash	Drawee Bank	Number	Date
☒ Check	SDU	000378	2/23/2016
☐ Money Order			
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.			

Cheers to a Tasty New Partnership!



BusinessWorld

BUSINESS NEWSPAPER OF 2014 AND 2015
Awarded by ROTARY CLUB OF MANILA

STOCK MARKET	ASIAN MARKETS	WORLD MARKETS	DESO-DOLLAR RATES	ASIAN CURRENCIES	WORLD CURRENCIES	OIL
INDEX OPEN: 6,604.29 HIGH: 6,604.29 LOW: 6,521.20 CLOSE: 6,521.48 VOL: 0.652 B COMPOSITE VAL(P): 5.804 B 120.97 PPL 1.82% 30 DAYS TO FEBRUARY 3, 2016	FEBRUARY 3, 2016 JAPAN (Nikkei 225) 17,191.25 ▲ -559.43 -3.15 HONG KONG (Hang Seng) 18,991.59 ▲ -455.25 -2.34 TAIWAN (TWSE) 8,063.00 ▲ -68.24 -0.84 THAILAND (SET Index) 1,790.80 ▲ 5.50 0.43 S. KOREA (KOSPI) 1,890.67 ▲ -15.93 -0.84 SINGAPORE (STRIKES INDEX) 2,550.74 ▲ -28.49 -1.10 SINGAPORE (STRAITS TIMES) 4,876.76 ▲ -116.57 -2.33 MALAYSIA (KLCI Composite) 1,633.30 ▲ -19.88 -1.20	FEBRUARY 2, 2016 DOW JONES 16,153.540 ▲ -295.640 NASDAQ 4,516.946 ▲ -103.421 S&P 500 1,903.030 ▲ -36.350 FTSE 100 5,922.010 ▲ -138.090 EURO STOXX50 2,828.540 ▲ -65.430	FX OPEN P47.860 HIGH P47.830 LOW P47.920 CLOSE P47.860 WEIGHTED AVE. W. AVE. P47.882 30 DAYS TO FEBRUARY 3, 2016 VOL. \$622.60 M	FEBRUARY 3, 2016 LATEST BID (0900GMT) JAPAN (YEN) 119.770 ▲ 120.710 HONG KONG (HK DOLLAR) 7.792 ▲ 7.778 TAIWAN (NT DOLLAR) 33.542 ▲ 33.435 THAILAND (BAHT) 35.810 ▲ 35.720 S. KOREA (WON) 1,216.100 ▲ 1,207.490 SINGAPORE (DOLLAR) 1.430 ▲ 1.426 INDONESIA (RUPIAH) 13,750 ▲ 13,680 MALAYSIA (RINGGIT) 4.219 ▲ 4.205	FEBRUARY 3, 2016 \$/UK POUND 1.4434 ▲ 1.4339 \$/EURO 1.0905 ▲ 1.0912 \$/AUSTRALIAN DOLLAR 0.7054 ▲ 0.7058 CANADIAN DOLLAR/US\$ 1.4020 ▲ 1.4032 SWISS FRANC/US\$ 1.0180 ▲ 1.0192	FEBRUARY 2, 2016 OILBAI 29.55 ▼ WTI 29.88 ▼ BRENT 32.72 ▼

L. XXIX • ISSUE 134 THURSDAY • FEBRUARY 4, 2016 • www.bworldonline.com S1/1-12 • 3 SECTIONS, 26 P

Crisis sets sour tone for home sales

Krista A. M. Montefegre
Senior Reporter

CERTAIN SEGMENTS of the residential market may be vulnerable to a slowdown, a real estate advisory firm said, as plunging oil prices and brewing tensions in the Middle East threaten to hurt one of the key drivers of home sales: remittances.

Developers, however, see "minimal impact" should the crisis escalate given their diverse customer base and revenue streams. With estimates that around 60% of the residential inventory is either directly bought or being financed by money coming from overseas Filipino workers (OFWs), demand for new projects may be affected by a "major disruption in [their] source and level of income," Claro dG. Cordero Jr., head of research and valuation at Jones Lang LaSalle, said in a mobile phone message.

"With the news of possible displacement of a number of Filipinos working in the Middle East, the adverse impact is likely to manifest in the growth of demand for low-to mid-to middle-mid residential condominium developments. Dependence of a number of projects in demand coming from overseas Filipinos is the likely reason for this," Mr. Cordero added.

Low-to mid developments are priced between P1.5 million and P3 million per unit and middle-to mid developments are priced between P3 million and P7 million per unit, he said. As a result, demand for property and appreciation of capital values will see slower-than expected growth in the coming months if the crisis persists in near term, Mr. Cordero said.

Mass housing developer 8 Holdings, Inc. President Jam Jesus Gregorio B. Atencio III the first to acknowledge that unfolding events in the Middle East may impact the local real estate market.

values will see slower-than expected growth in the coming months if the crisis persists in near term, Mr. Cordero said.

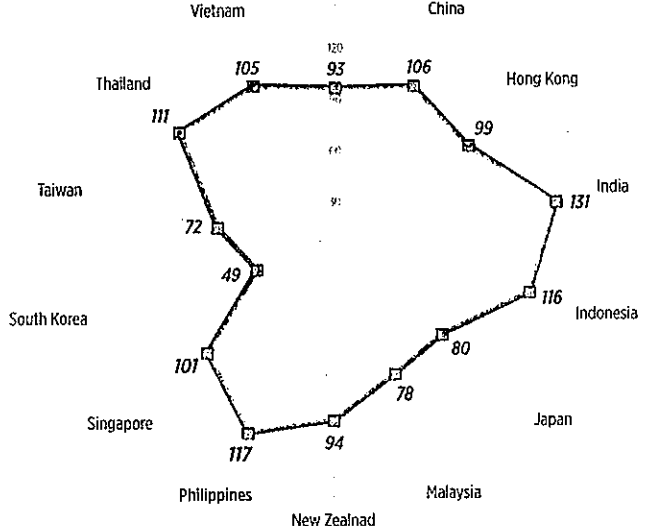
Bid to cut freight rates nixed

UMBRELLA group for Philippine truckers yesterday thumbed down a proposal to slash freight rates by more than 30% to the dismay of exporters that need air logistics service. The Confederation of Truckers Association of the Phils., Inc. (CTAP) regrouped on Wednesday following media reports that it had planned to lower trucking rates to P8,000 per twenty-foot equivalent unit (TEU) from the current P12,000 TEU. "Our rates were already reduced by 20% last year. It was decided by the board this afternoon that we will not reduce it any more," CTAP Chairman Rodolfo De Ocampo said in a telephone interview after the group held its 10th meeting. "Sagad na kami, di na kami ede magbaba sa P8,000 kasi hihirapan na kami. Hindi na nahanapbuhay (The rates have reached bottom. We can't go down P8,000 because that would be bad for us. It would no longer be feasible). Freight, S1/3

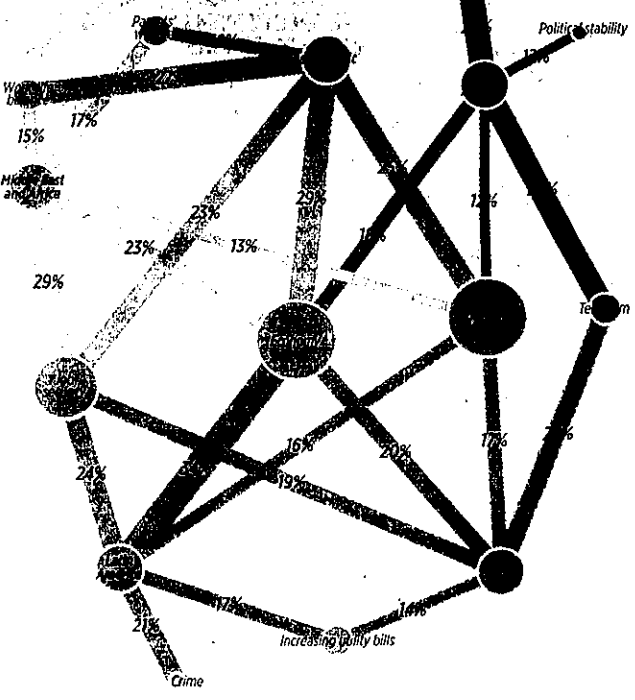
HIGH HOPES AND SHARED CONCERNS

According to Nielsen's latest quarterly Global Consumer Confidence Index report, confidence indicators in Asia-Pacific remained relatively consistent in 2015. Most countries in the region scored near or above the optimism threshold of 100 as the year neared its end. Here's how index scores compare in the region, as well as the top issues that weighed on the world's minds in the last quarter.

Consumer confidence index in Asia-Pacific, 2015



Biggest concerns around the world, Q4 2015



SOURCE: NIELSEN GLOBAL CONSUMER CONFIDENCE INDEX Q4 2015 REPORT BUSINESSWORLD GRAPHICS: KATRINA PAOLA B. ALVAREZ and BONG R. FORTI

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

THE MATTER OF THE APPLICATION
FOR THE APPROVAL OF THE INTERIM
POWER SUPPLY AGREEMENT
BETWEEN MANILA ELECTRIC
COMPANY (MERALCO) AND 1590
ENERGY CORPORATION (1590EC),
IN PRAYER FOR PROVISIONAL
AUTHORITY,

ERC CASE NO. 2016- ____ RC

MANILA ELECTRIC COMPANY
(MERALCO) AND 1590 ENERGY
CORPORATION (1590EC),

Applicants.

JOINT APPLICATION

Applicants MANILA ELECTRIC COMPANY ("MERALCO") and 1590
ENERGY CORPORATION ("1590EC"), through their respective undersigned
attorneys, 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
Center, Barangay Ugong, Pasig City. It may be served with notices and other
processes of this Honorable Commission 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,
Cavite and Rizal and certain cities, municipalities and barangays in
Bulacan, Laguna, Quezon and Pampanga, pursuant to Republic Act No. 9209,
which is authorized to charge all its customers for their electric consumption at the
rates approved by this Honorable Commission.

3. Applicant 1590EC is a corporation duly organized and
existing under the laws of the Republic of the Philippines, with its office
located at 107 Midland Condominium, Gamboa Street, Legaspi Village, Makati
City, Metro Manila. It may be served with notices and other processes of this
Honorable Commission through its counsel at the address indicated herein.

4. 1590EC operates and manages the energy output of the
MW bunker oil-fired diesel engine power plant located at Bauang, La Union
("Plant").

5. Based on its power supply-demand outlook for 2016,
MERALCO foresees a significant capacity deficit in its portfolio for the period
from March to October 2016 due to scheduled maintenance shutdowns of its
racted 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
procure additional capacity through short-term bilateral power supply contracts.

7. Under Section 45(b) of Republic Act No. 9136 ("EPIRA"),
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 19, 2016, MERALCO executed
Interim Power Supply Agreement ("IPSA") with 1590EC for the capacity
needed below:

CAPACITY	TRADING INTERVAL	PERIOD
170 MW (firm)	1000H – 2100H, Mondays to Saturdays	February 26 – July 25, 2016
Up to 170 MW (non-firm)	1000H – 2100H, Mondays to Saturdays	July 26, 2016 – February 25, 2017

9. The IPSA, a copy of which is attached as ANNEX "A" and
is 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
upon the provisional approval ("Provisional
Approval") or final approval ("Final Approval")
of the Energy Regulatory Commission ("ERC")
("Commencement Date"), and shall expire on
February 25, 2017, unless terminated earlier
in accordance with Article 9 of this Agreement
or extended 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 two (2) 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 Provisional Approval or Final Approval
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 Final Approval 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 ("Conditional Approval"), the

**Article 2 Sale and Purchase of Contract Capacity and
Associated 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 Capacity
and Associated Energy at the Contract Price
determined in accordance with Appendix A.

2.1.2. Power Supplier shall not, without Meralco's prior
written consent, sell, divert, transfer, dedicate,
reserve or assign all or any portion of the firm
Contract Capacity and Associated Energy to any
person other than Meralco.

2.1.3. Power Supplier shall not be entitled to any planned/
scheduled or forced outage allowances.

Article 4 Billing and Payment

4.2 Payments

4.2.1. Provided that Meralco receives the Final Invoice
within the time set forth in Section 4.1.6, each
Final Invoice shall be due and payable not later
than the twenty fifth (25th) 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 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.

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 – 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 to third parties in connection with the purchase
of Contract Capacity and Associated Energy shall
form part of the price that Meralco will charge to its
customers:

- (a) VAT on Contract Capacity and
Associated Energy in accordance with
Bureau of Internal Revenue ("BIR")
Revenue 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) All fees and charges imposed by WESM
to Meralco, which include the following:
 - i. line rental charges for the
transmission of Associated
Energy from the Plant to the
delivery point;
 - ii. Must Run Unit Adjustments;
 - iii. Price Substitution
Mechanism;
 - iv. Net Settlement Surplus; 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.

Article 8 Termination

8.1. If for any reason, except as provided in Article 6, there is an
actual failure on the part of Power Supplier to make available
the Contract Capacity and deliver to Meralco the Associated
Energy for a period of ten (10) days, Meralco shall send
written notice to Power Supplier stating that such a breach
has occurred.

8.2. 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 make available the Contract

(c) if the amended Agreement is disapproved by the
ERC, or approved by the ERC but still with an
material term or condition that is not acceptable to
either Party pursuant to Section 1.2.3;

(d) or if the Parties fail to agree on a Price Adjustment
pursuant to Section 9.4, within thirty (30) days from
notice by Power Supplier to Meralco of a Change
in Law.

Provided, that the termination under this Section shall not
prejudice the right of the aggrieved Party to liquidate
damages under Section 8.4.

8.6. Subject to seven (7) days prior written notice to Meralco, the
Agreement may be terminated by Power Supplier if:

(a) after forty (40) days from filing of the ERC
Application for the approval of this Agreement, an
approval has been issued;

(b) a Provisional Approval or Final Approval has
been issued and Power Supplier is not amenable
to any changes in the terms and conditions of
this Agreement, including the Contract Price, as
approved in the Provisional Approval or Final
Approval.

(c) after thirty (30) days from due date, Meralco fails to
pay any undisputed amount in the Final Invoice;

(d) for any reason, the Power Supplier's lease of
the Plant is terminated or not renewed by the
government.

8.7. In the event of pre-termination of this Agreement on ground
as provided in this Agreement, Meralco shall be allowed to
purchase energy from the WESM until such time it is able to
source available replacement capacity through a competitive
selection process as required by the ERC.

xxx

10. Based on simulations, the effective delivered price under the
IPSA for the supply month of May 2016 is PhP7.0859 per kWh, as shown in the
sample calculation below:

1590EC/IPSA - Sample Calculation

May 2016

DESCRIPTION	UNIT	AMOUNT	PRICE/UNIT	TOTAL	AMOUNT (PHP)
A. Contract Capacity Payment					
1. Firm Capacity Payment	(MW x 24 hrs x 30 days)	120,000	1,000.00	120,000,000	120,000,000
2. Non-Firm Capacity Payment	(MW x 24 hrs x 30 days)	10,000	1,000.00	10,000,000	10,000,000
C. Variable Cost Payment					
1. Fuel Payment	(kWh x Price)	1,000,000	0.001	1,000	1,000
2. WESM Payment	(kWh x Price)	1,000,000	0.001	1,000	1,000
3. NGCP Payment	(kWh x Price)	1,000,000	0.001	1,000	1,000
4. Other Payment	(kWh x Price)	1,000,000	0.001	1,000	1,000
D. Other Payment					
1. Other Payment	(kWh x Price)	1,000,000	0.001	1,000	1,000
2. Other Payment	(kWh x Price)	1,000,000	0.001	1,000	1,000
3. Other Payment	(kWh x Price)	1,000,000	0.001	1,000	1,000
4. Other Payment	(kWh x Price)	1,000,000	0.001	1,000	1,000
E. Total Payment					121,002,000
F. Effective Price at Plant Gate	(PHP/kWh)				7.0859
G. Delivered Price	(PHP/kWh)				7.0859
H. Effective Price at WESM	(PHP/kWh)				7.0859
I. Effective Price at Delivery Point	(PHP/kWh)				7.0859
J. Effective Price at End User	(PHP/kWh)				7.0859

Notes:
(1) Effective Price at Plant Gate is based on the Effective Price at WESM plus the Effective Price at Delivery Point.
(2) Effective Price at WESM is based on the Effective Price at Delivery Point plus the Effective Price at End User.
(3) Effective Price at Delivery Point is based on the Effective Price at End User plus the Effective Price at Plant Gate.
(4) Effective Price at End User is based on the Effective Price at Plant Gate plus the Effective Price at Delivery Point.

11. As seen in the rate impact below, for the duration of the term
(firm) of the IPSA, the simulated delivered price there under would result in a
overall savings of PhP0.0541 per kWh.

Impact to MERALCO Generation Charge

	Generation Charge PHP/kWh
Without Bauang Interim PSA	4.8721
With Bauang Interim PSA	4.8180
Inc / -dec, P/kWh	-0.0541
Inc / -dec, Million PhP	-732.08

Allegations in Support of Prayer for Provisional Authority

12. As previously mentioned, based on MERALCO's power
supply-demand outlook for 2016, a significant capacity deficit in its portfolio for
the period of March to October 2016 is foreseen due to scheduled maintenance
shutdowns of its contracted generating units as well as possible occurrences of
forced plant outage.

13. Consequently, if the IPSA is not implemented during said
period, MERALCO will be constrained to source from the WESM, where price
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.

14. 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 the IPSA in order to
reduce MERALCO's WESM purchases and protect its customers from forecasted
high WESM prices, to help ensure reasonable prices of electricity for end
customers, especially during the critical period of 26 February to 25 July, 2016.

15. In support of this Application, the Judicial Affidavit of MR.
CIPRIANO C. MENESES, Head of MERALCO's Energy Sourcing Office, is
attached as ANNEX "B" and made an integral part hereof.

PRAYER

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

1. Upon initial review of this Application and pending hearing on the merits
issue an Order provisionally approving the implementation of the IPSA
between MERALCO and 1590EC, thereby authorizing 1590EC to
charge and collect from MERALCO electricity fees based on rates that
this Honorable Commission may provisionally approve, and authorizing
MERALCO to pass the full amount thereof to its customers; and

2. After trial on the merits, issue a Decision approving the IPSA, thereby
authorizing 1590EC to charge and collect from MERALCO the electricity
fees based on the final rates approved by this 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

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 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, including Cavite and Rizal and certain cities, municipalities and barangays in atangas, 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 this Honorable Commission.

3. Applicant 1590EC is a corporation duly organized and existing under the laws of the Republic of the Philippines, with its office address at 107 Midland Condominium, Gamboa Street, Legaspi Village, Makati City, Metro Manila. It may be served with notices and other processes of this Honorable Commission through its counsel at the address indicated herein.

4. 1590EC operates and manages the energy output of the 15 MW bunker oil-fired diesel engine power plant located at Bauang, La Union (the "Plant").

5. Based on its 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 in-plant 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 procure 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 19, 2016, MERALCO executed an Interim Power Supply Agreement ("IPSA") with 1590EC for the capacity indicated below:

CAPACITY	TRADING INTERVAL	PERIOD
170 MW (firm)	1000H - 2100H, Mondays to Saturdays	February 26 - July 25, 2016
Up to 170 MW (non-firm)	1000H - 2100H, Mondays to Saturdays	July 26, 2016 - February 25, 2017

9. The IPSA, a copy of which is attached as ANNEX "A" and is 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 upon the provisional approval ("Provisional Approval") or final approval ("Final Approval") of the Energy Regulatory Commission ("ERC") ("Commencement Date"), and shall expire on February 25, 2017, unless terminated earlier in accordance with Article 9 of this Agreement or extended 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 two (2) 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 Provisional Approval or Final Approval 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 Final Approval 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 ("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 receipt by the Parties of the Conditional Approval, seek a reconsideration of the Conditional Approval. During the period that the motion for reconsideration is pending, Power Supplier shall make available the Contract Capacity and Associated Energy following the rate in the Conditional Approval, subject to the Final Approval; and/or

(b) Within thirty (30) days after receipt by the Parties of the 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.

4.2.1 Provided that Meralco receives the Final Invoice within the time set forth in Section 4.1.6, each Final Invoice shall be due and payable not later than the twenty-fifth (25th) 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 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

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 - 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 to third parties in connection with the purchase of Contract Capacity and Associated Energy shall form part of the price that Meralco will charge to its customers:

- (a) VAT on Contract Capacity and Associated Energy in accordance with Bureau of Internal Revenue ("BIR") Revenue 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) All fees and charges imposed by WESM to Meralco, which include the following:
 - i. Line rental charges for the transmission of Associated Energy from the Plant to the delivery point;
 - ii. Must Run Unit Adjustments;
 - iii. Price Substitution Mechanism;
 - iv. Net Settlement Surplus; 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

Article 8 Termination

8.1 If for any reason, except as provided in Article 6, there is an actual failure on the part of Power Supplier to make available the Contract Capacity and deliver to Meralco the Associated Energy for a period of ten (10) days, Meralco shall send written notice to Power Supplier stating that such a breach has occurred.

8.2 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 make available the Contract Capacity and deliver to Meralco the Associated Energy 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.

8.3 Meralco shall, from and after the occurrence of a breach under Section 8.1 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.

8.4 Upon the early termination of this Agreement due to (i) an actual failure on the part of Power Supplier to make available the Contract Capacity and deliver to Meralco the Associated Energy, or (ii) the failure of Meralco to pay the Contract Price under the terms and conditions 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 Capital Recovery Fees for the remaining Term discounted at twelve percent (12%).

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

- (a) due to violation of any of the provisions hereof or any of the grounds provided for herein;
- (b) if the Parties fail to agree on the amendment of this Agreement within the period prescribed in Section 1.2.3.

direct within (30) days from due date, Meralco shall pay any undisputed amount in the Final Invoice.

(d) for any reason, the Power Supplier's lease of the Plant is terminated or not renewed by government.

8.7 In the event of pre-termination of this Agreement on grounds as provided in this Agreement, Meralco shall be allowed purchase energy from the WESM until such time it is able to source available replacement capacity through a competitive selection process as required by the ERC.

xxx

10. Based on simulations, the effective delivered price under the IPSA for the supply month of May 2016 is PhP7 0869 per kWh, as shown in the sample calculation below:

1590EC IPSA - Sample Calculation

May 2016

DESCRIPTION	UNIT	MONTHLY RATE	CHARGE	MONTHLY TOTAL	ANNUAL TOTAL
A. Energy Supply Payment					
1. Firm Energy	MWh	170.00	170.00	170.00	170.00
2. Non-Firm Energy	MWh	170.00	170.00	170.00	170.00
3. Total Energy	MWh	340.00	340.00	340.00	340.00
B. Fuel Payment					
1. Fuel Payment	MWh	170.00	170.00	170.00	170.00
2. Fuel Payment	MWh	170.00	170.00	170.00	170.00
3. Total Fuel Payment	MWh	340.00	340.00	340.00	340.00
C. Other Charges					
1. Other Charges	MWh	170.00	170.00	170.00	170.00
2. Other Charges	MWh	170.00	170.00	170.00	170.00
3. Total Other Charges	MWh	340.00	340.00	340.00	340.00
D. Total Payment					
1. Total Payment	MWh	170.00	170.00	170.00	170.00
2. Total Payment	MWh	170.00	170.00	170.00	170.00
3. Total Payment	MWh	340.00	340.00	340.00	340.00
E. Delivered Price					
1. Delivered Price	MWh	170.00	170.00	170.00	170.00
2. Delivered Price	MWh	170.00	170.00	170.00	170.00
3. Delivered Price	MWh	340.00	340.00	340.00	340.00
F. Net Settlement Surplus					
1. Net Settlement Surplus	MWh	170.00	170.00	170.00	170.00
2. Net Settlement Surplus	MWh	170.00	170.00	170.00	170.00
3. Net Settlement Surplus	MWh	340.00	340.00	340.00	340.00
G. Total Settlement					
1. Total Settlement	MWh	170.00	170.00	170.00	170.00
2. Total Settlement	MWh	170.00	170.00	170.00	170.00
3. Total Settlement	MWh	340.00	340.00	340.00	340.00

As seen in the rate impact below, for the duration of the term (firm) of the IPSA, the simulated delivered price there under would result in a overall savings of PhP0.0541 per kWh.

Impact to MERALCO Generation Charge

	Generation Charge PhP/kWh
Without Bauang Interim PSA	4.8721
With Bauang Interim PSA	4.8180
Inc / -Dec, PhP/kWh	-0.0541
Inc / -Dec, Million PhP	-732.08

Allegations in Support of Prayer for Provisional Authority

12. As previously mentioned, based on MERALCO's power supply-demand outlook for 2016, a significant capacity deficit in its portfolio for the period of March to October 2016 is foreseen due to scheduled maintenance shutdowns of its contracted generating units as well as possible occurrences of forced plant outage.

13. Consequently, if the IPSA is 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.

14. 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 the IPSA in order to reduce MERALCO's WESM purchases and protect its customers from forecasted high WESM prices, to help ensure reasonable prices of electricity for such customers, especially during the critical period of 26 February to 25 July, 2016.

15. In support of this Application, the Judicial Affidavit of MR. CIPRIANO C. MENESES, Head of MERALCO's Energy Sourcing Office, is attached as ANNEX "B" and made an integral part hereof.

PRAYER

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

- Upon initial review of this Application and pending hearing on the merits, issue an Order provisionally approving the implementation of the IPSA between MERALCO and 1590EC, thereby authorizing 1590EC to charge and collect from MERALCO electricity fees based on rates that this Honorable Commission may provisionally approve, and authorizing MERALCO to pass the full amount thereof to its customers; and
- After trial on the merits, issue a Decision approving the IPSA, thereby authorizing 1590EC to charge and collect from MERALCO the electricity fees based on the final rates approved by this 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 this Honorable Commission is lower than the rate finally approved by it, this Honorable Commission allow 1590EC 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; 01/09/16; 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; 01/09/16; RSM
MCLE Compliance No. V-0004623; 6 November 2014

#Throwback Thursday

J.P. GARCIA AND ASSOCIATES
Units 1501-1502, 15th Floor Ayala Life-FGU Center
Mindanao Avenue corner Biliran Road
Cebu Business Park, Cebu City

By.

JOAN A. GIDUQUIO-BARON
Roll of Attorneys No. 41829
PTR No. 874058; 1/5/2016; Cebu City
IBP O.R. No. 1014730; 1/4/2016; Cebu City
MCLE Compliance No. V-0011654; 11/25/2015

(PUBLIC OF THE PHILIPPINES)
ITY OF PASIG

)s.s.

VERIFICATION and CERTIFICATION OF NON-FORUM SHOPPING

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

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

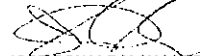
2 Moreover, I have been authorized by the Board of
ectors of MERALCO to certify that Applicant has not heretofore filed
y similar action, pleading or application involving the same issues before
y Supreme Court, the Court of Appeals or any other lower courts or
ministrative bodies. A copy of the Secretary's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

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

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

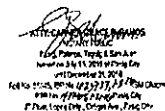
5 If I should hereafter learn that a similar action has
en filed before the Supreme Court, the Court of Appeals, the lower
rts or administrative bodies, I undertake to report such fact to this
norable Commission within five (5) days from notice of such fact.

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


JOSE RONALD V. VALLES
Affiant

SUBSCRIBED AND SWORN to before me this Feb 03, 2016,
ant having exhibited to me his Social Security System ID bearing the
nber 33-10900088

c No. 144
ge No. 30
ok No. IV
ries of 2016


THEA C. SUNICO
Notary Public for the State of
Mindanao, Philippines
My Commission Expires 12/31/2016
My Office Address: 107 First Midland Condominium Building,
Legaspi Village, Makati City, Philippines

VERIFICATION and CERTIFICATION OF NON-FORUM SHOPPING

I, THEO C. SUNICO, Filipino, of legal age, and with office
dress at Unit 107 First Midland Condominium Building, Gamboa
eel, Legaspi Village, Makati City, after having beenduly sworn to in
ordance with law, hereby depose and state that:

1. I am the Assistant Vice President for Trading and Marketing of
Applicant 1590 Energy Corporation ("1590 EC");

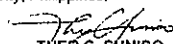
2. I have been duly authorized by the Board of Directors of 1590
EC to cause the preparation and filing of the Application with the
Energy Regulatory Commission (ERC), and I have actually
caused the preparation and filing of this Application pursuant
to such authority;

3. I have been likewise authorized by the Board of Directors of
1590 EC to execute and/or sign a Certification and Verification
Against Forum-Shopping on behalf of 1590 EC for the
Application;

4. I have fully read and understood the attached Application and
I hereby certify that all the allegations therein are true and
correct to the best of my knowledge and belief and are based
on authentic records and documents.

I hereby certify that 1590 EC has not commenced any action
filed any claim involving the same issues raised in the foregoing
lication before any court, tribunal or quasi-judicial agency, and to
best of my knowledge, there is no other action or claim is pending
rein; and if I should hereafter learn that a similar action has been filed
ending, I shall report such fact to this Honorable Commission within
(5) days from knowledge thereof.

IN WITNESS WHEREOF, I have hereunto affixed my signature
21st day of January 2016 at Makati City, Philippines.


THEO C. SUNICO
Affiant

ublic of the Philippines)
f Makati

) S.S.

SUBSCRIBED AND SWORN to before me, a Notary Public for
I in the City of Makati on this 21st day of January 2016, at Makati City,
ippines. Affiant who is personally known to me personally appeared
I exhibited to me his Passport with ID No. EC0840943 issued at DFA
R East, valid until April 13, 2019, as competent proof of his identity

Witness my hand and seal

c. No. 500
ge No. 101
k No. VI
les of 2016


THEA C. SUNICO
Notary Public for the State of
Mindanao, Philippines
My Commission Expires 12/31/2016
My Office Address: 107 First Midland Condominium Building,
Legaspi Village, Makati City, Philippines

First Division's presiding com-
missioner, said in jest, as he an-
nounced their unanimous action
on Wednesday.

This was despite the very
same resolution admitting that
the substitution process has been
exposed as "prone to abuse."

The 50-page resolution dis-
missed the petitions for the can-
cellation of Mr. Duterte's candi-
dature filed by broadcaster Ruben
H. Castor, anti-communist law-
yer Ely V. Panatong, broadcaster
Rizalito Y. David, and University
of the Philippines-Diliman stu-
dent council chairperson John
Paulo G. delas Nieves.

The three-member tribunal
affirmed the validity of the cer-
tificate of candidacy filed on
Oct. 16 by anti-crime advocate
Martin B. Diño, the original
nominee - and purported place-
holder - fielded by the Partido
Demokratiko Pilipino-Lakas ng
Bayan (PDP-Laban).

This meant Mr. Diño could
validly withdraw his CoC on Oct.
29, extending Mr. Duterte an
avenue to the presidency by al-
lowing him to validly file his CoC
on Nov. 27.

"There is hence no question
that Respondent Duterte may
substitute for him as candidate,
pursuant to Section 77 of the
[Omnibus Election Code], as
implemented by Section 19, Rule

entertains CoCs for national
positions. It also pointed out
that Mr. Diño attached docu-
ments pertaining to a presiden-
tial candidacy.

Mr. Duterte was also ruled to
have complied with substitution
rules, with the Comelec panel
disagreeing with Messrs. David
and delas Nieves's points that
the mayor's original CoC for re-
election named the Hugpong sa
Tawong Lungsod, not the PDP-
Laban, as his party.

The resolution said that as
long as the PDP-Laban treated
him as its member and nomi-
nated him, "the Commission is
obligated to accept the same."

The Comelec division also re-
jected Mr. delas Nieves's conten-
tion that the mayor committed
material misrepresentation in
his CoC by swearing under oath
that he will support and defend
the Constitution.

Mr. delas Nieves pointed to
the mayor's open admissions that
he was a killer of petty criminals
and a serial womanizer. But the
Comelec said "material misrep-
resentation" pertains only to a
candidate's qualifications for an
elective office.

"Technically, and in the con-
text of eligibility, the oath to sup-
port and defend the Constitution
as well as to follow duly promul-
gated laws are neither a qualifica-

not a ground, because "a change
of mind is a natural occurrence
in any decision-making process."

On procedural grounds, the
Comelec division said Messrs.
Castor and delas Nieves's peti-
tions should be dismissed out-
right for their failure to attend
the preliminary conference.
Likewise, these cases were filed
out of time when it comes to im-
pleading Mr. Diño.

The Comelec resolution, how-
ever, admitted in an epilogue that
the provisions for substitution
are "prone to abuse, and may
even lead to the bastardization
of the entire process involved in
the selection of candidates by
the various political parties in
existence in order to ensure their
victory in the polls."

Still, because Mr. Duterte's
substitution is allowed under
Section 77 of the Omnibus Elec-
tion Code, the Comelec said "the
remedy to correct this lies with
Congress, because the Commis-
sion... is bound to apply Section
77 as worded."

Aside from Mr. Lim, the First
Division is composed of Com-
missioners Luie Tito F. Guia
and Ma. Rowena Amelia "Bing"
V. Guanzon.

Mr. Lim said in the briefing
that the petitioners can still file
a motion for reconsideration
within five days, which would

Interior Secretary Manuel
Roxas II, and OFW Family Cl-
Party-list Rep. Roy V. Señor.
Sr. Also included is Senat
Grace Poe, whose candida
was canceled in December a
is now subject of an appeal wi
the Supreme Court.

The initial list in Janua
previously included Romel
Mendoza of the Partido ng M
sang Pilipino, who withdrew l
candidacy on Feb. 1 and adm
ted he was only saving the slot
the event former president a
incumbent Manila Mayor Jose
E. Estrada decides to run.

Meanwhile, the SC on Feb.
dismissed Dante C. Valenci
petition against the Comelec
cancellation of his candidacy.

There are six vice-preside
tial candidates: Senators Al
Peter S. Cayetano, Francis J
seph "Chiz" G. Escudero, Greg
rio "Gringo" B. Honasan II, Fe
dinand "Bongbong" R. Marce
Jr. Antonio "Sonny" F. Trillan
IV, as well as Camarines S
3rd District Rep. Maria Leon
"Leni" G. Robredo.

Mr. Bautista said the Comel
is keeping its target to start pri
ing the ballots next week. Wi
the case of Ms. Poe still bei
heard, she may likely be retain
in the ballot and have her vot
counted as stray unless the hi
court later decides in her favor.

Japanese official visits Manila to start trade talks

Ichiro Fujisaki, then Japanese Deputy Minister for Foreign
Affairs is photographed in February 2004 during a press
briefing in Manila. The Japanese official's visit launched trade
talks between Manila and Tokyo in what would become the
Japan-Philippines Economic Partnership Agreement (JPEPA).
Japan ratified it in 2006 but the Philippines took longer
owing to strong opposition from lobby groups. In January
2014, the Philippines' access to the Japanese market had a
marked improvement after the agreement's implementation,
the state-run Philippine Institute for Development Studies
(PIDS) said. "Although there is some natural leveling off in
succeeding years, the average yearly trade volume and value
from 2009 to 2012 are significantly higher than in the four
years immediately before the [JPEPA]," the PIDS said in a
BusinessWorld report.



 #Throwback Thursday

SC asked to reverse 'wrong' EDCA decision

THE SUPREME COURT on
Wednesday was asked to re-
verse its Jan. 12 ruling that
the Enhanced Defense Cooper-
ation Agreement (EDCA) was
"not unconstitutional."

The SC, voting 10-4-1, had ruled
that EDCA is an executive agree-
ment and not a treaty requiring
Senate concurrence, because it is
not the actual instrument for the
entry of United States troops and
military facilities.

But petitioners led by the
militant umbrella group Bagong
Alyansang Makabayan point-
edly called the decision "wrong"
for adhering to a "strict textual
approach."

In an 82-page motion for
reconsideration, the petiti-
oners said the SC ruling ignored

"relevant colonial, historical and
contemporary events" in its in-
terpretation of the Constitution.

"The majority's strict textual
approach hurls one to believe that
its intersectional interpretation
is neutral, objective, apolitical,
scientific and precise and to ac-
cept the majority's underlying
conclusion that US-Philippine
security relations [are] equal,"
read the MR.

It also stressed that Article
XVIII, Section 25 of the Consti-
tution was very clear in prohibi-
ting the entry of foreign troops,
bases and facilities in the coun-
try, with the sole exception of
being through a treaty subject to
Senate concurrence.

Exceptions under this provi-
sion "should be strictly but rea-

sonably construed," the motion
read. "[A]ll doubts should be
resolved in favor of the general
provision rather than the excep-
tions."

The appeal also said the as-
sertion that EDCA will help
the Philippines' position in its
maritime dispute left out the fact
that the US is "another bully" to
contend with.

"Another underlying assump-
tion and judicial notice made by
the Majority to uphold [EDCA] is
that China is a bully. True," read
the motion. "But we cannot rest
our backs on the pretext that an-
other bully - [a] greedy and giddy
one at that - the US, will fly to our
side the moment confrontations
escalate to defend our backyards
and home front. Do we expect the

US to prod their Federal Govern-
ment to go to war for us?"

The petitioners appealed; "V
are at least deserving of hearing"
contest these assumptions. TI
views espoused by the Majori
are not the only world-view abo
these matters."

EDCA was signed by Defen-
Secretary Voltaire T. Gazmin at
US Ambassador Philip Goldbe-
r on Apr. 28, 2014, a few hou-
before US President Barack O
Obama arrived for his state visit

The 10-year agreement wou
allow the US to construct faciliti
and preposition various defem
and disaster response equipmen
"in designated areas within a fe
AFP bases to be agreed upon" b
both countries, according to gov.p
- Vince Alvie Alexis F. Nonato