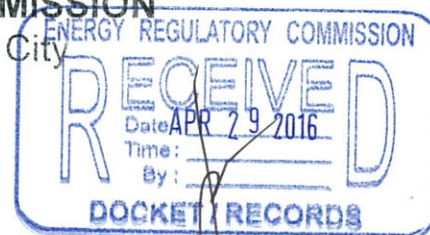


Republic of the Philippines
ENERGY REGULATORY COMMISSION
 San Miguel Avenue, Pasig City



IN THE MATTER OF THE
 APPLICATION FOR THE
 APPROVAL OF THE POWER
 SUPPLY AGREEMENT (PSA)
 BETWEEN MANILA ELECTRIC
 COMPANY (MERALCO) AND
 PANAY ENERGY
 DEVELOPMENT
 CORPORATION (PEDC),

2016-114

ERC CASE NO. 2016 – __ RC

MANILA ELECTRIC COMPANY
 (MERALCO) AND PANAY
 ENERGY DEVELOPMENT
 CORPORATION (PEDC),

Applicants.

X-----X

JOINT APPLICATION

Applicants **MANILA ELECTRIC COMPANY ("MERALCO")** and **PANAY ENERGY DEVELOPMENT CORPORATION (PEDC)**, 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 PEDC is a corporation duly organized and existing under the laws of the Republic of the Philippines, with its principal place of business at Brgy. Ingore, La Paz, Iloilo City. It may be served with notices and other processes of this Honorable Commission through its counsel at the address indicated herein.

4. PEDC owns and operates a 2x82 MW and a 1x150 MW (gross) coal-fired power generating facility in Brgy. Ingore, La Paz, Iloilo (the "**Plant**"), on the island of Panay in the Philippines. Said Plant is scheduled to become operational by 26 August 2016.

5. Based on MERALCO's Distribution Development Plan, "from 2015 to 2024, energy sales is forecasted to grow by a compounded average growth rate of 3.7%."

6. In order to ensure continuous and reliable electricity for MERALCO's customers with the expected continuous increase in demand and load growth, and mitigate exposure to the Wholesale Electricity Spot Market ("**WESM**"), there is a need for MERALCO to source additional capacity through 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, following extensive negotiations, on 27 April 2016, MERALCO executed a Power Supply Agreement ("**PSA**") with PEDC, for the purchase of up to 70MW contract capacity and associated energy from the generating unit of the Plant ("**Unit**").

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

"2.2 Term of Agreement

2.2.1 Subject to Article 3, this Agreement shall become effective on the Effective Date.

2.2.1.1 The term of this Agreement (the "**Term**") shall commence on the Operations Effective Date and shall expire on the date falling twenty (20) years after the Operations Effective Date xxx

xxx

3.1 Effective Date

The Effective Date shall be the date the conditions precedent in Section 3.2 have been satisfied or waived by the relevant Party (the "**Effective Date**").

xxx

3.3 Commencement Date

The "**Commencement Date**" shall occur upon the satisfaction of the conditions below:

- (a) The conditions set out in Section 3.2 have been fulfilled;
- (b) Each Party has delivered to the other Party a certification dated no earlier than two (2) Days prior to the proposed Commencement Date to the effect that its representations and warranties contained herein shall be true and correct in all material respects on and as of the Commencement Date; and
- (c) On or before the Longstop Date, (i) the ERC shall have approved this Agreement, including the pricing structure as set out herein (or as otherwise acceptable to Power Supplier), in the ERC Provisional Approval or ERC Final Approval.

Within seven (7) Days after the satisfaction of the conditions referred to in this Section 3.3, Meralco and Power Supplier shall issue a joint certification confirming that the Commencement Date has occurred.

3.4 **Operations Effective Date**

- 3.4.1 Power Supplier covenants that Operations Effective Date shall occur on August 26, 2016 (the "**Operations Effective Date**").
- 3.4.2 Following the Operations Effective Date, the obligations of Power Supplier and Meralco under this Agreement with respect to sale and purchase of Contract Capacity and Associated Energy, and Replacement Energy, shall become effective.

3.5 **Commercial Operations Date**

The Unit shall achieve Commercial Operations Date upon delivery by Power Supplier of the documents enumerated below, in form and substance satisfactory to Meralco:

- (a) Capacity Test Certificate xxx;
- (b) a Net Plant Heat Rate Test Certificate xxx;
- (c) certified true copy of the certificate of compliance of the Power Supplier as a generation company

issued by the ERC, its registration as a member of the WESM and evidence of its execution of a Market Participation Agreement with the Philippine Electricity Market Corporation; and a certification that all relevant permits, licenses, authorizations and other approvals from all Government Authorities and third parties needed for the operation of the Unit and the supply of electricity by the Power Supplier to Meralco have been obtained by Power Supplier;

- (d) a Commercial Operations Date Certificate; and
- (e) Power Supplier certification that the insurances required under this Agreement xxx have been obtained xxx.

xxx

5.1 Supply of Power

Subject to the terms and conditions of this Agreement:

5.1.1 From the Operations Effective Date until the expiration of the Term or earlier termination of this Agreement, Power Supplier shall:

- (a) make available to Meralco, and Meralco shall purchase from Power Supplier, at the Price determined in accordance with Appendix D, the Contract Capacity of the Unit; and
- (b) sell to Meralco, and Meralco shall purchase from Power Supplier, at the Price determined in accordance with Appendix D, the Associated Energy, to the extent of Meralco's relevant day-ahead nominations.

The Dispatch of Contract Capacity and Associated Energy shall meet the requirements set out in Appendix B (*Technical Limits*).

5.1.2 Unless otherwise expressly permitted by this Agreement, Power Supplier shall not, without Meralco's prior written consent, sell, divert, grant, transfer, dedicate, reserve or assign all or any portion of the Contract Capacity and Associated Energy to any Person other than Meralco.

5.1.3 Power Supplier shall source its supply for Meralco only from the Plant except during: (i) the period from Operations Effective Date until Commercial Operations Date; (ii) Scheduled Outages and Forced Outages; and (iii) any Curtailment due to Dispatch Instructions.

5.1.4 The supply of the Contract Capacity and Associated Energy by Power Supplier to Meralco shall be in accordance with WESM Rules. Moreover, each Party shall, during the Term, always keep and maintain its registration as bona fide trading member of the WESM.

xxx

8.1 **Outage Allowances and Replacement Energy**

8.1.1 After Commercial Operations Date, Power Supplier shall be allowed Scheduled Outages of thirty (30) Days (**"Full Load Equivalent Scheduled Outage Allowance Days"**) and Forced Outages of fifteen (15) Days (**"Full Load Equivalent Forced Outage Allowance Days"**) each Contract Year, provided that a Forced Outage may only be counted towards the Full Load Equivalent Forced Outage Allowance Days upon provision to Meralco of a copy of the certification from the System Operator that a Forced Outage has occurred. During these times, Meralco shall procure Replacement Energy from the WESM and Power Supplier shall not bill Meralco for these quantities.

8.1.2 During Outages beyond the Full Load Equivalent Scheduled Outage Allowance Days and/or Full Load Equivalent Forced Outage Allowance Days, Power Supplier shall purchase Replacement Energy, which shall be declared as BCQ and paid by Meralco at the Price. The supply by Power Supplier of Replacement Energy under this Section 8.1.2 shall be deemed fulfillment of Power Supplier's obligation to make available the Contract Capacity and to deliver the Associated Energy during such period.

8.1.3 During any period in which an Event of Force Majeure affects Power Supplier or Meralco, Meralco shall procure Replacement Energy from the WESM to the extent supply or offtake is so affected.

xxx

9.1 **Assignment or Transfer of Contract Capacity Due to RCOA**

In connection with the implementation by the ERC of RCOA, Meralco shall also be entitled to assign, transfer, designate, delegate or allocate (collectively in this context, "**Transfer**") its rights and obligations to purchase a portion of Contract Capacity and Associated Energy that is no longer required by Meralco as a result of RCOA (i) to any of its wholly-owned Distribution Utility or Supplier Affiliates (in each case, a direct WESM member) or business segments, to the extent allowed by Law, without the prior consent of the Power Supplier; or (ii) to any other Person subject to the consent of Power Supplier, which consent shall not be unreasonably withheld.

xxx

9.2 **Reduction in Contract Capacity and Associated Energy**

- 9.3.1 Subject to the provisions of Section 9.3.2 below, Meralco shall, from time to time, be entitled to a reduction in the Contract Capacity and Associated Energy (the "**Reduction in Contract Capacity and Associated Energy**") equivalent to the reduction in the demand of its captive customers by reason of the enforcement of RCOA and the Renewable Energy Law. Similarly, Power Supplier may request for a Reduction in Contract Capacity and Associated Energy, subject to mutual agreement of the Parties.

xxx

10.2 **Payments**

- 10.2.1 Meralco shall pay the entire amount indicated in the Final Invoice (subject to Appendix G) when due and payable, provided that Meralco shall not be required to make payment on any Invoice that is manifestly in error, apparently invalid or not in the form or substance contemplated by this Agreement until the same has been corrected following prompt notice by Meralco to Power Supplier of such error, invalidity or absence of proper form or substance.

xxx

11.2 **Charges Due to Change in Circumstances**

- (a) If as a result of a Change in Circumstances, Meralco becomes liable to pay any new charges, fees, taxes, duties, assessments or other similar amounts ("**New Charges**"), or any increase in existing charges, fees, taxes, duties, assessments or other similar amounts ("**Increased Charges**") become payable with respect to this Agreement, the New Charges or Increased Charges shall form part of the price that Meralco will charge to its customers.
- \
- (b) If as a result of a Change in Circumstances affecting Power Supplier, Power Supplier becomes liable to pay any New Charges or any Increased Charges or a Change in Circumstances materially and adversely affects the ability of Power Supplier to perform or materially increases the operating costs or capital expenditures associated with the Plant or materially and adversely affects its performance of its obligations under this Agreement, adversely affects the sale by Power Supplier of Contract Capacity and Associated Energy in accordance with this Agreement, makes the Power Supplier's administration or operational aspects of such performance materially more burdensome (whether made at the direction of any Governmental Instrumentality or otherwise) or causes serious damage to, or materially and adversely affects the financial condition of Power Supplier, Power Supplier shall send a notice to Meralco of the occurrence of such Change in Circumstances ("**Notice of Change in Circumstances**") together with an analysis of the cost impact of such Change in Circumstances. Within thirty (30) Days of such Notice of Change in Circumstances, Meralco and Power Supplier shall meet to discuss, in good faith, remedial measures to mitigate the impact of such Change in Circumstances. Each Party shall cooperate in good faith to secure any Governmental Authorizations to implement any agreed remedial measures. If the Parties fail to reach a mutually satisfactory resolution within sixty (60) Days from the commencement of negotiations, the Power Supplier shall be entitled to terminate this Agreement in accordance with the provisions of Section 17.6.7(a).
- (c) In the event that, as a result of a Change in Circumstances and pursuant to a corresponding order of the ERC or any other Governmental Instrumentality:
- (a) Meralco is prevented from making a pass through to its customers of any charges under this

Agreement (as approved by the ERC in the ERC ERC Provisional Approval or ERC Final Approval, as accepted by Power Supplier); or

- (b) any portion of the Price that has been paid to Power Supplier is required to be refunded to Meralco or Meralco's customers in connection with the ERC Application or any petition, claim, case, proceeding or other action involving any of the Parties brought before any judicial, administrative or quasi-judicial body,

the Parties shall enter into good faith negotiations to agree on a satisfactory solution regarding the amendment of this Agreement to restore Meralco's commercial position prior to such Change in Circumstances, including an adjustment of the Price. If the Parties fail to reach a mutually satisfactory resolution within sixty (60) Days from the commencement of negotiations, the provisions of Section 17.6.7(b) will apply.

xxx

13.2 ERC Approval

13.2.1 Upon receipt of the ERC Final Approval, Meralco shall provide a copy of such ERC Final Approval to Power Supplier. Power Supplier shall have ten (10) Business Days from the date of receipt from MERALCO of such ERC Final Approval to notify Meralco in writing that (i) it accepts such ERC Final Approval or (ii) it does not accept the ERC Final Approval, stating the grounds for non-acceptance.

13.2.2 In case of Power Supplier's non-acceptance, Power Supplier shall be free to: (i) file with the ERC a motion for reconsideration or (ii) terminate this Agreement upon sixty (60) days prior written notice to Meralco; provided that, any order on a motion for reconsideration shall be treated as an ERC Final Approval for purposes of the processes under this Section 13.2; provided further that, if the motion for reconsideration is denied by the ERC, or provided by the ERC but still with any material term or condition that is not acceptable to Power Supplier, Power Supplier may terminate this agreement upon sixty (60) days prior written notice to Meralco.

xxx

16.5 Effect of Extended Force Majeure

If any Event of Force Majeure prevents Power Supplier from making available the Contract Capacity or Associated Energy or Meralco from accepting Contract Capacity or Associated Energy, in each case for a continuous period of more than one hundred eighty (180) Days, then either Party may upon written notice, require the other Party to meet as soon as practicable to reasonably discuss any modification, change or amendment of this Agreement under such reasonable terms, to the extent necessary to resolve the issues arising from the Event of Force Majeure and maintain, to the extent feasible, the rights and obligations of the Parties under this Agreement.

If the Parties do not reach such satisfactory solution prior to the end of such one hundred eighty (180) Day period, or such other time as may be agreed upon, either Party may terminate this Agreement in accordance with Section 17.6.6.

xxx”

10. The Payment Structure, as provided in Appendix D of the PSA shall be as follows:

“2. PAYMENT UPON OPERATIONS EFFECTIVE DATE

The payment to be made in each Billing Period during the Term for Contract Capacity and Associated Energy shall consist of a Capacity Payment and Energy Payment. The Capacity Payment consists of Component A (MCP), and Component B (MFOM), and the Energy Payments consists of Component C (MFP), and Component D (MVOM). Other payment consist of Component E (REP), Component F (LR) and Component G (VAT). Thus, the Monthly Power Bill (“MPB”) payment for Contract Capacity and Associated Energy for each Billing Period shall be equal to:

$$\text{MPB} = \text{MCP} + \text{MFOM} + \text{MFP} + \text{MVOM} + \text{REP} - \text{LR} + \text{VAT}”$$

11. Given the foregoing, a sample calculation of the base contract price under the PSA, given a certain set of assumptions,

results in an annual effective rate of PhP 3.7207 per kWh (at plant gate), as shown in the sample calculation below:

PEDC PSA - Rate Impact						
(YEAR 2017)						
BILLING COMPONENT	UNIT	BASE RATE ^(a)	CPI Adj Factor ^(b)	BILLING DETERMINANT ^(c)		AMOUNT (PHP)
A. Capacity Payment (MCP)						
Peso Portion	(Php/kW-yr) ^(b)	12,431.0835		70,000	(kW)	870,175,845.00
B. Fixed O&M Payment (MFOM)						
US Dollar Portion Escalating	(USD/kW-yr) ^(b)	28.9021	1.000000	70,000	(kW)	93,206,382.29
Peso Portion Escalating	(Php/kW-yr) ^(b)	2,821.9067	1.000000	70,000	(kW)	197,533,469.00
C. Fuel Payment (MFP)						
US Dollar Portion	(USD/kWh) ^(c)	0.0269		490,560,000	(kWh)	607,801,780.31
D. Variable O&M Payment (MVOM)						
US Dollar Portion	(USD/kWh)	0.0025	1.000000	490,560,000	(kWh)	56,500,248.00
E. Replacement Energy (REP)						
Peso Portion	(Php/kWh)	-		-	(kWh)	0.00
F. Line Rental Adjustment (LR) ^(d)						
Peso Portion	(Php/kWh)	-		-	(kWh)	0.00
TOTAL PAYMENT	(Php)					1,825,217,724.60
Effective Rate at Plant Gate	(Php/kWh)					3.7207
WESM Line Rental Rate ^(e)	(Php/kWh)					0.2438
Delivered Rate	(Php/kWh)					3.9645
Effective Cost at WESM Price ^(f)	(Php/kWh)					5.1977
Increase / (Decrease) over WESM Price	(Php/kWh)					(1.2332)
Meralco Captive Energy Demand ^(g)	(kWh)					32,232,597,988
Increase / (Decrease) in Generation Cost	(Php)					(604,959,040.06)
Increase / (Decrease) in Generation Cost	(Php/kWh)					(0.0188)

NOTE:

^(a) Base Rates as set forth in Schedule 1 of Appendix D of the PSA

^(b) Annual Capacity Rate and Annual Fixed O&M is converted into monthly rates by applying the formulas shown in Appendix D of the PSA

^(c) Fuel Payment calculated based on Consumption Rate at 91.25% plant load factor, Newcastle index = USD 50.38/MT, Freight Price = USD 5.90/MT, and Forex rate at PhP 46.07/USD (current prices as of Mar 2016)

^(d) LR shall cover the cost of Line Rental Adjustment for the Billing Period

^(e) Assumed estimated PEDC line rental rate

^(f) Cost if equivalent volume of PEDC was sourced from the WESM based on forecast average Jan - Dec 2017 hourly prices

^(g) Meralco Captive Energy Demand based on 2017 forecast

^(h) Assumed no CPI escalation

⁽ⁱ⁾ Energy Payments based on 80.00% plant capacity factor

12. As seen in the rate impact above, given the above assumptions, the simulated delivered price under the PSA would result in the reduction of MERALCO’s generation charge by about PhP 0.0188 per kWh.

13. Notably, the Plant offers greater reliability compared to existing plants that are past their expected plant life, at a price competitively at par with the rates of the existing plants despite its newness.

14. It bears emphasis that there is an urgent need for the final approval of this Application to allow for the immediate implementation of the PSA in order to reduce MERALCO’s WESM purchases to help ensure reasonable prices for MERALCO’s customers.

15. Additionally, the Plant is part of the Department of Energy's ("DOE") planned indicative power projects. It is worthy to note that the realization of this project and its contribution to achieving the government's target of available capacity as per the DOE's Philippine Development Plan would largely depend on the timely approval of this Application.

16. In support of this Joint 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.

17. Likewise, in support of this Application, the Applicants provide this Honorable Commission with the following documents, which underwent the pre-filing conference of this Honorable Commission, to wit:

DESCRIPTION OF DOCUMENT	ANNEX
Articles of Incorporation of PEDC	C
Securities and Exchange Commission ("SEC") Certificate of Registration of the said Articles of Incorporation	D
List of Shareholders (Latest GIS of PEDC– SEC Form)	E
Board of Investment ("BOI") Certificate of Registration	F
Environmental Compliance Certificate ("ECC")	G
Power Supply Agreement	H
Write up on details of the PSA: a) Executive Summary; b) Sources of Funds/Financial Plans; c) Purchased Power Rate; d) Cash Flow	I
Write-up on the Procurement Process of Fuel	J
Write-up on PEDC's Related Agreements	K
Write-up on Certificate of Compliance ("COC") of PEDC	L
Acknowledgement receipt by the City of Pasig & Affidavit of Publication	M
Publication in a newspaper of general circulation within the franchise area of the Application	N
Rate Impact on the overall rates of MERALCO upon approval of the PSA	O
Write up on Transition Supply Capacity	P
All relevant technical and economic characteristics of the generation capacity; installed capacity, mode of operation, dependable capacity	Q
Write up on the cost analysis related to the generation in support of the proposed pricing provisions of the PSA	R

Write up on the details on the procurement process used by MERALCO	S
Write up on the details regarding the transmission projects or grid connection projects	T
DOE Certificate of Endorsement that the Project is included in DOE's Power Development Plant (PDP)	U
Distribution Development Plant (DDP) of MERALCO	V
Demand Side Management (DSM) Program	W
Write up on other documentation that may be needed by the ERC in the course of the evaluation, such as, but not limited to the following: a) Latest Audited Financial Statements of PEDC; b) Bank Certification of Long-term Loans; c) Operating Expenses; d) Sworn Statement detailing how the fuel was competitively procured etc; e) Certification on the net heat rate f) Simulation of the no. of operating units necessary to meet the MEOT and/or additional energy/demand requirements of the DU. g) Potential Cost of Ancillary Services	X

PRAYER

WHEREFORE, premises considered, it is respectfully prayed that, after hearing on the merits, a Decision be rendered **APPROVING** the PSA between Applicants MERALCO and PEDC.

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

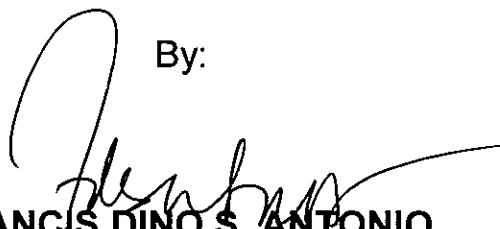
Pasig City, 27 April 2016.

MANILA ELECTRIC COMPANY

Applicant

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Ortigas Avenue, Pasig City

By:



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Applicant

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c/o **GLOBAL BUSINESS POWER CORPORATION**

22/F GT Tower International

6813 Ayala Avenue corner H.V. de la Costa Street, Makati City

Tel. No. 464 1600; Fax No. 464 1600 Loc. 1147

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

VERIFICATION
AND CERTIFICATION OF NON-FORUM SHOPPING

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

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

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

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.

APR 27 2016 **IN WITNESS WHEREOF**, I have hereunto affixed my signature this _____ at Pasig City, Philippines.

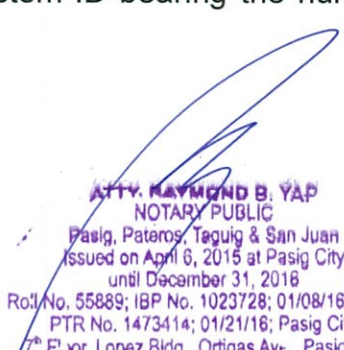

JOSE RONALD V. VALLES

Affiant

APR 27 2016

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

Doc. No. 729;
Page No. 88;
Book No. 1;
Series of 2016.


ATTY. RAYMOND B. YAP
NOTARY PUBLIC
Pasig, Pateros, Taguig & San Juan
Issued on April 6, 2015 at Pasig City
until December 31, 2018
Roll No. 55889; IBP No. 1023728; 01/08/16; Capiz
PTR No. 1473414; 01/21/16; Pasig City
7th Floor, Lopez Bldg., Ortigas Ave., Pasig City

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

VERIFICATION
AND CERTIFICATION OF NON-FORUM SHOPPING

I, **JAIME T. AZURIN**, Filipino, of legal age, married, with office address at 22nd Floor, GT International Tower, 6813 Ayala Avenue, Makati City, after being sworn in accordance with law, hereby depose and say that –

1. I am the Executive Vice President of Applicant Panay Energy Development Corporation (PEDC). 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 PEDC 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 "2"**;

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 PEDC;

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.

APR 27 2016 **IN WITNESS WHEREOF**, I have hereunto affixed my signature this
at PASIG CITY, Philippines.


JAIME T. AZURIN
Affiant

SUBSCRIBED and SWORN to before me this APR 27 2016 affiant having exhibited to me his Passport bearing the number EC3880797 issued on 8 April 2015 at DFA NCR South.


ATTY. CARMEN GRACE S. RAMOS
NOTARY PUBLIC

Pasig, Pateros, Taguig & San Juan
Issued on July 13, 2015 at Pasig City
until December 31, 2016
Roll No. 55945; IBP No. 1023723; 01/08/16; RSM Chapter
PTR No. 1473409; 01/21/16; Pasig City
7th Floor, Lopez Bldg., Ortigas Ave., Pasig City

Doc. No. 186;
Page No. 29;
Book No. IV;
Series of 2016.

POWER SUPPLY AGREEMENT

Between

MANILA ELECTRIC COMPANY

and

PANAY ENERGY DEVELOPMENT CORPORATION

April 26, 2016

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POWER SUPPLY AGREEMENT

This Power Supply Agreement (the “**Agreement**”) is entered into as of April 26, 2016 by and between:

1. **Manila Electric Company** (hereinafter “**Meralco**”), a corporation duly organized and existing under the laws of the Republic of the Philippines, with its address at Ortigas Avenue, Pasig City, Metro Manila; and
2. **Panay Energy Development Corporation** (hereinafter “**Power Supplier**”), a corporation duly organized and existing under the laws of the Republic of the Philippines, with its principal place of business at Brgy. Ingore, La Paz, Iloilo City.

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

RECITALS

- A. Meralco is a distribution utility operating an electric power distribution system in Metro Manila and the surrounding provinces on the island of Luzon in the Philippines by virtue of its legislative franchise under Republic Act No. 9209 (the “**Franchise**”).
- B. Power Supplier owns and operates a 2x82 MW and a 1x150 MW (gross) coal-fired power generating facility in Brgy. Ingore, La Paz, Iloilo (the “**Plant**”), on the island of Panay in the Philippines, which is scheduled to become operational by August 26, 2016.
- C. Power Supplier desires to sell capacity and associated energy from the 1x150 power generating unit of the Plant (the “**Unit**”) to Meralco, under the terms and conditions specified in this Agreement.
- D. Meralco desires to purchase up to 70MW of such capacity and associated energy from Power Supplier, under the terms and conditions specified in this Agreement.
- E. Meralco and Power Supplier desire to define in this Agreement their respective rights and obligations with respect to the sale and purchase of capacity and associated energy from the Plant and other related matters.

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 Definitions and Interpretation

1.1 Definitions

When used in this Agreement, the capitalized words, phrases and terms set out in this Article 1 shall have the following meanings:

Acceptable Bank has the meaning given to it in Section 4.1.

Acceptance Date means the date of written acceptance by Power Supplier of the ERC Provisional Approval or ERC Final Approval, whichever occurs earlier, in accordance with Section 13.2.3.

Affiliate shall mean, with respect to any Person, any other Person that directly or indirectly through one or more intermediaries, Controls, is Controlled by, or is under common Control with, such Person.

Agreement means this Power Supply Agreement, including its appendices, attachments, and Schedules, as amended from time to time in accordance with this Agreement.

Annual Maintenance Plan has the meaning given to it in Section 8.2.1.

Arbitration Rules has the meaning given to it in Section 19.2.1.

Associated Energy means energy generated by the Plant and declared at the WESM as BCQ by Power Supplier for Meralco.

Bilateral Contract Quantities or BCQ refers to the quantity of electrical energy as declared by Power Supplier at the WESM for Meralco for any Trading Interval/s.

Benefits to Host Communities Charges means the financial benefits due to the host local government unit as mandated by the DOE's Energy Regulations 1-94.

Billing Period means: (i) for the first Billing Period, the period commencing on the Operations Effective Date and ending on the immediately succeeding twenty-fifth (25th) Day of the month, (ii) each successive period commencing on the 26th Day of the Month and ending on the twenty-fifth (25th) Day of each successive calendar month thereafter, and (iii) for the final Billing Period, the period starting immediately after the end of the next to last Billing Period of the Term to the last Day of the Term, or, if this Agreement is terminated earlier in accordance with the terms hereof until the Day of termination; provided that, if the Market Operator imposes a mandatory change to the billing cycle of WESM that cannot be reconciled with the foregoing Schedule, the Parties agree to revise the Billing Period under this Agreement to conform with such changed WESM billing cycle, so long as such revised Billing Period is commercially reasonable.

Business Day means any Day from Monday to Friday on which banking institutions are open for the transaction of business, excluding national holidays in the Philippines and local holidays in Pasig City and Makati City, as the context may require.

Capacity Payment has the meaning given to it in Appendix D.

Capacity Test Certificate means a certificate attesting to the results of the NDC Test signed by the Independent Engineer.

Change in Circumstances means:

- (a) any Law coming into effect after the signing of this Agreement, including the adoption or enactment, or any change or repeal with respect to the imposition of taxes, duties, levies, fees, charges and similar impositions, and the right to remit or convert currencies, but in all cases excluding any Legal Requirement

or the application or interpretation thereof in existence at such date but which by its explicit terms became effective only after the date of this Agreement; or

- (b) the amendment, modification, repeal or withdrawal of any Law (including any official interpretation thereof which the Parties have relied upon in entering into this Agreement) in force at the date hereof; or
- (c) the application, enforcement, interpretation or implementation of any Law by a Governmental Instrumentality at any time after the date of this Agreement;

which causes or may cause serious damage to, or materially and adversely affects the financial condition, of any of the Parties.

For the avoidance of doubt, changes or variations over time of the costs of operation of Power Supplier or Meralco or variations over time of the market prices or the values of electricity shall not in themselves constitute a Change in Circumstances.

Change of Control means, with respect to Power Supplier, any direct or indirect sale and/or transfer of stock or membership interests, reorganization, merger, consolidation or other form of business transaction or series of business transactions, involving more than fifty percent (50%) of the voting interests of Power Supplier (or the reorganized, merged or consolidated entity's then outstanding voting interests) or any direct or indirect change in the power to direct or cause the direction of the management policies of Power Supplier.

Claim means, with respect to any Person, any and all suits, sanctions, legal proceedings, claims, assessments, judgments, damages, penalties, fines, liabilities, demands, reasonable out-of-pocket expenses of whatever kind and losses incurred or sustained by or against such Person.

Commencement Date has the meaning given to it in Section 3.3.

Commercial Operations Date means the date that the conditions set out in Section 3.5.1 (other than Commercial Operations Date Certificate) have been satisfied and the Unit shall have consequently entered into commercial operation.

Commercial Operations Date Certificate means a certificate of the Independent Engineer attesting to the occurrence of the Commercial Operations Date.

Confidential Information has the meaning given to it in Section 21.3.

Connection Agreement means the connection agreement executed or to be executed and in effect from time to time between Power Supplier and NGCP in respect of the Plant.

Contract Capacity or CC shall be initially set at 28 MW, and increased to 70 MW on February 26, 2017, subject to Sections 9.2 and 9.3.

Contract Year means:

- (a) for the first (1st) Contract Year, the period consisting of the first Billing Period and the succeeding eleven (11) Billing Periods; and

- (b) thereafter, each successive year consisting of twelve (12) Billing Periods until the final Contract Year, which shall end on the last Day of the Term.

Control shall mean, in respect of any company or corporation, the ownership (whether directly or indirectly) of more than fifty percent (50%) of the total issued voting share capital of that company or corporation, or the ability to otherwise direct the business and affairs of that company or corporation or the ability to appoint a majority of the members of the board of directors or similar corporate body or bodies of that company or corporation through the ownership of securities with voting power or otherwise, and the terms Controls and Controlled shall have correlative meanings.

Coordinating Committee means the committee established pursuant to Section 7.1.2.

Curtailment is as defined in the OATS Rules under ERC Case No. 2006-015RC.

Day means a 24-hour period beginning 0001H and ending at 2400H Philippine time. Unless expressly stated otherwise, a Day shall refer to a calendar day.

Delay Limit Date has the meaning given to it in Section 17.6.2

Delivery Point means the high side of the connection point of Power Supplier to the Visayas Grid.

Dispatch and **Dispatch Instructions** means the instructions issued by the System Operator to Power Supplier to schedule and control the generation of electricity by the Plant in order to increase or decrease the electrical energy generated by the Plant.

Dispute has the meaning given to it in Section 19.1.

Distribution Code means the Philippine Distribution Code adopted by the ERC under ERC Resolution No. 115, for the operation, maintenance and development of the Distribution Systems, including amendments, modifications, exclusions, replacements or re-enactments thereof, as the case may be, and all other sets of rules, requirements, procedures and standards governing distribution utilities in the Philippines.

Distribution Systems means the system of wires and associated facilities belonging to a franchised distribution utility extending between delivery points on the Philippine Grid or from the generator connection to the point of connection at the premises of the end-user.

Distribution Utility shall have the meaning given to it in EPIRA.

DOE means the Department of Energy of the Philippines.

Downgrade Event has the meaning given to it in Section 4.3.

Effective Date has the meaning given to it in Section 3.1.

Energy Imbalance Fees means the settlement fees, charges or other similar amounts assessed by the Market Operator on Power Supplier in relation to ex-ante and ex-post trading imbalances, in accordance with the WESM Rules.

Energy Payments has the meaning given to it in Appendix D.

Environmental Law means any applicable Legal Requirement or other Legal Requirement governing or relating to (i) the environment, (ii) releases or threatened releases of Hazardous Materials, including without limitation investigations, monitoring and abatement of such releases, and (iii) the manufacture, handling, transport, use, treatment, storage or disposal of Hazardous Materials or materials containing Hazardous Materials.

EPIRA means Republic Act No. 9136, otherwise known as "The Electric Power Industry Reform Act of 2001".

Equity Interests in the Power Supplier means, at any date, the ownership rights as shareholders of the Power Supplier.

ERC means the Energy Regulatory Commission of the Philippines or any successor Governmental Instrumentality.

ERC Application has the meaning given to it in Section 13.3.1.

ERC Final Approval means the decision issued by the ERC on the application filed by the Parties seeking approval of this Agreement.

ERC Provisional Approval means the interim relief issued by the ERC on the application pending issuance of the ERC Final Approval.

Event of Default means a Power Supplier Event of Default or a Meralco Event of Default, as the context may require.

Event of Force Majeure has the meaning given to it in Article 16.

Final Invoice has the meaning given to it in Appendix G.

Finance Documents means the agreements for the making available of any loan, credit facility, notes (including floating rate notes and commercial paper), bonds, subordinated debt or other funds other than equity or equity-related funds and including working capital and any letters of credit (and related agreements), security agreements, swap agreements, any other hedging agreements, and any other documents, relating to the financing or refinancing of the development, construction, acquisition, ownership, operation and maintenance of the Plant.

Forced Outage means (a) any interruption of the Unit's generating capability resulting in an unplanned reduction or suspension of the electrical output from the Unit and/or unavailability of capacity in whole or in part from the Unit; (b) any automatic shutdown of any part of the Unit; and (c) any other unavailability of the Unit for operation, in whole or in part, for maintenance and/or repair, and in each of (a), (b) or (c), that is not a Scheduled Outage and not the result of an Event of Force Majeure or the circumstances described in Section 17.5, and that affects the Unit's ability to generate and export all or any portion of the Contract Capacity or Associated Energy. Any interruption, reduction or suspension of the Plant's output as instructed by the System Operator shall not be considered as a Forced Outage.

Franchise shall have the meaning given to it in the Recitals.

Full Load Equivalent Forced Outage Allowance Days has the meaning given to it in Section 8.1.1.

Full Load Equivalent Scheduled Outage Allowance Days has the meaning given to it in Section 8.1.1.

Government means the government of the Philippines.

Governmental Authorizations means all authorizations, consents, decrees, permits, waivers, privileges and approvals from and filings with all Governmental Instrumentalities necessary for the execution and performance of this Agreement.

Governmental Instrumentality means the Government or any ministry, department, agency, bureau, commission, judicial, quasi-judicial or administrative body, or political subdivision thereof, the Bangko Sentral ng Pilipinas, and any state-owned company, in each case within the Philippines.

Grid Code means the Philippine Grid Code adopted by the ERC under ERC Resolution No. 115 for the operation of the Philippine Grid, including amendments, modifications, exclusions, replacements or re-enactments thereof, as the case may be, and all other rules adopted by the ERC or other Governmental Instrumentality for the operation of the Philippine Grid.

Grid Management Committee or GMC means the committee established under the Grid Code.

Hazardous Materials means any petroleum or petroleum products, radioactive materials, asbestos in any form that is or could become friable, urea formaldehyde foam insulation, and transformers or other equipment that contain dielectric fluid containing polychlorinated biphenyls and any other chemical, material, substance or any of their derivatives, which by its nature or concentration or quantity, either directly or indirectly, can pollute and/or harm the environment, health, the perpetuation of livelihood of human and other living creatures, and are now or hereafter become defined as or included in the definition of "hazardous substances", "hazardous wastes", "hazardous materials", "extremely hazardous wastes", "toxic substances" or "toxic pollutants" under, or are regulated or become regulated as such, by Environmental Laws or in the regulations promulgated pursuant to said Laws, in any case which are not naturally occurring and present at levels in excess of those permitted by Environmental Laws.

Increased Charges has the meaning given to it in Section 11.2(a).

Independent Engineer has the meaning given to it in Section 21.16.

Invoice has the meaning given to it in Appendix G.

Laws means any decree, resolution, law, statute, act, ordinance, rule, rulings, direction, order, treaty, code or regulation (including any of the foregoing relating to health or safety matters or any Environmental Law) or any interpretation of the foregoing, as enacted, issued or promulgated by any Governmental Instrumentality, including amendments, modifications, exclusions, replacements or re-enactments thereof.

Legal Requirements means all Laws, Governmental Authorizations and other licenses, permits, approvals and agreements and any injunction or final judgment directly applicable to the relevant Party of any Governmental Instrumentality having jurisdiction over the matter in question.

Lenders means the creditors and their representatives which are parties to the Finance Documents.

Longstop Date means the date falling six (6) months after the filing at the ERC of the ERC Application.

Luzon Grid means the high voltage backbone system of interconnected transmission lines, substations, and related facilities in Luzon, Philippines for the purpose of conveyance of bulk power forming part of the Philippine Grid and operated and maintained by the NGCP.

Market Operator means the person or entity in its role as such tasked with operating and administering the WESM in accordance with the WESM Rules.

Meralco has the meaning given to it in the first paragraph of this Agreement, and its permitted successors and assigns.

Meralco Event of Default has the meaning given to it in Section 17.2.

Meralco Parties has the meaning given to it in Section 15.1.1.

Metering Service Agreement means the Metering Service Agreement executed or to be executed and in effect from time to time between Power Supplier and the Metering Services Provider.

Metering Services Provider means the person or entity authorized by the ERC to provide metering services subject to compliance requirements under existing ERC regulations and WESM Rules.

Monthly Power Bill or MPB has the meaning given to it in Appendix D.

MW means MegaWatt.

MWh means MegaWatt-hour.

Net Dependable Capacity or NDC means the capacity of the Unit, net of the station service as determined during the most recent NDC test.

Net Plant Heat Rate Test Certificate means a certificate attesting to the results of the Net Plant Heat Rate test signed by the Independent Engineer.

New Charges has the meaning given to it in Section 11.2(a).

NGCP means National Grid Corporation of the Philippines (or its successor in interest as System Operator, Transmission Services Provider or Metering Services Provider).

Notice of Change of Circumstances has the meaning given to it in Section 11.2(b).

OATS Rules means the "Rules, Terms and Conditions for the Provision of Open Access Transmission Service", as adopted by the ERC pursuant to ERC Case No. 2006-015RC, including amendments, modifications, exclusions, replacements or re-enactments thereof, as the case may be.

Obligations to Lenders means, at any date, the total unpaid principal amount owed by Power Supplier to the Lenders under the Finance Documents and accrued and unpaid interest (including default interest) thereon plus any winding-up costs, prepayment charges, or similar charges or costs for which Power Supplier is responsible under the Finance Documents.

Operating Procedures means the procedures set out in Appendix F.

Operations Effective Date has the meaning given in Section 3.4.1.

Outage means a Forced Outage or Scheduled Outage.

Payment Date has the meaning given to it in Appendix G.

PDST-R2 means the Philippine Dealing System Treasury Reference Rate for a term equivalent to three months, or if there is no equivalent term, the next longest term closest to three months, as posted or displayed at 1700H (Manila time) on the relevant page of the website of the Philippine Dealing and Exchange Corp.; provided, that if the rate, page or website is not available on the relevant date, the applicable rate shall be the last rate posted or displayed on such page before the rate, page or website became unavailable; provided further, that if the page or website ceases to be available, the applicable rate shall be that rate posted or displayed on such page, website or other relevant service to be agreed upon by the Parties.

Performance Security has the meaning given to it in Section 4.1.

Person means any individual, corporation, partnership, association, joint stock company, unincorporated organization, joint venture or Governmental Instrumentality.

Pesos or PHP means the lawful currency of the Philippines.

Philippines means the Republic of the Philippines.

Philippine Grid means the high voltage backbone system of interconnected transmission lines, substations, and related facilities located in the Philippines for the purpose of conveyance of bulk power.

Plant has the meaning given to it in the recitals of this Agreement.

Power Supplier has the meaning given to it in the first paragraph of this Agreement, and its permitted successors and assigns.

Power Supplier Event of Default has the meaning given to it in Section 17.1.

Power Supplier Parties has the meaning given to it in Section 15.1.1.

Price means the terms upon which the amounts to be paid by Meralco to Power Supplier for the purchase of Contract Capacity and Associated Energy (and Replacement Energy) pursuant to this Agreement as provided in Appendix D are calculated, including any indexation thereof and all adjustments and modifications thereto.

Prudent Operating Practices means, at a particular time, those practices, methods and acts that are in accordance with standards of prudence applicable to the international coal-fired electric utility industry which would have been expected to accomplish the desired result consistent with reliability, safety, environmental protection and expedition.

Reduction in Contract Capacity and Associated Energy has the meaning given to it in Section 9.3.

Relevant Operating Regulations means (i) EPIRA; (ii) the WESM Rules; (iii) the OATS Rules; (iv) the Grid Code; (v) the Distribution Code; and (vi) all ERC rules and regulations applicable to this Agreement.

Replacement Energy means the electric power procured by the Power Supplier or Meralco, as the case may be, from the WESM or third parties not exceeding the Contract Capacity during any Trading Interval for delivery to Meralco under the terms and conditions of this Agreement.

Retail Competition and Open Access or RCOA means the system implemented by the ERC allowing qualified persons open and non-discriminatory use of Distribution Systems and the Philippine Grid, subject to the payment of transmission, distribution and wheeling charges and other fees approved by the ERC.

Scheduled Outage means a removal of the Unit or any portion thereof from service initiated by Power Supplier for regular scheduled inspection, testing, preventive maintenance, corrective maintenance, repairs, replacement or improvement that has been scheduled in accordance with Section 8.2.

Site means the land on which the Unit is located, as described in Appendix A.

Supplier has the meaning given to it in the EPIRA.

System Emergency refers to any unforeseeable condition affecting the System (as defined in the Grid Code), which may cause (i) the disconnection of the Unit from the Luzon Grid and/or Visayas Grid or any disruption in the supply of electric energy from the Unit for reasons other than a Forced Outage, or (ii) suspension of electric energy off-take from Power Supplier in order to prevent or avoid significant disruption of service to Meralco or danger to life or property.

System Operator means the entity responsible under the WESM Rules in its role as such for generation dispatch, the provision of ancillary services, and the operation and control of the Philippine Grid to ensure its safety, power quality, stability, reliability and security.

Technical Limits means the limits and constraints relating to the operation, maintenance and dispatch of the Unit described in Appendix B.

Term has the meaning given to it in Section 2.2.1.1.

Term Extension has the meaning given to it in Section 16.3.3.

Termination Notice has the meaning given to it in Section 17.4(a).

Termination Notice Dispute has the meaning given to it in Section 17.4(c).

Trading Interval has the meaning given to it in the WESM Rules.

Transfer has the meaning given to it in Section 9.2.

Transmission Failure means the outage of the component of the transmission system which results in the inability of that component to transmit power.

Transmission Service Agreement means the Transmission Service Agreement executed or to be executed and in effect from time to time between Power Supplier and the Transmission Services Provider in respect of the Plant.

Transmission Services Provider means NGCP in its role as operator of the Philippine Grid.

Tribunal has the meaning given to it in Section 19.2.1.

Unit means the 150 MW (gross) coal-fired generating unit of the Plant, as more particularly described in Appendix A.

USD means the lawful currency of the United States of America.

Visayas Grid means the high voltage backbone system of interconnected transmission lines, substations, and related facilities located in Visayas, Philippines for the purpose of conveyance of bulk power forming part of the Philippine Grid, and operated and maintained by NGCP.

WESM means the Wholesale Electricity Spot Market established by the DOE under DOE Circular No. 2006-06-008 pursuant to Section 30 of the EPIRA.

WESM Differential has the meaning given to it in Section 3.5.2.

WESM Market Fees means the charges imposed on Power Supplier by the Market Operator, as approved by the ERC.

WESM Rules means the rules promulgated by the DOE under Department Circular No. 2002-006-003 pursuant to Section 30 of the EPIRA, including amendments, modifications, exclusions, replacements or re-enactments thereof, as the case may be, that establish the basic rules, requirements, procedures and standards that govern the operation of the Philippine electricity market.

2.1 Interpretation

In this Agreement, unless otherwise specified:

- 1.2.1 references to “Meralco” are to Meralco’s Distribution Utility business segment and its successors and assigns;
- 1.2.2 any actions, occurrences, events and omissions (including without limitation any Events of Default and Events of Force Majeure) shall be considered as separate, distinct and independent of any actions, occurrences, events and omissions (including without limitation any Events of Default and Events of Force Majeure) under any other agreement for the supply of power between Meralco and Power Supplier;
- 1.2.3 the table of contents and the headings are inserted for convenience only and do not affect the interpretation of this Agreement;
- 1.2.4 references to Articles, Sections, sub-Sections, Appendices and Schedules are to Articles, Sections and sub-Sections of, and Appendices and Schedules to this Agreement, and references in an Appendix or a Schedule to a paragraph or an attachment are to a paragraph of or an attachment to that Appendix or Schedule;
- 1.2.5 references to this Agreement or any other document are to that document as from time to time amended, varied, added to, substituted, renewed, extended, restated, novated or replaced;
- 1.2.6 a reference to any agreement is to that agreement as amended;
- 1.2.7 references to any Law includes any subordinate legislation made under it;
- 1.2.8 a reference to any Law shall be construed as a reference to the Law as amended, modified, supplemented, consolidated or replaced from time to time;
- 1.2.9 references to time are to Philippine time;
- 1.2.10 references to “the date of this Agreement” is a reference to the date of this Agreement as shown in the Preamble of this Agreement;
- 1.2.11 if any amount payable under this Agreement falls due on a date that is not a Business Day, payment shall be made on the next succeeding Business Day;
- 1.2.12 the words “**include**” and “**including**” shall not limit the generality of any preceding words or be construed as being limited to the same class as the preceding words where a wider construction is possible;
- 1.2.13 the singular includes the plural and vice versa, and without limiting the generality of the foregoing, any word or expression defined in the singular has the corresponding meaning used in the plural and vice versa;
- 1.2.14 a reference to writing includes printing, typing, lithography and other means of reproducing words in a visible form;
- 1.2.15 any reference to a person or entity includes such person or entity’s permitted successors and assigns;

- 1.2.16 words not otherwise defined in this Agreement that have well known and generally accepted technical or trade meanings are used herein in accordance with such recognized meanings.

Article 2 Purpose; Term

2.1 Purpose

The purpose of this Agreement is to set out the rights and obligations of each Party with regard to the sale and purchase of Contract Capacity and Associated Energy of the Unit.

2.2 Term of Agreement

2.2.1 Subject to Article 3, this Agreement shall become effective on the Effective Date.

2.2.1.1 The term of this Agreement (the “**Term**”) shall commence on the Operations Effective Date and shall expire on the date falling twenty (20) years after the Operations Effective Date, unless terminated earlier in accordance with the terms of this Agreement or extended by the application of Sections 2.2.2 and 16.3.3.

2.2.2 The Term may be renewed for an additional period of up to five (5) years under the same terms and conditions, upon mutual agreement, by giving prior written notice to the other Party at least one hundred eighty (180) Days prior to the end of the Term.

Article 3 Conditions Precedent, Effective Date, Commencement Date and Operations Effective Date

3.1 Effective Date

The Effective Date shall be the date the conditions precedent in Section 3.2 have been satisfied or waived by the relevant Party (the “**Effective Date**”).

3.2 Conditions Precedent

Subject to Sections 3.3 and 3.4, the Parties’ rights and obligations shall commence as of the Effective Date, upon the satisfaction of the following conditions:

- (a) Each of the Parties shall have received from the other Party evidence confirming the other Party’s corporate approvals for the execution, delivery and performance of this Agreement.
- (b) Power Supplier has received from Meralco the documents and evidence set forth in Part 2 of Appendix C.
- (c) Meralco has received from Power Supplier the documents and evidence set forth in Part 1 of Appendix C.

The representations and warranties of Power Supplier and Meralco contained herein shall be true and correct in all material respects on and as of date of the execution of this Agreement, the Effective Date, the Commencement Date, Operations Effective Date and Commercial Operations Date.

For the avoidance of doubt, notwithstanding the preceding sentences of this Section 3.2, the provisions of Section 13.2, Article 17, Article 18, Article 19, Article 20, and Article 21 shall be effective from the date of execution of this Agreement.

Within seven (7) Days after the satisfaction of the conditions referred to in this Section 3.2, Meralco and Power Supplier shall issue a joint certification confirming that the Effective Date has occurred.

3.3 Commencement Date

The "**Commencement Date**" shall occur upon the satisfaction of the conditions below:

- (a) The conditions set out in Section 3.2 have been fulfilled;
- (b) Each Party has delivered to the other Party a certification dated no earlier than two (2) Days prior to the proposed Commencement Date to the effect that its representations and warranties contained herein shall be true and correct in all material respects on and as of the Commencement Date; and
- (c) On or before the Longstop Date, the ERC shall have approved this Agreement, including the pricing structure as set out herein (or as otherwise acceptable to Power Supplier), in the ERC Provisional Approval or ERC Final Approval.

Within seven (7) Days after the satisfaction of the conditions referred to in this Section 3.3, Meralco and Power Supplier shall issue a joint certification confirming that the Commencement Date has occurred.

3.4 Operations Effective Date

- 3.4.1 Power Supplier covenants that Operations Effective Date shall occur on August 26, 2016 (the "**Operations Effective Date**").
- 3.4.2 Following the Operations Effective Date, the obligations of Power Supplier and Meralco under this Agreement with respect to sale and purchase of Contract Capacity and Associated Energy, and Replacement Energy, shall become effective.

3.5 Commercial Operations Date

- 3.5.1 The Unit shall achieve Commercial Operations Date upon delivery by Power Supplier of the documents enumerated below, in form and substance satisfactory to Meralco:
 - (a) Capacity Test Certificate dated no earlier than fifteen (15) Days prior to the date of the Commercial Operations Date Certificate confirming a value of the Net Dependable Capacity of the Unit;
 - (b) a Net Plant Heat Rate Test Certificate dated no earlier than fifteen (15) Days prior to the date of the Commercial Operations Date Certificate;
 - (c) certified true copy of the certificate of compliance of the Power Supplier as a generation company issued by the ERC, its registration as a member of the WESM and evidence of its execution of a Market Participation Agreement with the Philippine Electricity Market Corporation; and a certification that all relevant

permits, licenses, authorizations and other approvals from all Government Authorities and third parties needed for the operation of the Unit and the supply of electricity by the Power Supplier to Meralco have been obtained by Power Supplier;

(d) a Commercial Operations Date Certificate; and

(e) Power Supplier certification that the insurances required under this Agreement relevant for at least the first Contract Year have been obtained, as certified by Power Supplier's insurance advisor or broker.

3.5.2 If the Commercial Operations Date has not occurred by the Operations Effective Date, Power Supplier shall provide Replacement Energy at the Price until the Delay Limit Date, subject to Section 17.6.2.

(a) Power Supplier shall not be entitled to any Outage during this period.

(b) If Power Supplier fails to provide Replacement Energy, Power Supplier shall be liable to pay Meralco the amount equivalent to the difference between (i) the WESM cost of the Replacement Energy and (ii) the amount Meralco would have paid for the Replacement Energy had it been paid at the Price ("**WESM Differential**"). For the avoidance of doubt, if the WESM Differential is a negative number, Meralco shall have no liability whatsoever to Power Supplier.

3.5.3 Within five (5) Days from procurement of Replacement Energy from WESM, Meralco shall bill Power Supplier for payment of the WESM Differential; and Power Supplier shall pay Meralco the WESM Differential within five (5) Days from receipt of such bill.

3.5.4 Within five (5) Days from Meralco's receipt of the provisional invoice from WESM that includes the WESM Differential, Parties shall reconcile the total WESM Differential against cumulative payments made by Power Supplier. Any shortage or excess in payments shall be reflected as an adjustment to the Invoice for the immediately succeeding Billing Period, in accordance with Appendix D.

3.5.5 In the event Power Supplier fails to pay Meralco the WESM Differential within the period stated in Section 3.5.3, Meralco shall be entitled to draw on the Performance Security, subject to the obligation of Power Supplier to replenish the Performance Security in accordance with Section 4.6. The amount drawn shall be deducted from the generation cost to be passed on to Meralco's customers.

Article 4 Performance Security

4.1 Power Supplier shall, within fifteen (15) Days from the Acceptance Date, deliver to Meralco one or more security (each, a "**Performance Security**") in an aggregate amount equivalent to PHP 80,640,000.00 (the "**Security Amount**"). Each Performance Security shall (i) be in the form of an irrevocable stand-by letter of credit or bank guarantee, (ii) at the time of issuance thereof, be issued by an Acceptable Bank, and (iii) have a face value, when aggregated with the other Performance Securities, equivalent to not less than the Security Amount.

As used herein, "**Acceptable Bank**" means a domestic bank included in the list of banks agreed between the Parties, provided that, as of the date of the execution of this Agreement, the initial list of Acceptable Banks shall be as follows: (i) Bank of the Philippine Islands, (ii) BDO Unibank Inc., (iii) China Banking Corporation, (iv) Metropolitan Bank and Trust Company, (v) Philippine National Bank, (vi) Rizal Commercial Banking Corporation, and (vii) Security Bank Corporation.

- 4.2 If a Performance Security is subject, pursuant to its terms, to a fixed expiry date, Power Supplier shall, not less than ten (10) Days prior to such expiry date, amend or replace the Performance Security with a duly-executed amended or replacement Performance Security, compliant with the requirements under Section 4.1 of this Agreement.
- 4.3 If, at any time, a Downgrade Event occurs in respect of the issuing bank of the Performance Security, Power Supplier shall procure a replacement Performance Security from another Acceptable Bank within thirty (30) Days of the occurrence of the Downgrade Event. For this purpose, "**Downgrade Event**" means that the Acceptable Bank's total equity as reported in the latest quarterly published Balance Sheet/Statement of Condition submitted to the Bangko Sentral ng Pilipinas falls below PHP 40 billion.
- 4.4 Each Performance Security shall stand as security for the faithful and proper compliance by Power Supplier of its obligation to provide Replacement Energy under this Agreement and shall be procured and maintained by Power Supplier until commercial operations of the Unit.
- 4.5 Within thirty (30) Days after Commercial Operations Date, Meralco shall return to Power Supplier the Performance Security less any amount properly due and owing from Power Supplier to Meralco under this Agreement.
- 4.6 If any amounts are drawn from the Performance Security by Meralco in accordance with Section 3.4.4, Power Supplier shall, on or before the date that is five (5) Days after the draw, deliver an additional irrevocable stand-by letter of credit or bank guarantee in an amount equivalent to the amount drawn by Meralco, to restore the amount of the Performance Security to the Security Amount.
- 4.7 Meralco may draw the entire amount of the Performance Security and hold the proceeds in trust as cash collateral if Power Supplier fails to procure a replacement Performance Security within the time required under Sections 4.3 above.

Article 5 Sale and Purchase of Contract Capacity and Associated Energy

5.1 Supply of Power

Subject to the terms and conditions of this Agreement:

- 5.1.1 From the Operations Effective Date until the expiration of the Term or earlier termination of this Agreement, Power Supplier shall:

- (a) make available to Meralco, and Meralco shall purchase from Power Supplier, at the Price determined in accordance with Appendix D, the Contract Capacity of the Unit; and
- (b) sell to Meralco, and Meralco shall purchase from Power Supplier, at the Price determined in accordance with Appendix D, the Associated Energy, to the extent of Meralco's relevant day-ahead nominations.

The Dispatch of Contract Capacity and Associated Energy shall meet the requirements set out in Appendix B (*Technical Limits*).

- 5.1.2 Unless otherwise expressly permitted by this Agreement, Power Supplier shall not, without Meralco's prior written consent sell, divert, grant, transfer, dedicate, reserve or assign all or any portion of the Contract Capacity and Associated Energy to any Person other than Meralco.
- 5.1.3 Power Supplier shall source its supply for Meralco only from the Plant except during (i) the period from Operations Effective Date until Commercial Operations Date; (ii) Scheduled Outages and Forced Outages; and (iii) any Curtailment due to Dispatch Instructions.
- 5.1.4 The supply of the Contract Capacity and Associated Energy by Power Supplier to Meralco shall be in accordance with WESM Rules. Moreover, each Party shall, during the Term, always keep and maintain its registration as bona fide direct trading member of the WESM.
- 5.1.5 The Associated Energy shall have been delivered to Meralco upon its declaration in the WESM by Power Supplier as its Bilateral Contract Quantities at the Power Supplier WESM node with Meralco as the counterparty in accordance with the WESM Rules.

5.2 Title Transfer and Risk of Loss

Title and risk of loss over the nominated capacity and Associated Energy shall transfer from Power Supplier to Meralco at the Delivery Point.

5.3 Nominations

- 5.3.1 Within five (5) Days after the Operations Effective Date, Power Supplier shall furnish Meralco with its non-binding year-ahead capacity availability for the first Contract Year. Within five (5) Days from receipt of such non-binding year-ahead capacity availability for the first Contract Year, Meralco shall furnish Power Supplier with its non-binding year-ahead energy nomination for the first Contract Year.
- 5.3.2 For administrative and planning purposes only, Power Supplier shall furnish Meralco with year-ahead, month-ahead and week-ahead capacity availability and Meralco shall furnish Power Supplier with non-binding year-ahead, month-ahead and week-ahead nominations of Contract Capacity, in accordance with the WESM Rules and the Operating Procedures. Such nominations shall reflect Meralco's good faith estimate of its projected capacity requirements for such period. Meralco shall furnish Power Supplier with the year-ahead nominations, the month-ahead nominations and the week-ahead nominations in accordance with Appendix F.

- 5.3.3 Power Supplier shall furnish Meralco with its day-ahead capacity availability and Meralco shall furnish Power Supplier with its binding day-ahead nominations on an hour-by-hour basis, subject to the Contract Capacity and dispatch ramp rates, as specified in Appendix B, and in accordance with the WESM Rules and Operating Procedures.
- 5.3.4 Notwithstanding Section 5.3.3, Meralco shall have the option to increase or decrease its day-ahead nominations, subject to the Technical Limits, Operating Procedures and Grid Code.
- 5.4 **WESM Declarations**
- 5.4.1 Power Supplier shall ensure that its day-after daily declaration of BCQs reported to the Market Operator (as required by the WESM Rules) accurately reflects the nominations of Meralco. Any amounts assessed by the Market Operator on the Parties, including amounts for energy imbalances as a result of an erroneous declaration by Power Supplier of its BCQs 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. If the Market Operator invoices Meralco for any such amounts, Power Supplier shall reimburse Meralco within seven (7) Days from receipt of written demand therefore. Further, Power Supplier shall pay Meralco an administrative fee of Fifty Thousand Pesos (PHP50,000.00) for each incident of erroneous BCQ declaration due to the Power Supplier's fault.
- 5.4.2 On a daily basis, Power Supplier shall furnish Meralco with copies of the prior Day's hourly declaration of BCQs reported by Power Supplier to the Market Operator for the prior Day. Meralco shall review such reports in accordance with the Operating Procedures and Power Supplier shall immediately notify Market Operator of any corrections to its declaration of BCQs in accordance with the WESM Rules.

Article 6 Interconnection, Transmission and Metering

6.1 Connection Agreement, Transmission Service Agreement and Metering Service Agreement

Power Supplier shall enter into a Connection Agreement and Transmission Service Agreement with NGCP to connect the Plant to the Visayas Grid, and the relevant Metering Service Agreement. Power Supplier shall be solely responsible for, and shall bear all costs of obtaining such services, including any applications, studies and approvals, and construction and installation of interconnection facilities and network upgrades, other than as expressly provided in this Agreement.

6.2 Copies of Documents; Amendments

Within five (5) Days from execution thereof, Power Supplier shall furnish Meralco with full and complete copies of the Connection Agreement, Transmission Service Agreement and Metering Service Agreement. Power Supplier shall notify Meralco of any intention and/or proposal to amend the Connection Agreement, Transmission Service Agreement and/or Metering Service Agreement, and shall provide Meralco with a copy of any such amendment within five (5) Days after the effective date thereof.

Power Supplier shall provide Meralco with thirty (30) Days' prior written notice of Power Supplier's intent to assign the Connection Agreement, Transmission Service Agreement and/or Metering Service Agreement.

6.3 Interconnection and Transmission Undertaking

At all times from Commercial Operations Date, the Power Supplier shall ensure that all interconnection, transmission and other agreements necessary for it to perform its obligations hereunder (including the Connection Agreement, Transmission Service Agreement and Metering Service Agreement) shall be in full force and effect.

Article 7 Operation and Maintenance of the Unit

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

7.1 Significant Incidents and Coordination

7.1.1 Power Supplier shall provide Meralco with significant incident reports and notices on such accidents and other occurrences at the Site, which result in injury to persons or damage to property that affect Plant operations, subject to Section 21.3.

7.1.2 The Parties shall maintain close coordination at all times in respect of all matters relating to the supply of electricity under this Agreement. Power Supplier shall keep Meralco sufficiently informed of all significant developments affecting the Plant. For this purpose, the Parties shall establish a Coordinating Committee comprised of four (4) members, two (2) appointed by each of Power Supplier and Meralco. The obligations and responsibilities of the Coordinating Committee and the rules governing meetings of the Coordinating Committee shall be as set out in Appendix F.

7.2 Coordination with Market Operator and System Operator

Power Supplier shall maintain operating communications between the Plant and each of Meralco, the Market Operator and the System Operator in accordance with the procedures to be developed by the Coordinating Committee consistent with the WESM Rules and the Grid Code.

7.3 Emergency Planning

Power Supplier shall cooperate with Meralco in establishing agreed emergency plans for the Plant, including, without limitation, recovery from a local or widespread electrical blackout and voltage reduction in order to effect load curtailment, subject in each case to the Technical Limits and Prudent Operating Practices.

Article 8 Outages

8.1 Outage Allowances and Replacement Energy

8.1.1 After Commercial Operations Date, Power Supplier shall be allowed Scheduled Outages of thirty (30) Days ("Full Load Equivalent Scheduled Outage Allowance Days") and Forced Outages of fifteen (15) Days ("Full Load Equivalent Forced

Outage Allowance Days") each Contract Year, provided that a Forced Outage may only be counted towards the **Full Load Equivalent Forced Outage Allowance Days** upon provision to Meralco of a copy of the certification from the System Operator that a Forced Outage has occurred. During these times, Meralco shall procure Replacement Energy from the WESM and Power Supplier shall not bill Meralco for these quantities.

- 8.1.2 During Outages beyond the Full Load Equivalent Scheduled Outage Allowance Days and/or Full Load Equivalent Forced Outage Allowance Days, Power Supplier shall purchase Replacement Energy, which shall be declared as BCQ and paid by Meralco at the Price. The supply by Power Supplier of Replacement Energy under this Section 8.1.2 shall be deemed fulfillment of Power Supplier's obligation to make available the Contract Capacity and to deliver the Associated Energy during such period.
- 8.1.3 During any period in which an Event of Force Majeure affects Power Supplier or Meralco, Meralco shall procure Replacement Energy from the WESM to the extent supply or offtake is so affected.

8.2 Scheduling Outages

- 8.2.1 By no later than March 31 of every year, Power Supplier shall inform Meralco of the proposed annual Scheduled Outages for the succeeding calendar year as submitted to the System Operator (the "**Annual Maintenance Plan**"). In case of any revisions to the Annual Maintenance Plan approved or initiated by the System Operator, Power Supplier shall keep Meralco informed thereof immediately, but in no case less than thirty (30) Days prior to the start of such revised Scheduled Outage.
- 8.2.2 In case of Scheduled Outages other than those in the Annual Maintenance Plan, Power Supplier shall (i) notify Meralco in writing at least three (3) Days prior to notifying the System Operator and (ii) comply with the requirements of the System Operator.

8.3 Notification of Forced Outages

Subject to Article 10 of Appendix F, when a Forced Outage occurs, Power Supplier shall notify Meralco of the existence, nature and expected duration of the Forced Outage as soon as practicable after such occurrence and in any event within one (1) hour from such occurrence. Power Supplier shall inform Meralco promptly of changes in the expected duration of a Forced Outage.

Article 9 Adjustments in Contract Capacity and Associated Energy

9.1 Commencement of RCOA

The Parties acknowledge that RCOA is being implemented in phases in accordance with the guidelines being issued by the ERC, and upon implementation, the amount of Contract Capacity may be adjusted in accordance with the terms hereof.

9.2 Assignment or Transfer of Contract Capacity Due to RCOA

In connection with the implementation by the ERC of RCOA, Meralco shall, also be entitled to assign, transfer, designate, delegate or allocate (collectively in this context, "**Transfer**") its rights and obligations to purchase a portion of Contract Capacity and

Associated Energy that is no longer required by Meralco as a result of RCOA (i) to any of its wholly-owned Distribution Utility or Supplier Affiliates (in each case, a direct WESM member) or business segments, to the extent allowed by Law, without the prior consent of the Power Supplier; or (ii) to any other Person subject to the consent of Power Supplier, which consent shall not be unreasonably withheld.

In respect of Transfers not requiring Power Supplier's consent, Meralco shall give a written notice to the Power Supplier of such Transfer at least five (5) Days prior to the first Day of the next Billing Period or by such date as would be sufficient for timely notice to WESM of such change. In respect of Transfers requiring Power Supplier's consent, Meralco shall give a written notice to the Power Supplier of such Transfer at least sixty (60) Days prior to the first Day of the next Billing Period or by such date as would be sufficient for timely notice to WESM of such change.

Subject to the receipt of Meralco and the Power Supplier of the written acceptance of such Transfer by the transferee:

- (a) Meralco shall cease to have any rights and obligations under this Agreement, and
- (b) the transferee shall assume all rights and obligations of Meralco under this Agreement,

in respect of such portion of the Contract Capacity transferred under this Section 9.2, commencing from the first Day of the Billing Period immediately following the approval by the Market Operator of the supply arrangement between Power Supplier and assignee, upon execution of acceptable documentation for such transferred Contract Capacity and Associated Energy.

9.3 Reduction in Contract Capacity and Associated Energy

- 9.3.1 Subject to the provisions of Section 9.3.2 below, Meralco shall, from time to time, be entitled to a reduction in the Contract Capacity and Associated Energy (the "**Reduction in Contract Capacity and Associated Energy**") equivalent to the reduction in the demand of its captive customers by reason of the enforcement of RCOA and the Renewable Energy Law.

Similarly, Power Supplier may request for a Reduction in Contract Capacity and Associated Energy, subject to mutual agreement of the Parties.

- 9.3.2 Meralco shall give a written notice to the Power Supplier of such reduction at least thirty (30) Days prior to the first Day of the next Billing Period. Upon receipt of Power Supplier of such written notice, Meralco shall cease to have any rights and obligations under this Agreement in respect of such Reduction in Contract Capacity and Associated Energy.

Article 10 Billing and Payment

10.1 Billing

Power Supplier shall render to Meralco an itemized Invoice for each Billing Period in accordance with the provisions of this Agreement and Appendix G. Meralco shall pay Invoices when due and payable in accordance with this Agreement and Appendix G.

10.2 Payments

- 10.2.1 Meralco shall pay the entire amount indicated in the Final Invoice (subject to Appendix G) when due and payable, provided that Meralco shall not be required to make payment on any Invoice that is manifestly in error, apparently invalid or not in the form or substance contemplated by this Agreement until the same has been corrected following prompt notice by Meralco to Power Supplier of such error, invalidity or absence of proper form or substance.
- 10.2.2 If Meralco disputes all or any portion of an Invoice for a reason other than a manifest error in, or the apparent invalidity or incorrect form or substance of, such Final Invoice, Meralco shall nonetheless pay the full amount of such Invoice (subject to Appendix I). Any payment by Meralco under this Section 10.2.2 is without prejudice to Meralco's right at a later date within six (6) months following such payment to dispute, protest or question any amount so paid.
- 10.2.3 If applicable, Meralco will endeavor to dispute, protest or question a Final Invoice within fifteen (15) Days from the date of its receipt. In such a case, the dispute, protest or question shall be resolved within sixty (60) Days from the date of filing thereof. If the dispute, protest or question is not resolved, Meralco may at any time refer such dispute, protest or question for resolution in accordance with Article 19.
- 10.2.4 If any withheld amount under Section 10.2.1 is subject to objection or Dispute, or 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 pursuant to Article 19 to be owing (including the refund of any amount so paid under protest or subject of a Dispute) shall be paid within the later of (a) the original due date of such payment and (b) seven (7) Days from such agreement 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 award or settlement amount is paid. Interest shall be calculated on the actual number of days elapsed over a three hundred sixty-five (365) Day basis equivalent to the PDST-R2 plus two hundred (200) basis points for PHP-denominated charges; 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 the date of filing thereof, the Parties agree to waive payment of any interest due on the amount owing (or, if payment has been made under protest or Dispute, due on the amount to be refunded).
- 10.2.5 For the avoidance of doubt, if Meralco makes payment of a disputed Final Invoice and thereafter refers such Dispute for resolution in accordance with Article 19 and such Dispute is resolved in Meralco's favor, Power Supplier shall in addition to refunding

the disputed amount, be liable, subject to the waiver under Section 10.2.4, for the payment of interest, which shall be calculated on the actual number of days elapsed over a three hundred sixty-five (365) Day basis equivalent to the PDST-R2 plus two hundred (200) basis points for PHP-denominated charges in each month in which the sum was due and payable accruing from the date the disputed Invoice amount was paid by Meralco until the time the award is paid.

10.2.6 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, including but not limited to the award or settlement amount due under Section 10.2.5, interest thereon from the date when payment was originally due until payment thereof is received shall be calculated on the actual number of days elapsed over a three hundred sixty-five (365) Day basis equivalent to the PDST-R2 plus two hundred (200) basis points (for charges denominated in PHP), in each month in which the sum was due and payable.

10.2.7 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.

10.3 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 11 Taxes, Fees and Costs

11.1 Responsibility for Taxes, Fees and Costs

11.1.1 Power Supplier shall make timely payment of the following amounts:

- (a) WESM Market Fees;
- (b) Energy Imbalance Fees;
- (c) Benefits to Host Communities Charges; and
- (d) Applicable value-added tax on any of the foregoing amounts in accordance with Philippine Bureau of Internal Revenue and ERC regulations.

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.

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

- (a) VAT on Contract Energy in accordance with Bureau of Internal Revenue (“BIR”) Memorandum Circular No. 61-2005 and ERC Resolution No. 20-2005, except in respect of any portion thereof that applies to VAT zero-rated and VAT-exempt customers of Meralco;
- (b) WESM line rental charges associated with the declaration of Bilateral Contract Quantities from the Plant to Meralco’s WESM Node, subject to adjustments provided for in Appendix D; 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.

11.2 Charges Due to Change in Circumstances

- (a) If as a result of a Change in Circumstances, Meralco becomes liable to pay any new charges, fees, taxes, duties, assessments or other similar amounts (“**New Charges**”), or any increase in existing charges, fees, taxes, duties, assessments or other similar amounts (“**Increased Charges**”) become payable with respect to this Agreement, the New Charges or Increased Charges shall form part of the price that Meralco will charge to its customers.
- (b) If as a result of a Change in Circumstances affecting Power Supplier, Power Supplier becomes liable to pay any New Charges or any Increased Charges or a Change in Circumstances materially and adversely affects the ability of Power Supplier to perform or materially increases the operating costs or capital expenditures associated with the Plant or materially and adversely affects its performance of its obligations under this Agreement, adversely affects the sale by Power Supplier of Contract Capacity and Associated Energy in accordance with this Agreement, makes the Power Supplier’s administration or operational aspects of such performance materially more burdensome (whether made at the direction of any Governmental Instrumentality or otherwise) or causes serious damage to, or materially and adversely affects the financial condition of Power Supplier, Power Supplier shall send a notice to Meralco of the occurrence of such Change in Circumstances (“**Notice of Change in Circumstances**”) together with an analysis of the cost impact of such Change in Circumstances. Within thirty (30) Days of such Notice of Change in Circumstances, Meralco and Power Supplier shall meet to discuss, in good faith, remedial measures to mitigate the impact of such Change in Circumstances. Each Party shall cooperate in good faith to secure any Governmental Authorizations to implement any agreed remedial measures. If the Parties fail to reach a mutually satisfactory resolution within sixty (60) Days from the commencement of negotiations, the Power Supplier shall be entitled to terminate this Agreement in accordance with the provisions of Section 17.6.7(a).
- (c) In the event that, as a result of a Change in Circumstances and pursuant to a corresponding order of the ERC or any other Governmental Instrumentality:

- (a) Meralco is prevented from making a pass through to its customers of any charges under this Agreement (as approved by the ERC in the ERC Provisional Approval or ERC Final Approval, as accepted by Power Supplier); or
- (b) any portion of the Price that has been paid to Power Supplier is required to be refunded to Meralco or Meralco's customers in connection with the ERC Application or any petition, claim, case, proceeding or other action involving any of the Parties brought before any judicial, administrative or quasi-judicial body,

the Parties shall enter into good faith negotiations to agree on a satisfactory solution regarding the amendment of this Agreement to restore Meralco's commercial position prior to such Change in Circumstances, including an adjustment of the Price. If the Parties fail to reach a mutually satisfactory resolution within sixty (60) Days from the commencement of negotiations, the provisions of Section 17.6.7(b) will apply.

It is agreed that New Charges or Increased Charges for which Power Supplier sends a Notice of Change in Circumstances in accordance with this Section 11.2 shall not include charges, fees, taxes, duties, assessments or other similar amounts relating to taxes on the income of Power Supplier.

Article 12 Metering

Any metering required to implement this Agreement shall be in accordance with the requirements of the WESM Rules and the Grid Code.

Article 13 Covenants

13.1 ERC Application

- 13.1.1 Within five (5) Business Days after receipt from Power Supplier of the documents set forth in Part 3 of Appendix C (or such other period agreed upon by the Parties), the Parties shall jointly file with the ERC the necessary application for the approval of this Agreement ("**ERC Application**") and shall exert best efforts to obtain such approval as promptly as practicable following the submission of the ERC Application and to allow for the issuance of the ERC Provisional Approval or ERC Final Approval on or before the Longstop Date.
- 13.1.2 Power Supplier shall fully cooperate with Meralco with respect to the ERC Application and shall furnish (i) all documents set forth in Part 3 of Appendix C, promptly after, and in any case, within ten (10) Business Days from, Effective Date; and (ii) those documents that the ERC may require in connection with the ERC Application and any other review or examination conducted by the ERC with respect to this Agreement promptly upon request by Meralco, provided that Power Supplier shall submit directly to the ERC any information which it deems to be confidential and shall give written notice to Meralco of such direct filing.

13.2 ERC Approval

- 13.2.1 Upon receipt of the ERC Final Approval, Meralco shall provide a copy of such ERC Final Approval to Power Supplier. Power Supplier shall have ten (10) Business Days from the date of receipt from MERALCO of such ERC Final Approval to notify Meralco in writing that (i) it accepts such ERC Final Approval or (ii) it does not accept the ERC Final Approval, stating the grounds for non-acceptance.
- 13.2.2 In case of Power Supplier's non-acceptance, Power Supplier shall be free to: (i) file with the ERC a motion for reconsideration or (ii) terminate this Agreement upon sixty (60) days prior written notice to Meralco; provided that, any order on a motion for reconsideration shall be treated as an ERC Final Approval for purposes of the processes under this Section 13.2; provided further that, if the motion for reconsideration is denied by the ERC, or provided by the ERC but still with any material term or condition that is not acceptable to Power Supplier, Power Supplier may terminate this agreement upon sixty (60) days prior written notice to Meralco.
- 13.2.3 Following (i) a written notice of acceptance from Power Supplier with respect to the ERC Final Approval (including upon reconsideration under Section 13.2.2 above), or (ii) the lapse of the period referred to in Section 13.2.1 without Power Supplier communicating its acceptance or non-acceptance in writing, the Acceptance Date shall be considered as having occurred on the date of the written notice of acceptance or on the last Day of such period, as applicable ("**Acceptance Date**"), provided, in each case, that Meralco has not filed any motion for reconsideration or appeal subsequent to the Power Supplier's acceptance of such ERC Final Approval.
- 13.2.4 If the ERC Provisional Approval or ERC 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 Price, the same shall be for the account of Power Supplier.

13.3 Coal Supply

- 13.3.1 Power Supplier shall be responsible for the preparation and implementation of a plan for the safe, adequate and reliable supply and transportation of coal to the Plant throughout the Term.
- 13.3.2 Power Supplier shall ensure that at all times there is coal inventory at the Site sufficient to operate the Plant in accordance with this Agreement and in accordance with Prudent Operating Practices, taking into account all relevant factors such as seasonal and/or climatic factors, which inventory shall be good for at least a continuous thirty (30) Day period based on continuous operation of the Plant at average Associated Energy for the last three (3) months without Scheduled Outage.

13.4 Compliance with Laws

- 13.4.1 Power Supplier and Meralco agree that all applicable Legal Requirements shall govern their performance of this Agreement and each shall comply in all material respects with, and shall keep in full force and effect, all Governmental Authorizations required to be in its name for the performance of its obligations under this Agreement.

13.4.2 Without limiting the application of Section 13.4.1, Power Supplier and Meralco agree to comply and perform their respective obligations under this Agreement in accordance with Legal Requirements and the Relevant Operating Regulations.

13.5 Other Covenants of Power Supplier

13.5.1 The Power Supplier shall have obtained, by the Operations Effective Date, the relevant permits and licenses under Legal Requirements to enter into and to perform its obligations under this Agreement.

13.5.2 The Power Supplier shall, by the Operations Effective Date, become a bona fide direct trading member of the WESM.

Article 14 Insurance

14.1 Insurance Policies

The Plant shall be covered by the following insurances on an annual basis:

- (a) Industrial All Risks (IAR) insurance with the following minimum coverage: (i) Fire and Allied Perils Insurance (based on sound value of the buildings, machinery/equipment, and all other materials (like fuel and maintenance parts); (ii) Machinery Breakdown Insurance (based on highest value of machinery/equipment); (iii) Business Interruption (at least twelve months indemnity period);
- (b) Comprehensive General Liability (CGL) with at least PHP equivalent of USD 5 Million per occurrence and annual aggregate with the following coverages: (i) Premises-Operations Liability; (ii) Contractual Liability; (iii) Employer's Liability; (iv) Personal Injury Liability; (v) Excess Auto Liability Extension for all owned, hired, and non-owned vehicles; and (vi) Third Party Liability (at least PHP equivalent of USD 1 Million per occurrence and annual aggregate).

14.2 Evidence of Insurance

On or before the Commencement Date and thereafter at least thirty (30) Days prior to the date set for each annual renewal thereof, Power Supplier shall provide Meralco with a copy of the insurance policy which reasonably describes the terms and conditions of the insurance and includes statements from its insurers evidencing payment of the annual premium in respect of the insurance policies from its insurance brokers or insurance advisor as to the insurance obtained by the Power Supplier in connection with this Agreement following inception or renewal of the relevant policies.

14.3 Changes to Policies

Any changes in the insurances which are not consistent with the requirements of this Agreement shall require the prior written consent of Meralco.

14.4 Notification of Claims and Application of Proceeds

Power Supplier shall, in relation to each property damage insurance policy for the Plant required by Section 14.1, promptly notify Meralco of any circumstances which give rise or might reasonably be foreseen to give rise to a claim under such policy or policies which exceeds USD 5 million (or PHP equivalent).

Power Supplier shall apply, to the extent required, any and all of the property damage insurance proceeds that it receives regarding any damage to the Plant toward the reinstatement of the Plant.

Article 15 Indemnification and Liability

15.1 Indemnity by Power Supplier

- 15.1.1 Power Supplier shall indemnify, defend and hold harmless Meralco, from and against all Claims of third parties made against or suffered by Meralco for any physical loss of or damage to property or death or injury to persons, resulting from any negligent act or omission of Power Supplier or any of its contractors or their respective employees, directors, agents or shareholders ("**Power Supplier Parties**") that arises out of or is in any manner connected with the performance of this Agreement, except to the extent such loss, damage, injury or death is attributable to the negligence or misconduct of, or breach of this Agreement by, Meralco or any of its employees, directors, agents or shareholders ("**Meralco Parties**") or the failure of Meralco or any Meralco Parties to take reasonable steps in mitigation thereof.
- 15.1.2 This Section 15.1 shall not apply to any loss, damage, cost or expense to the extent that Meralco is otherwise compensated pursuant to the terms of this Agreement in respect of such loss, damage, cost or expense.

15.2 Indemnity by Meralco

- 15.2.1 Meralco shall indemnify, defend and hold harmless Power Supplier, from and against all Claims of third parties made against or suffered by Power Supplier for any physical loss of or damage to property or death or injury to persons, resulting from any negligent act or omission of Meralco or any Meralco Parties that arises out of or is in any manner connected with the performance of this Agreement except to the extent such loss, damage, injury or death is attributable to the negligence or misconduct of, or breach of this Agreement by, Power Supplier or any Power Supplier Parties or the failure of Power Supplier or any Power Supplier Parties to take reasonable steps in mitigation thereof.
- 15.2.2 This Section 15.2 shall not apply to any loss, damage, cost or expense to the extent that Power Supplier is otherwise compensated pursuant to the terms of this Agreement in respect of such loss, damage, cost or expense.

15.3 Notice of Proceedings

Each Party shall promptly notify the other Party of any Claim in respect of which it is entitled to be indemnified under this Article 15. Such notice shall be given as soon as reasonably practicable after the relevant Party becomes aware of such Claim.

15.4 Conduct of Proceedings

15.4.1 The indemnified Party shall have the right, but not the obligation, to contest, defend and litigate (and to retain legal advisers of its choice in connection therewith) any claim, action, suit or proceeding by any third party alleged or asserted against it arising out of any matter in respect of which it is entitled to be indemnified hereunder, and the reasonable costs and expenses thereof shall be subject to the said indemnity; provided that, the indemnifying Party shall be entitled, at its option, to assume and control the defence of such claim, action, suit or proceeding at its expense and through legal advisers of its choice if it (i) gives notice of its intention to do so to the indemnified Party, (ii) acknowledges in writing its obligation to indemnify that Party to the full extent provided by this Article 15 and (iii) reimburses that Party for the reasonable costs and expenses previously incurred by it prior to the assumption of such defence by the indemnifying Party.

15.4.2 Neither Party shall settle or compromise any claim, action, suit or proceeding in respect of which it is entitled to be indemnified by the other Party without the prior written consent of that Party.

15.5 Consequential Losses

Without limiting any payments (or the calculations thereof) contemplated under this Agreement including, but not limited to Section 17.3, no Party shall in any circumstances be liable to the other Party in its performance of or failure to perform this Agreement or any provision hereof, whether in contract, tort or breach of statutory duty or otherwise for:

- (a) loss of or anticipated loss of profit, loss of use, business interruption, loss of use of any equipment, loss of any contract or other business opportunity or good will; and
- (b) indirect or consequential losses or damages,

whether or not such losses or damages are subject to the indemnities in Sections 15.1 and 15.2.

Article 16 Force Majeure

16.1 Events of Force Majeure

An Event of Force Majeure shall mean any circumstance not within the reasonable control, directly or indirectly, of the Party affected, but only if and to the extent that:

- (a) such circumstance, despite the exercise of reasonable diligence, cannot be prevented, avoided or removed by such Party; and
- (b) such event prevents such Party from performing its obligations under this Agreement;

and in each case:

- (a) such Party has taken all reasonable precautions, due care and reasonable alternative measures in order to avoid the effect of such event on such Party's ability to perform its obligations under this Agreement and to mitigate the consequences thereof;
- (b) such event is not the direct or indirect result of the failure of such Party to perform any of its obligations under this Agreement;
- (c) the suspension of a Party's performance of its obligations hereunder is of no greater scope and no longer duration than is required by the Event of Force Majeure;
- (d) no obligation of either Party, which arose before the occurrence of the event that caused the suspension of performance of obligations hereunder, shall be excused as a result of an Event of Force Majeure (for the avoidance of doubt, day-ahead nominations by Meralco pursuant to Section 5.3.3 shall not be considered a pre-existing obligation for this purpose); and
- (e) such Party has given the other Party prompt notice in accordance with Section 16.7 describing such event, the effect thereof and the actions being taken in order to comply with this Section 16.1.

16.2 Instances of Force Majeure

Subject to the provisions of Sections 16.1 and 16.6, Events of Force Majeure shall include, but not be limited to:

- (a) acts of war or the public enemy whether war is declared or not;
- (b) public disorders, civil disturbance, insurrection, rebellion, acts or campaigns of terrorism, piracy, embargo, sabotage, blockade, revolution, riots or violent demonstrations;
- (c) explosions, fires, earthquakes, lightning, typhoon, tsunami, flood, cyclone, volcanic eruptions, landslide or other natural disasters, acts of God, epidemic, quarantine or plague;
- (d) any action or aggregation of actions or failure to act by any Governmental Instrumentality, including expropriation, requisition, confiscation, nationalization or other compulsory acquisition; export or import restriction or other restrictions, rationing or allocations imposed by any Governmental Authority (in each instance, occurring in the Philippines); or the denial of or delay in the granting of any approval, consent, authorization or other requirement mandated by any Legal Requirement;
- (e) strikes, lockouts or other collective or industrial action by workers or employees other than non-manual personnel (in each instance, occurring in the Philippines); provided that any Party that seeks to invoke such a strike, lockout or other collective or industrial action as an Event of Force of Majeure must first utilize all reasonable efforts to continue performance of its obligations hereunder;

- (f) any System Emergency or Transmission Failure that may affect the delivery by Power Supplier, or acceptance by Meralco, of power (except if due to the act or omission of the Party seeking to claim an Event of Force Majeure, unless otherwise due to an Event of Force Majeure). In case of disagreement as to the existence of a Transmission Failure, the Parties shall secure the necessary certification from the GMC, which certification shall bind both Parties;
- (g) appropriate actions taken in response to any orders or instruction given by a Governmental Instrumentality or the System Operator for safety reasons to implement emergency shutdown (except if due to the act or omission of the Party seeking to claim an Event of Force Majeure, unless otherwise due to an Event of Force Majeure); and
- (h) an NGCP Failure or a Curtailment of the Plant output by the Market Operator or System Operator.

For the avoidance of doubt, (i) the breakdown or failure of equipment or machinery of the Unit, or of the Plant and affecting the Unit's generating capability; or the delay or inability to procure fuel for the Unit due to accidents of navigation or injury of vessels, accidents to harbours, docks, canals or other assistance to or adjuncts of shipping navigation shall not in itself be considered as an Event of Force Majeure, unless otherwise due to an Event of Force Majeure and (ii) any (x) interruption of the Unit's generating capability resulting in an unplanned reduction or suspension of the associated energy from the Unit and/or unavailability of capacity in whole or in part from the Unit; (y) automatic shutdown of any part of the Unit; and (z) other unavailability of the Unit 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 and not as a Scheduled Outage or a Forced Outage.

The Power Supplier shall not be entitled to claim any of its act or omission as Force Majeure.

16.3 Effect of Force Majeure

- 16.3.1 Except as provided in Section 16.6, the affected Party shall be excused from performance to the extent affected and shall not be considered to be in default in respect of any obligation under this Agreement (including any obligation of Meralco to pay the Price) 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 O&M Payment in respect of (i) any Contract Capacity that is unavailable due to an Event of Force Majeure or (ii) any Contract Capacity that Meralco is not capable of receiving due to an Event of Force Majeure. Similarly, in respect of (ii) in the foregoing sentence, Power Supplier shall not be required to supply to Meralco and may freely sell the Contract Capacity or a portion thereof to interested parties, including the WESM.
- 16.3.2 If an Event of Force Majeure prevents Power Supplier from delivering capacity and/or energy to Meralco, the applicable provisions of Article 8 shall apply. If any Event of Force Majeure prevents Meralco from taking capacity and/or energy from Power Supplier, Power Supplier may sell such capacity and energy to third parties, on terms which permit Power Supplier to recommence sales to Meralco following the

discontinuance of such Event of Force Majeure affecting Meralco upon twenty-four (24) hours' prior written notice.

- 16.3.3 Any Force Majeure Event, whether single or in aggregate, within the original Term of the Agreement shall result in the automatic extension of the Term for the same period that any Force Majeure Event, whether single or in aggregate, subsists, provided that such automatic extension shall not exceed one hundred eighty (180) Days (the "**Term Extension**"). Any extension of the Term in addition to the Term Extension by reason of Force Majeure Events occurring during the Term or the Term Extension shall be subject to the mutual agreement of the Parties.

16.4 **Effect of Uninsured Events of Force Majeure**

If an Event of Force Majeure occurs that causes material damage to the Unit, or to the Plant that affects the Unit's generating capability, and such Event of Force Majeure (i) is of a type not normally insured against by owners or operators of power plants similar to the Plant, is not required to be insured against in accordance with Prudent Operating Practices, and in fact has not been insured against by Power Supplier or (ii) could not be insured against by Power Supplier prior to the time of the occurrence of the Event of Force Majeure, then:

- (a) both Parties shall enter into good faith negotiations to agree on a satisfactory solution regarding the operation of the Unit or regarding an adjustment of the Contract Capacity or Price, and Power Supplier shall use its best efforts to obtain funding to complete or repair the Unit; and
- (b) during the existence and continuance of any Event of Force Majeure (including the effects and consequences thereof), Power Supplier shall not be required to repair the Unit, as the case may be, and such failure to repair or operate the Unit shall not constitute a Power Supplier Event of Default.

If the Parties do not reach such satisfactory solution within one hundred eighty (180) Days after the end of such Event of Force Majeure, or such other time as may be agreed upon, either Party may terminate this Agreement in accordance with Section 17.6.6.

16.5 **Effect of Extended Force Majeure**

If any Event of Force Majeure prevents Power Supplier from making available the Contract Capacity or Associated Energy or Meralco from accepting Contract Capacity or Associated Energy, in each case for a continuous period of more than one hundred eighty (180) Days, then either Party may upon written notice, require the other Party to meet as soon as practicable to reasonably discuss any modification, change or amendment of this Agreement under such reasonable terms, to the extent necessary to resolve the issues arising from the Event of Force Majeure and maintain, to the extent feasible, the rights and obligations of the Parties under this Agreement.

If the Parties do not reach such satisfactory solution prior to the end of such one hundred eighty (180) Day period, or such other time as may be agreed upon, either Party may terminate this Agreement in accordance with Section 17.6.6.

16.6 Certain Events Not Excused

The provisions of this Article 16 shall not excuse:

- (a) the late payment of money, except when such late payment is caused by an Event of Force Majeure, and in such case, such late payment shall be excused and not subject to late payment interest; or
- (b) delays resulting from reasonably foreseeable unfavorable weather or reasonably foreseeable unsuitable ground or sea conditions or other similar reasonably foreseeable adverse conditions, the effects of which could be demonstrated as capable of being prevented by actions in accordance with Prudent Operating Practices.

16.7 Notice of Force Majeure; Procedure

- 16.7.1 As soon as possible following the occurrence of any Event of Force Majeure (or, if known in advance of the Event of Force Majeure, promptly upon such knowledge), if either Party desires to invoke such Event of Force Majeure as a cause to excuse or delay performance of any obligation (other than the payment of money) hereunder, it shall advise the other Party in writing of the date, nature and expected duration of such Event of Force Majeure; provided that such notice must be sent (a) by Power Supplier to Meralco immediately and in any event within twenty-four (24) hours after Power Supplier becomes aware of such Event of Force Majeure and (b) by Meralco to Supplier as soon as reasonably possible and in any event within twenty-four (24) hours after Meralco becomes aware of such Event of Force Majeure.
- 16.7.2 As soon as practicable from time to time during the Event of Force Majeure, and also within five (5) Days following the termination of the then-known effects of such Event of Force Majeure, the Party having invoked such Event of Force Majeure shall submit to the other Party reasonable proof of such Event of Force Majeure and its effect upon such Party's performance of its obligations under this Agreement.
- 16.7.3 During the existence and continuance of any Event of Force Majeure (including the effects and consequences thereof), the Parties shall:
 - (a) make all reasonable efforts to prevent and reduce to a minimum and mitigate the effect of any delay or non-performance occasioned by any Event of Force Majeure including recourse to alternate acceptable sources of services, equipment and materials;
 - (b) use their best efforts to ensure resumption of normal performance of this Agreement after the termination of any Event of Force Majeure and shall perform their obligations to the maximum extent practicable and agreed between the Parties; and
 - (c) continue to provide the other Party with weekly updated reports as to the nature of the delay and its effect upon the time of performance.

Article 17 Events of Default and Termination

17.1 Power Supplier Events of Default

Each of the events described below shall constitute a “**Power Supplier Event of Default**”; provided that such event (with the exception of Section 17.1 (e)) results in or is accompanied by an actual failure by Power Supplier to make available the Contract Capacity and/or deliver the Associated Energy to Meralco in accordance with this Agreement:

- (a) Power Supplier fails to perform any material obligation under this Agreement, including the making of any payment which is due, which failure has not been remedied within sixty (60) Days after receipt from Meralco of a written notice of Power Supplier Event of Default;
- (b) The appointment of a receiver or liquidator or trustee of Power Supplier or of any material property of Power Supplier and such appointment is not discharged within sixty (60) Days; the bankruptcy, insolvency or corporate rehabilitation of Power Supplier or sequestration of any substantial part of the property of Power Supplier and such decree continues undischarged and unstayed for sixty (60) Days after entry thereof; the filing of a petition to declare Power Supplier bankrupt or to reorganize Power Supplier pursuant to any of the provisions of any applicable bankruptcy or rehabilitation Law or any similar statute and such petition is not dismissed within sixty (60) Days after such filing;
- (c) The voluntary passing of a resolution or filing of a petition for the bankruptcy, insolvency, corporate rehabilitation or winding up, liquidation of, or other similar proceeding relating to Power Supplier, which resolution or petition has not been rescinded, withdrawn or revoked within sixty (60) Days; or Power Supplier consents to the filing of any bankruptcy, corporate rehabilitation or reorganization petition against it which consent has not been rescinded, withdrawn or revoked within sixty (60) Days;
- (d) Power Supplier files a petition or answer in a proceeding under any of the provisions of any applicable bankruptcy, insolvency or corporate rehabilitation Law or any other similar statute admitting the material allegations of a petition filed against it in such a proceeding, and such petition or admission is not rescinded, withdrawn or revoked within sixty (60) Days; makes a general assignment of its assets and rights for the benefit of its creditors, which assignment is not rescinded or revoked within sixty (60) Days; or Power Supplier admits in writing its inability to pay its debts generally as they become due, and such admission is not withdrawn or revoked within sixty (60) Days;
- (e) It shall be illegal for Power Supplier to generate and supply all or a portion of Contract Capacity and Associated Energy due to Power Supplier's fault, and such illegality shall not be removed, withdrawn or corrected within sixty (60) Days from the issuance of a cease and desist order by the relevant local government unit, or any valid order from a Governmental Instrumentality acting within its jurisdiction;

- (f) Power Supplier breaches any of its material representations and warranties under this Agreement and such breach is not remedied within sixty (60) Days after written notice from Meralco to Power Supplier stating that such a breach has occurred.

17.2 Meralco Events of Default

Each of the events described below shall constitute a “**Meralco Event of Default**”; provided that such event (with the exception of Section 17.2 (e)) results in or is accompanied by an actual failure by Meralco to pay for the Contract Capacity or Associated Energy in accordance with this Agreement:

- (a) Meralco fails to perform any material obligation under this Agreement, excluding the making of any payment which is due, which failure has not been remedied within sixty (60) Days after receipt from Power Supplier of a written notice of Meralco Event of Default;
- (b) The appointment of a receiver or liquidator or trustee of Meralco or of any material property of Meralco and such appointment is not discharged within sixty (60) Days; the bankruptcy, insolvency or corporate rehabilitation of Meralco or sequestration of any substantial part of the property of Meralco and such decree continues undischarged and unstayed for sixty (60) Days after entry thereof; the filing of a petition to declare Meralco bankrupt or to reorganize Meralco pursuant to any of the provisions of any applicable bankruptcy or rehabilitation Law or any similar statute and such petition is not dismissed within sixty (60) Days after such filing;
- (c) The voluntary passing of a resolution or filing of a petition for the bankruptcy, insolvency, corporate rehabilitation or winding up, liquidation of, or other similar proceeding relating to Meralco, which resolution has not been rescinded, withdrawn or revoked within sixty (60) Days; or Meralco consents to the filing of any bankruptcy, corporate rehabilitation or reorganization petition against it which consent has not been rescinded, withdrawn or revoked within sixty (60) Days;
- (d) Meralco files a petition or answer in a proceeding under any of the provisions of any applicable bankruptcy, insolvency or corporate rehabilitation law or any other similar statute admitting the material allegations of a petition filed against it in such a proceeding, and such petition or admission is not rescinded, withdrawn or revoked within sixty (60) Days; Meralco makes a general assignment of its assets and rights for the benefit of its creditors, which assignment is not rescinded or revoked within sixty (60) Days; or Meralco admits in writing its inability to pay its debts generally as they become due, and such admission is not withdrawn or revoked within sixty (60) Days;
- (e) It shall be illegal for Meralco to accept the Contract Capacity and Associated Energy due to Meralco’s fault, and such illegality shall not be removed, withdrawn or corrected within sixty (60) Days from the issuance of a cease and desist order by the relevant local government unit, or any valid order from a Governmental Instrumentality acting within its jurisdiction;

- (f) Meralco fails to make any payment of a Final Invoice when such invoice becomes due and payable in accordance with Article 10 of this Agreement and such payment is not made within sixty (60) Days after the due date of the relevant Final Invoice; or
- (g) Meralco breaches any of its material representations, warranties, covenants or obligations under this Agreement (other than a breach otherwise referred to in this Section 17.2) and such breach is not remedied within sixty (60) Days after written notice from Power Supplier to Meralco stating that such a breach has occurred.

For the avoidance of doubt, it is understood and agreed that, subject to Meralco exerting best efforts to procure the extension or renewal of its Franchise, the expiration and/or non-renewal of the Franchise shall not be considered a Meralco Event of Default.

17.3 Agreed Damages

- 17.3.1 Upon the occurrence of a Power Supplier Event of Default that affects the ability of Power Supplier to supply Meralco with Contract Capacity and Associated Energy in accordance with this Agreement and results in the early termination of this Agreement (and without prejudice to any other provisions of this Agreement prior to such termination), Meralco shall have the right, but not the obligation, by written notice to Power Supplier, to acquire the Equity Interests in the Power Supplier in proportion to the Contract Capacity as against the Net Dependable Capacity at the price of: Five Hundred Philippine Pesos (PHP 500.00). Any tax and levies due on the transfer of the Equity Interest shall be paid by the Power Supplier.
- 17.3.2 Upon the occurrence of a Meralco Event of Default that affects the ability of Meralco to receive and pay for the Contract Capacity and Associated Energy in accordance with this Agreement and results in the early termination of this Agreement (and without prejudice to any other provisions of this Agreement prior to such termination), Power Supplier shall have the right, but not the obligation, by written notice to Meralco, to require Meralco to acquire the Equity Interests in the Power Supplier in proportion to the Contract Capacity as against the Net Dependable Capacity at the sum of: (A) the Obligations to Lenders (to be remitted directly to the Lenders) and (B) the book value of equity/partner's capital (including accumulated retained earnings/losses and excluding revaluation adjustments), in each case proportionate to the Contract Capacity as against the Net Dependable Capacity.
- 17.3.3 To be valid, a notice of the exercise by a Party of its rights under this Section 17.3 must be delivered no later than sixty (60) Days after the effective date of termination of this Agreement.
- 17.3.4 The remedies in this Section 17.3 are exclusive remedies in cases of termination of this Agreement.

17.4 Termination upon Event of Default

Following the occurrence of an Event of Default, the following procedure shall apply:

- (a) The Party which is not the subject of such Event of Default may give a notice (a "**Termination Notice**") to the other Party, specifying in reasonable detail the Event of Default giving rise to such Termination Notice, and the date on which the Party giving such Termination Notice proposes to terminate this Agreement, which date shall not be less than thirty (30) Days after the date of such notice. If upon the date specified in the Termination Notice, the event giving rise to the Termination Notice is subsisting, then this Agreement shall terminate on such date or such later date as the Parties may agree and Section 17.7 shall apply;
- (b) During the period of thirty (30) Days (or such longer period set out in the Termination Notice or as the Parties may agree) following the giving of such Termination Notice, the Parties shall consult as to what steps shall be taken with a view to mitigating or remedying the consequences of the relevant event having regard to all the circumstances;
- (c) If the Party receiving the Termination Notice intends to raise a Dispute regarding the right to give effect to the Termination Notice (the "**Termination Notice Dispute**") and to refer such Termination Notice Dispute to resolution pursuant to Article 19, such Party shall within fifteen (15) Days of receipt of the Termination Notice so inform the Party giving the Termination Notice and shall immediately thereafter refer the Termination Notice Dispute to resolution in accordance with Article 19; and
- (d) In circumstances where the Party in receipt of the Termination Notice has referred a Termination Notice Dispute for resolution in accordance with Section 17.4(c) above, if:
 - (a) at any time after the expiry of the period referred to in Section 17.4(a), the event giving rise to the Termination Notice has not been remedied; and
 - (b) the Termination Notice Dispute has been determined in favor of the Party who has issued the Termination Notice,

then the Party having given the Termination Notice may terminate this Agreement by giving further written notice thereof to the other Party, whereupon this Agreement shall terminate on the date specified for termination in such notice (which date shall be not less than fifteen (15) Days after the date of such notice) or such later date as the Parties shall have agreed and Section 17.7 shall apply.

17.5 Exculpatory Provisions

- 17.5.1 Notwithstanding anything contained in this Agreement to the contrary, Meralco's failure to accept any amounts of nominated quantities of Contract Capacity and Associated Energy shall not be considered a Meralco Event of Default and Power Supplier's failure to make available Contract Capacity or supply Associated Energy shall not be considered a Power Supplier Event of Default if each such failure was a direct result of:

- (a) Forced Outages that occur within the Full Load Equivalent Forced Outage Allowance Days or Scheduled Outages that occur within the Full Load Equivalent Scheduled Outage Allowance;
- (b) any act or omission of the System Operator (other than acts or omission of the System Operator resulting from acts or omissions of a Party that is not otherwise excused under this Agreement); and
- (c) maintenance or repair of the Luzon Grid or Visayas Grid that materially affects the generation and transmission of electricity, where such maintenance or repair is conducted to ensure system stability and for safety reasons, in accordance with applicable Legal Requirements.

17.5.2 For the avoidance of doubt, Meralco shall not be obligated to make Capacity Payments and Energy Payments for interruptions in the supply of Contract Capacity and Associated Energy as a result of the occurrence of any of the events described in Section 17.5.1.

17.6 Termination other than upon Event of Default

17.6.1 Non-Fulfilment of Conditions to Effective Date

If any condition precedent set out in Section 3.2 in respect of the Effective Date has not been fulfilled on or before the date falling thirty (30) Days after the date of execution of this Agreement, then either Party has the right to terminate this Agreement by giving written notice of such termination to the other Party, provided that the fulfilment of such condition is not within the control of the Party seeking to give such notice. Upon the giving of notice of termination, this Agreement shall terminate on the date specified for termination in such notice, which date shall not be earlier than fifteen (15) Days from the date of such notice.

Notwithstanding the foregoing, if any such conditions have not been fulfilled on or before the Effective Date, the Parties may agree in writing to (i) extend the Effective Date or (ii) waive the non-fulfilment of such condition to the Effective Date (provided that the intended receiving Party in respect of the documents referenced in Section 3.2 shall have the unilateral right to waive such condition).

17.6.2 Termination prior to Operations Effective Date or Commercial Operations Date

- (a) If after Commencement Date but prior to Operations Effective Date, a Party terminates this Agreement unilaterally, the other Party shall be entitled to exercise its rights under Section 17.3.
- (b) If the Commercial Operations Date does not occur within one hundred twenty (120) Days after Operations Effective Date ("**Delay Limit Date**"), the Parties shall meet for a period not exceeding sixty (60) Days to confer about the terms on which the Agreement may be continued. During such discussions, Power Supplier shall procure Replacement Energy and Meralco shall be entitled to the remedies under Section 3.5.4 in respect of drawing against the Performance Security. If agreement is not reached within sixty (60) Days from the Delay Limit Date, or Power Supplier fails to restore the amount of the Performance

Security in accordance with Section 4.6, Meralco shall be entitled, upon delivery of written notice of termination, to terminate this Agreement. In such instance, Meralco shall be entitled to exercise its rights under Section 17.3.1. Notwithstanding the foregoing, the Parties may agree in writing to extend the Delay Limit Date.

17.6.3 Termination upon Non-Occurrence of Acceptance Date

Under the circumstance provided for under Section 13.2.2, Power Supplier shall have the right to terminate this Agreement upon sixty (60) days prior written notice to Meralco.

17.6.4 Termination on Expiry

This Agreement shall terminate on the last Day of the Term unless otherwise extended by the application of Section 2.2.2, or upon the mutual agreement of the Parties.

17.6.5 Termination Upon Mutual Agreement

This Agreement may be terminated at any time upon the mutual agreement of both Parties.

17.6.6 Termination in the Event of Certain Events of Force Majeure

If an Event of Force Majeure occurs under the circumstances and having the consequences described in Section 16.4 or Section 16.5, and the Parties have failed to agree on a solution satisfactory to each of the Parties prior to the lapse of the period of one hundred eighty (180) Days, then upon the lapse of such period, the Party not prevented from performing may terminate this Agreement upon sixty (60) Days' prior written notice thereof to the other Party.

17.6.7 Termination in the Event of Change in Circumstances

- (a) If a Change in Circumstances occurs under the circumstances and having the consequences described in Section 11.2(b) and the Parties have failed to agree on a solution satisfactory to each of the Parties, then the Power Supplier may terminate this Agreement upon sixty (60) Days' prior written notice to the other Party. Until termination occurs, the Parties shall continue to perform their respective obligations under this Agreement.
- (b) If a Change in Circumstances occurs under the circumstances and having the consequences described in Section 11.2(c) and the Parties have failed to agree on a solution satisfactory to each of the Parties, then the Party not affected by the Change in Circumstances may terminate this Agreement upon sixty (60) Days' prior written notice to the other Party. Until termination occurs, the Parties shall continue to perform their respective obligations under this Agreement.

17.6.8 Consequences of Termination

Upon any termination of this Agreement and without prejudice to Section 17.3 and Section 16.5, each Party shall cease to have any further obligations, responsibilities or liabilities hereunder, other than for such obligations or liabilities that have accrued prior to the date of termination hereof and remain undischarged as of the date of termination. In any case of termination, the invoice for the last Billing Period shall be due and payable notwithstanding.

17.7 Other Rights and Remedies

17.7.1 Upon the breach by either Party of any representations, warranties, covenants or obligations hereunder, the Party damaged by any such breach may, in its sole discretion, in addition to exercising any other remedies provided for hereunder, proceed in accordance with Article 19 to protect and enforce its rights, to recover any damages to which it may be entitled (including all costs and expenses reasonably incurred in the exercise of its remedy, but subject to the limitations in Section 15.5 and Section 17.3) or to seek specific performance by the other Party of such other Party's obligations under this Agreement.

17.7.2 Upon the occurrence of any Power Supplier Event of Default or Meralco Event of Default (as the case may be), the Party not in breach hereunder (the "**Non-Defaulting Party**") shall have the right to suspend the performance of its obligations under this Agreement until such Power Supplier Event of Default or Meralco Event of Default shall have been remedied to the satisfaction of the Non-Defaulting Party. During the period of suspension for a Power Supplier Event of Default, Meralco may purchase all of its electricity requirements from third parties, including the WESM; provided, however, that after the Power Supplier Event of Default shall have been remedied, the Power Supplier shall reimburse Meralco for the difference between the Price and the cost of Replacement Energy from third parties, including the WESM.

Article 18 Representations and Warranties

18.1 Representations and Warranties of Power Supplier

Power Supplier represents and warrants as of the date of this Agreement that:

18.1.1 Power Supplier is a corporation duly organized and validly existing under the Laws of the Philippines and has all requisite legal power and authority to execute this Agreement and to carry out the terms, conditions and provisions of this Agreement;

18.1.2 All legislative, administrative or other governmental action required to authorize the execution and delivery by Power Supplier of this Agreement have been taken and are in full force and effect;

18.1.3 This Agreement constitutes the valid, legal and binding obligation of Power Supplier, enforceable in accordance with the terms thereof except as the enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or other similar Laws affecting creditors' rights generally;

- 18.1.4 There are no actions, suits or proceedings pending or, to Power Supplier's knowledge, threatened, against or affecting Power Supplier before any court or administrative body or arbitral tribunal that might materially adversely affect (i) the validity, binding effect or enforceability of this Agreement, (ii) its ability to perform its obligations under this Agreement or (iii) the condition, financial or otherwise, business or operations of Power Supplier;
- 18.1.5 The execution, delivery and performance by Power Supplier of this Agreement have been duly authorized by all requisite corporate action, and will not contravene any provision of, or constitute a default under, any other agreement or instrument to which it is a party or by which it or its property may be bound;
- 18.1.6 Power Supplier is in compliance with all applicable Legal Requirements, except for any non-compliance that, individually or in the aggregate, could not reasonably be expected to have a material adverse effect on the business and/or financial condition of Power Supplier and/or its ability to fulfil its commitments and obligations under this Agreement; and
- 18.1.7 Power Supplier has the qualifications, capacity and abilities to perform its obligations hereunder, pursuant to and in accordance with this Agreement.

18.2 Representations and Warranties of Meralco

Meralco represents and warrants as of the date of this Agreement that:

- 18.2.1 Meralco is a corporation duly recognized and validly existing under the laws of the Philippines and has all requisite legal power and authority to execute this Agreement and to carry out the terms, conditions and provisions of this Agreement;
- 18.2.2 All legislative, administrative or other governmental action required to authorize the execution and delivery by Meralco of this Agreement have been taken and are in full force and effect;
- 18.2.3 This Agreement constitutes the valid, legal and binding obligation of Meralco, enforceable in accordance with the terms thereof except as the enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting creditors' rights generally;
- 18.2.4 There are no actions, suits or proceedings pending or, to Meralco's knowledge, threatened, against or affecting Meralco before any court or administrative body or arbitral tribunal that might materially adversely affect the validity, binding effect or enforceability of this Agreement;
- 18.2.5 The execution, delivery and performance by Meralco of this Agreement have been duly authorized by all requisite corporate action, and will not contravene any provision of, or constitute a default under, any other agreement or instrument to which it is a party or by which it or its property may be bound;
- 18.2.6 Meralco has the qualifications, capacity and abilities to perform its obligations hereunder, pursuant to and in accordance with this Agreement.

18.2.7 Meralco is or remains, by the Commercial Operations Date, a bona fide direct trading member of the Luzon WESM.

Article 19 Settlement of Disputes

19.1 Amicable Settlement

The Parties shall endeavour in the first instance to resolve any dispute, controversy, claim or difference of any kind whatsoever in connection with, or arising out of, this Agreement (including, without limitation, the breach, termination or validity of this Agreement) (a "**Dispute**") for a period of thirty (30) Days after the receipt by one Party of a written notice from the other Party of the existence of the Dispute, by mutual discussions between the Parties. To this end, on or before seven (7) Days after receipt of written notification that a Dispute exists, each of Power Supplier and Meralco shall designate in writing to the other a representative who shall be tasked to seek to resolve by an agreement between them any Dispute.

19.2 ERC Proceedings/Arbitration

19.2.1 Provided that the ERC has jurisdiction over a Dispute, any Dispute that is not resolved under Section 19.1 shall be referred to and shall be heard and resolved by the ERC in accordance with its rules on practice and procedure. Otherwise, the Dispute shall be finally resolved by binding arbitration under the Rules of Arbitration of the Philippine Dispute Resolution Center, Inc. ("**Arbitration Rules**") in force on the date of commencement of the arbitration, which Arbitration Rules are deemed to be incorporated by reference into this provision (save as otherwise provided for in this Article 19), by three (3) arbitrators (the "**Tribunal**") appointed under the Arbitration Rules. The place and seat of the arbitration shall be Pasig City, Philippines.

19.2.2 The Parties agree that the Tribunal shall not have the power to award damages inconsistent with Section 15.5 and Section 17.3.

19.2.3 Each Party shall appoint an arbitrator within thirty (30) Days of the commencement of an arbitration, and the two Party-appointed arbitrators shall, within thirty (30) Days after the date of this appointment of the second Party-appointed arbitrator, jointly appoint a third arbitrator who shall act as Chairman of the Tribunal. Any arbitrator not appointed within the time limits set forth in this provision shall be promptly appointed by the Philippine Dispute Resolution Center, Inc.

19.2.4 The arbitration shall be conducted in the English language and all documents submitted in connection with such proceeding shall be in the English language.

19.2.5 During the pendency of the ERC proceedings or arbitration under Section 19.2, Power Supplier, shall continue so long as payments are current to perform its obligations hereunder to make available and deliver Contract Capacity and Associated Energy and Meralco shall continue to pay all amounts due hereunder in accordance with the provisions of this Agreement.

Article 20 Assignment and Change of Control

20.1 Neither Party may assign this Agreement, in whole or part, without the prior written consent of the other Party (which consent shall not be unreasonably withheld); *provided*, however, that:

- (a) Power Supplier may, with prior written consent of Meralco, transfer, sell, pledge, encumber or assign this Agreement, and its rights and interests hereunder, including, but not limited to, the accounts, revenues or proceeds under this Agreement to or for the benefit of the lenders in connection with any financing for the construction of the Project or permanent or term financing or refinancing of the Project;
- (b) Power Supplier may, with prior written consent of Meralco (which consent shall not be unreasonably withheld or delayed), transfer or assign this Agreement, and its rights and interests hereunder to (a) an Affiliate with creditworthiness equal to or higher than that of Power Supplier and (b) any Person succeeding to all or substantially all of Power Supplier's assets with credit worthiness equal to or higher than that of Power Supplier. Power Supplier shall issue a written notice of such assignment within fifteen (15) days therefrom;
- (c) In the case of Meralco, Meralco may assign, transfer, designate, delegate or allocate (as determined by Meralco) such portion of Contract Capacity and Associated Energy in accordance with Section 9.2 of this Agreement.

Provided, further however, that for (a) and (b) above, any such assignee shall agree in writing to be bound by the terms and conditions of this Agreement, and upon any such assumption pursuant to paragraph (b) above, Power Supplier shall be relieved of any further liability hereunder.

20.2 Any actual, attempted or purported sale, assignment, novation or other transfer by a Party of any of its rights or obligations or interests in, under or pursuant to this Agreement that does not comply with the terms of this Article 20 shall be null, void and of no force or effect.

20.3 A Party shall promptly notify the other Party in writing in the event of any Change of Control of such Party (whether voluntary or by operation of Law).

Article 21 Miscellaneous

21.1 Language

All documents, notices, waivers and all other communications, written or otherwise, between the Parties in connection with this Agreement shall be in the English language.

21.2 Notices

Any notice or other communication to be given hereunder, shall be in writing and shall be sufficiently given if delivered by registered mail, courier or hand-delivered against written receipt or if transmitted and clearly received by facsimile transmission addressed as follows:

21.2.1 In the case of Meralco, to:

MERALCO
Lopez Building
Ortigas Avenue
Pasig City, Metro Manila
Philippines 0300

Attention: Chief Executive Officer
Facsimile: (63-2) 631-5590
Telephone: (63-2) 16220

With copy to:

MERALCO
4/F Technical Services Building
Ortigas Avenue
Pasig City, Metro Manila
Philippines 0300

Attention: Head - Energy Management
Facsimile: (63-2) 632-8683
Telephone: (63-2) 16226483

Attention: Head - Energy Sourcing
Facsimile: (63-2) 632-8643
Telephone: (63-2) 16226656

21.2.2 In the case of Power Supplier, to:

22/F, GT Tower International
6813 Ayala Ave. corner H.V. Dela Costa St.
Salcedo Village, 1227 Makati City
Philippines

Attention: Executive Vice President
Facsimile: (63-2) 464-1600
Telephone: (63-2) 464-1600

With copy to:

19/F, GT Tower International
6813 Ayala Ave. corner H.V. Dela Costa St.
Salcedo Village, 1227 Makati City
Philippines

Attention: Business Development and Commercial
Facsimile: (63-2) 414-1600
Telephone: (63-2) 414-1600

or sent to such other person by registered mail, courier or hand-delivery to such other address as any Party may designate for itself by notice given in accordance with this Section 21.2.2. Any such notice shall be deemed to have been received on the date of delivery.

21.3 Confidentiality

21.3.1 Each Party agrees that it will, and will ensure that its employees, officers and directors will, and will use best 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 Legal Requirements or a stock exchange when required by it, and (ii) financial institutions, bona fide potential purchasers, insurers and consultants and contractors whose duties reasonably require such disclosure; provided that, except for a bona fide disclosure to independent legal advisors and to the ERC in view of an ERC Application, such Party intending to make a disclosure of Confidential Information shall first have obtained an agreement in writing pursuant to which the person or entity to which Confidential Information is proposed to be disclosed agrees not to disclose the relevant Confidential Information to any other person for any purposes other than as contemplated in Section 21.3.

21.3.2 The restrictions in this Section 21.3 shall not apply, or shall cease to apply, to any part of the Confidential Information that:

- (a) is in the public domain other than by reason of a breach of Section 21.3.1;
- (b) was in the rightful possession of the recipient Party at or prior to the time of the disclosure; or
- (c) was obtained by the recipient Party in good faith from a third party entitled to disclose it.

21.4 Survival

The provisions of Article 15 shall survive termination of this Agreement. The restrictions contained in Section 21.3 shall survive for a period of two (2) years after the termination or expiry of this Agreement.

21.5 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.

21.6 Waiver

Neither Party shall be deemed to have waived any right under this Agreement, unless such Party shall have delivered to the other Party a written waiver signed by an authorized officer of such waiving Party. No delay or omission in the exercise of any power or remedy shall be construed to be a waiver of any default or acquiescence therein.

21.7 Amendment

This Agreement may be amended or modified only by a written instrument signed by each of the Parties.

21.8 Entire Agreement

21.8.1 This Agreement constitutes the entire agreement between Meralco and Power Supplier concerning the subject matter of this Agreement and supersedes any prior agreement, understanding, undertaking or arrangement between the Parties relating to the subject matter of this Agreement. All previous documents, undertakings and agreements, whether verbal, written or otherwise, between the Parties concerning the subject matter of this Agreement are hereby cancelled and shall not affect or modify any of the terms or obligations set out in this Agreement, except as the same may be made part of this Agreement in accordance with its terms, including the terms of any of the Appendices and/or the Schedules.

21.8.2 The Appendices and Schedules are hereby made an integral part of this Agreement and shall be fully binding upon the Parties.

21.8.3 In the event of any inconsistency between the text of the Articles of this Agreement, the Appendices and the Schedules hereto, the text of the Articles of this Agreement shall be controlling. If any such inconsistency shall become apparent, Meralco and Power Supplier shall consult to resolve the inconsistency in a manner consistent with the foregoing.

21.8.4 The Parties acknowledge and agree that by entering into this Agreement, they do not rely on any statement, representation, assurance or warranty of any Person (whether a party to this Agreement or not and whether made in writing or not) other than as expressly set out in this Agreement.

21.9 Further Acts and Assurances

Each of the Parties agrees to execute and deliver all such further instruments, and to do and perform all such further acts and things, as shall be reasonably necessary or convenient to carry out the provisions of this Agreement.

21.10 Third Party Rights

This Agreement shall not confer any right, benefit or cause of action whatsoever in favor of any Person who is not a Party to this Agreement.

21.11 Expenses

Except as otherwise provided in this Agreement, each Party shall pay its own costs and expenses (including, without limitation, the fees and expenses of its agents, representatives, advisors, counsel and accountants) necessary for the negotiation, preparation, execution, delivery, performance of and compliance with this Agreement.

21.12 Warranty Against Corruption

Each Party represents and warrants to the other that it and authorized agents have complied with all Laws dealing with corrupt or illegal payments, gifts, or gratuities, including Republic Act No. 3019 (the Anti-Graft and Corrupt Practices Act). Each Party agrees not to (and to cause its authorized agents not to) in connection with the activities contemplated by this Agreement pay, promise to pay, seek, accept, or authorize the payment of any money or anything of value, directly or indirectly, to any person or entity (whether a governmental official or private individual) for the purpose of illegally or corruptly influencing any governmental employee or official, any political party or official thereof or any candidate for political office. Furthermore, each Party agrees that in connection with this Agreement and the activities contemplated hereby, it and its authorized agents will not take any action, or fail to take any action, which act or failure to act would subject the other Party to liability under the laws of the Philippines dealing with corrupt payments. Each Party agrees to indemnify the other Party from and against any loss, liability or damage (including reasonable attorney's fees) arising from or relating to such Party's breach of its representations, warranties, and obligations under this Section 21.12. Each Party represents and warrants to the other that prior to the date of this Agreement, it and its authorized agents have not taken any action in contravention of the foregoing in connection with the subject matter hereof.

21.13 Counterparts

This Agreement may be entered into in any number of counterparts and by the Parties to it on separate counterparts, and each of the executed counterparts, when duly exchanged or delivered, shall be deemed to be an original, but taken together, they shall constitute one and the same instrument, provided that this Agreement shall be effective only on the date of the signature of the last signing Party.

21.14 No Partnership

Nothing contained in this Agreement shall be construed to create an association, partnership or joint venture, or impose a trust or partnership duty, obligation or liability on or with regard to either Party, or to create any duty, standard of care or liability to any person or entity not a Party to this Agreement.

21.15 Governing Law

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

21.16 Independent Engineer

The Parties agree that there shall be an independent firm of engineers of international reputation (the “**Independent Engineer**”) that shall act in an independent fashion to witness and evaluate testing and make other certifications based on its evaluations for purposes of establishing compliance with requirements under this Agreement. The Parties agree that the following independent firms of engineers (or their successors or Affiliates) qualify as capable engineers:

Poyry Energy Inc.

Mott MacDonald

SAIC Energy, Environment & Infrastructure LLC

PB Power

Sargent & Lundy

Stone & Webster

Burns & Roe

Connell Wagner

GHD Pty Ltd.

Fichner GmbH

Sinclair Knight Merz

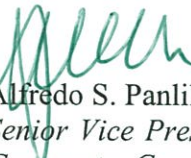
Within sixty (60) Days from Effective Date, Power Supplier shall appoint one or more of the above listed engineering firms to act in the capacity of Independent Engineer. Prior to the appointment of the Independent Engineer, Power Supplier shall send a written notice to Meralco indicating a short-list of the Independent Engineers it intends to appoint. Within ten (10) days from receipt of such notice, Meralco shall send a written reply (i) confirming that any of the short-listed Independent Engineers are acceptable to Meralco, or (ii) objecting to the appointment of any or all the short-listed Independent Engineers with a statement of the reason for such objection on grounds of conflict of interest stating the nature of the conflict. In the event of a valid objection under item (ii) above, the Power Supplier shall provide for Meralco's consideration, a substitute short-list of Independent Engineers.

Except as otherwise provided in this Agreement, Power Supplier shall bear all costs and expenses associated with the Independent Engineer, provided that Power Supplier shall be entitled to review and approve any requests by Meralco for work by the Independent Engineer, such that it can control the budgeted cost of the Independent Engineer. If in the Power Supplier's opinion, the firm acting as Independent Engineer should be replaced, the Power Supplier shall be free to appoint as the replacement Independent Engineer any firm from the above list.

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

MANILA ELECTRIC COMPANY

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

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

WITNESSED BY:

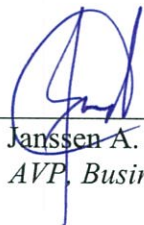
By: 
Name: Ciprinilo C. Meneses
Title: *AVP & Head, Energy Sourcing*

PANAY ENERGY DEVELOPMENT CORPORATION

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

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

WITNESSED BY:

By: 
Name: Janssen A. Dela Cruz
Title: *AVP, Business Development*

ACKNOWLEDGMENT

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

BEFORE ME, a Notary Public for and in Pasig City, Philippines, this
APR 26 2016, personally appeared:

Name	Personal Identification	Date/Place Issued
MANILA ELECTRIC COMPANY <i>Represented by:</i>		
Ronnie L. Apercho	Passport ID with No. EB5654502	June 15, 2012/Manila
Alfredo S. Panlilio	Passport ID with 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 54 pages, including this page on which this Acknowledgment is written, and Appendices A to G, which are attached to this Power Supply Agreement, and all pages have been signed by the instrumental witnesses of the parties 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: 184 ;
Page No: 38 ;
Book No: IV ;
Series of 2016.



ATTY. CARMEN GRACE S. RAMOS

NOTARY PUBLIC

Pasig, Pateros, Taguig & San Juan

Issued on July 13, 2015 at Pasig City

until December 31, 2016

Roll No. 55945; IBP No. 1023723; 01/08/16; RSM Chapter

PTR No. 1473409; 01/21/16; Pasig City

7th Floor, Lopez Bldg., Ortigas Ave., Pasig City

ACKNOWLEDGMENT

REPUBLIC OF THE PHILIPPINES)
_____ CITY **PASIG CITY**

BEFORE ME, a Notary Public for and in **PASIG CITY**, Philippines,
this APR 26 2016, personally appeared:

Name	Personal Identification	Date/Place Issued
PANAY ENERGY DEVELOPMENT CORPORATION <i>Represented by:</i>		
Rolando T. Bacani	Passport ID with No. EB3937439	Oct. 25, 2011/Manila
Jaime T. Azurin	Passport ID with No. EC3880797	Apr. 8, 2015/NCR South

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

This instrument consists of 54 pages, including this page on which this Acknowledgment is written, and Appendices A to G, which are attached to this Power Supply Agreement, and all pages have been signed by the instrumental witnesses of the parties 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.

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PTR No. 1473409; 01/21/16; Pasig City
7th Floor, Lopez Bldg., Ortigas Ave., Pasig City

Appendix A
PLANT DESCRIPTION and SITE LOCATION

1. PLANT DESCRIPTION

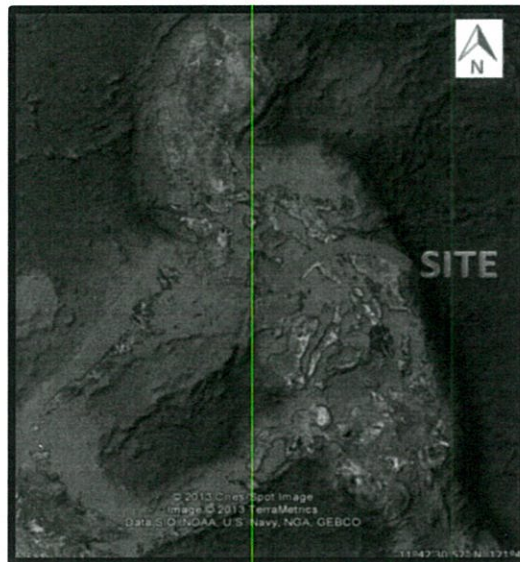
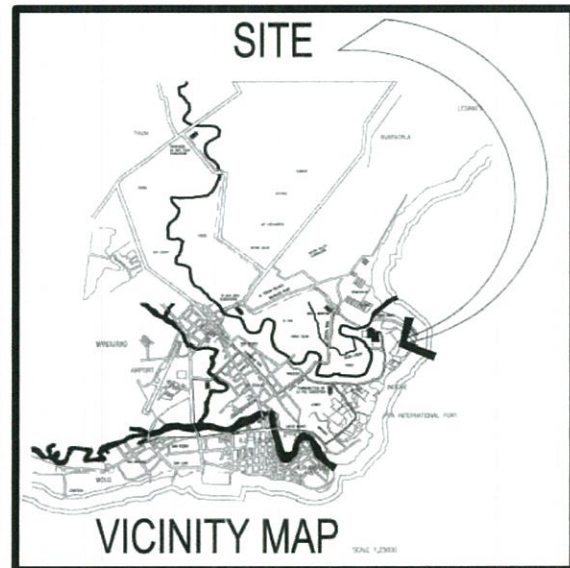
Project Name	PEDC 1x150MW Unit 3 Power Plant Expansion Project
Project Location	Barangay Ingore, La Paz, Iloilo City
Total Project Land Area	Approx. 9 ha

Technical Specification

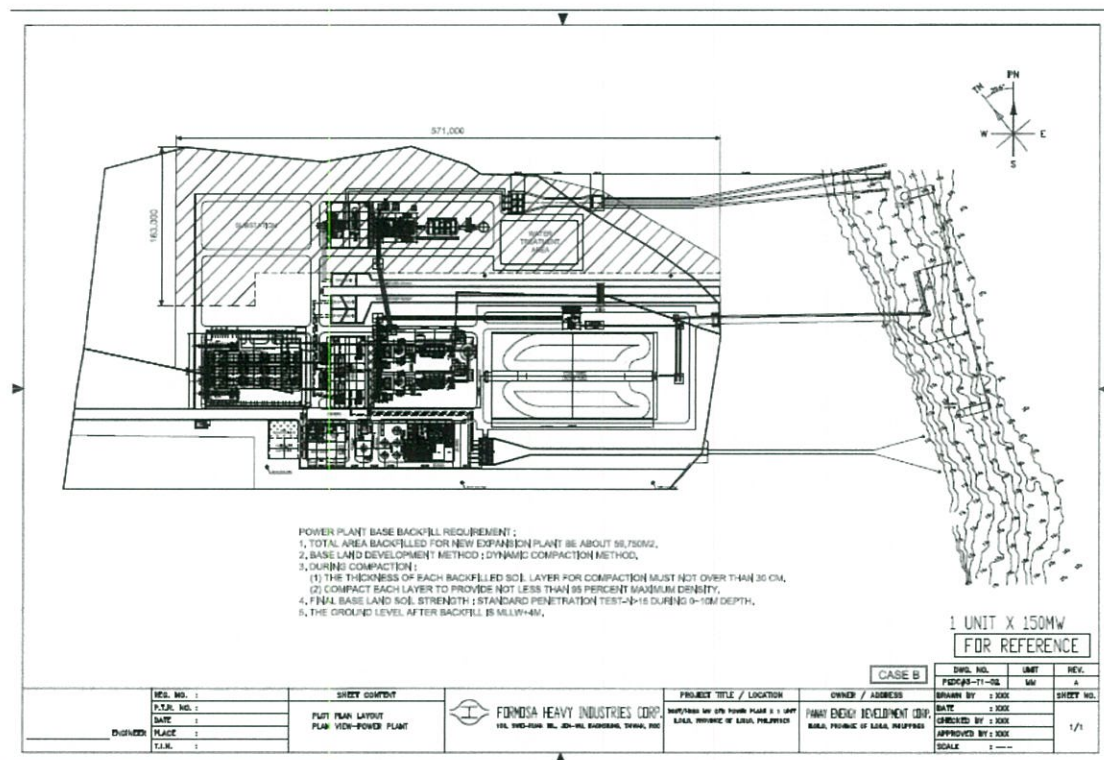
- **Boiler** Circulating fluidized bed, single drum, natural circulation, water cooled furnace, steam cooling backpass with horizontal coil superheater and economizer, balanced draft, top supported and outdoor type. Capacity at maximum 520 T/H x 126.5 bar (g) x 541 +/- 5°C. Normal stable load range, 40 – 100% MCR
- **Steam turbine** Single casing, multi-stage, impulse type, non-reheat, full-condensing. Live steam condition 520 T/H x 122.5 bar(g) x 538°C
- **Generator** Total enclosure air cooled type, 0.85 lagging power factor, 3600 rpm rated speed, 60Hz, rated capacity 150MW (gross), 13.8kV terminal voltage and class F insulation.
- **Cooling System** Seawater cooling system
- **Boiler Feedwater** De-salinated, demineralized water system
- **Coal Handling** Closed conveyor transport, closed coal yard
- **Emission** (based on 6% O₂ in dry exhaust gas at stack inlet) Particulate Matter ~ 50 mg/Nm³, NO_x ~ 312 mg/Nm³ (150 ppm), SO_x ~ 285 mg/Nm³ (100 ppm), CO~ 500 mg/Nm³, Opacity~ 15%
- **Main Transformer** The generated voltage of 13.8 KV is stepped up and fed to the 138 KV by a step-up transformer. The transformer is rated as follows: 180 MVA, Two windings, three phase 60 Hz, ONAN/ONFA cooling method, 138 KV, star connected(neutral brought out), 13.8 KV, delta connected, Outdoor type
- **Plant net capacity** 131 MW
- **Equipment Supplier and EPC Contractor** FHI Corporation

2. SITE LOCATION

Site Address : Brgy., Ingore, La Paz, Iloilo City



3. SITE LAYOUT AREA



Appendix B
TECHNICAL LIMITS

1 DEFINITIONS

All capitalized terms used herein shall have the meaning given to them in Article 1 of this Agreement, except as otherwise defined herein.

2 TECHNICAL LIMITS

Technical Parameter	Technical Limit
Design capacity (in MW)	Rated output 150 MW (gross)
Frequency Limits (Hertz)	60 Hz +/- 2.5%
Voltage Limits (kV)	Substation: 138 kV +/- 5% Generator: 18 kV +/- 5.0%
Reactive Power	Generator Lead side: -76.9MVAR (at PF=0.9) Lag side: 93.0 MVAR (at PF=0.85)
Grid System Fault Level	To be confirmed by NGCP
Critical Fault detection and Clearing Time Limits	To be confirmed by NGCP
Start-up times (in minutes)* (Times from light off) a. Ambient Cold Start (time required for Boiler hot clean - up is not included) b. Cold Start c. Warm Start d. Hot Starts	
Dispatch Ramp Rates* (MW/min) a) Hot condition b) Warm condition c) Cold condition d) Ambient cold condition	T/G ramping rate 1.8 MW/min from 50% loading to 100% loading
Pmin (in MW gross) (as registered with the WESM)	Start to feed coal when furnace bed temperature reaches 600°C, but oil burner support. Coal firing when furnace bed temperature reaches 700°C, without oil burner support.

**Startup times and ramp rate values are design targets to be confirmed at Commercial Operations Date*

Appendix C
DOCUMENTS TO BE DELIVERED BY THE PARTIES

PART ONE: Documents to be Delivered by Power Supplier to Meralco

1. Latest Articles of Incorporation, By-Laws and Certificate of Incorporation (or other constitutional document) of Power Supplier.
2. Resolution of the board of directors of Power Supplier, approving the terms of, and authorizing the performance of the transactions contemplated by, this Agreement and resolving that it executes, sign and deliver this Agreement and all other documents in connection therewith.
3. Certificate from an authorized representative of the Power Supplier certifying that each copy document specified in this Part 1 of Appendix C relating to the Power Supplier is correct, complete, and in full force and effect as of Effective Date.
4. A certificate dated no earlier than two (2) Days prior to the Effective Date from the Power Supplier in favour of Meralco that the representations and warranties of Power Supplier contained in this Agreement are true and correct and shall remain true and correct in all material respects on and as of the Effective Date.

PART TWO: Documents to be delivered by Meralco to Power Supplier

1. Latest Articles of Incorporation, By-Laws and Certificate of Incorporation (or other constitutional document) of Meralco.
2. Resolution of the board of directors of Meralco approving the terms of, and authorizing the performance of the transactions contemplated by, this Agreement and resolving that it execute, sign and deliver this Agreement and all other documents in connection therewith.
3. Certificate from an authorized representative of Meralco certifying that each copy document specified in this Part 2 of Appendix C relating to Meralco is correct, complete and in full force and effect as of the Effective Date.
4. A certificate dated no earlier than two (2) Days prior to the proposed Effective Date from Meralco in favor of Power Supplier that the representations and warranties of Meralco contained in this Agreement are true and correct and shall remain true and correct in all material respects on and as of the Effective Date.
5. Copy of Certificate of Public Convenience and Necessity.

PART THREE: Documents to be provided by Power Supplier to Support ERC Application

1. Articles of Incorporation, By-Laws and Certificate of Incorporation of Power Supplier
2. SEC Certificate of Registration of the said Articles
3. Latest General Information Sheet of Power Supplier

4. Certificate of Registration of Power Supplier with the BOI, if available.
5. Environmental Compliance Certificate issued by the DENR to Power Supplier [or Application to DENR]
6. Information required by ERC from Power Supplier:
 - a. Expectations of Sources of Funds/Financial Plans
 - (i) Debt/Equity Ratio
 - (ii) Project Cost
 - (iii) Annual Interest
 - (iv) Computation of ROI/WACC
 - (v) Bank/Lending Institution letter specifying the expected principal amortization, term and interest
 - b. Purchased Power Rate
 - (i) Breakdown of the base price expectations and assumptions of Operation and Maintenance, Capacity Fee, Fixed Operating Fee, Variable Operating Fee, and Energy Fee (provide computations)
 - (ii) Sample computation of power rates with the supporting documents on the assumptions taken
 - (iii) If applicable, basis/rationale of indexation and estimated levels of indexation
 - c. Cash Flow specifying estimates of the following:
 - (i) Initial costs and
 - (ii) Breakdown of Operating and Maintenance Expenses
 - (iii) Details on the procurement process of fuel including requests for proposals, proposals received, and ranking of proposal terms, etc.
7. Copy of agreements related to the construction, development, operation, and maintenance of the Plant (i.e. Transmission Service Agreement, Interconnection Agreement, Fuel Supply Agreement, etc., if available and, in any case, with commercially sensitive information redacted or omitted).



Appendix D
CALCULATION OF PAYMENT

1. DEFINITIONS

All capitalized terms used herein shall have the meanings given to them in Article 1 of this Agreement except as otherwise defined herein.

Full Load Equivalent Force Majeure Days Taken means the duration in Days that an Event of Force Majeure that results in (a) any 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) any automatic shutdown of any part of the Plant; or (c) any other unavailability of the Plant for operation, and in each of (a), (b) and (c), stated on a full load equivalent basis. By way of example but not by way of limitation, a Full Load Equivalent Force Majeure Day Taken is the equivalent of (i) the entire Contract Capacity of the Plant being unavailable for one (1) Day due to an Event of Force Majeure, or (ii) one-half of the Contract Capacity of the Plant being unavailable for two (2) Days due to an Event of Force Majeure.

2. PAYMENT UPON OPERATIONS EFFECTIVE DATE

The payment to be made in each Billing Period during the Term for Contract Capacity and Associated Energy shall consist of a Capacity Payment and Energy Payment. The Capacity Payment consists of Component A (MCP), and Component B (MFOM), and the Energy Payments consists of Component C (MFP), and Component D (MVOM). Other payment consist of Component E (REP), Component F (LR) and Component G (VAT). Thus, the Monthly Power Bill ("MPB") payment for Contract Capacity and Associated Energy for each Billing Period shall be equal to:

$$\text{MPB} = \text{MCP} + \text{MFOM} + \text{MFP} + \text{MVOM} + \text{REP} - \text{LR} + \text{VAT}$$

A sample calculation of the payment is set forth in Schedule 2 of this Appendix D.

Capacity Payments

A. Monthly Capital Recovery Payment

MCP shall cover the Monthly Capacity Recovery Fee for the Billing Period calculated as follows:

$$\text{MCP} = \text{DCP} * \text{CC} * \text{EDAM}$$

Where:

MCP = the Monthly Payment for Contract Capacity for the Billing Period (in PHP)

DCP = the Daily Capacity Payment, (in PHP/kW-day), calculated as:

$$\text{DCP} = \text{CYF} * \text{ACF} / \text{TEDA}$$

Where:

ACF = Annual Capacity Fee, (in PHP/kW-year), set forth
in Schedule 1 of this Appendix D

CYF = Contract Year Factor calculated as:

CYF = CYD / 366 (for the Contract Years
containing February 29)

CYF = CYD / 365 (for the Contract Years not
containing February 29)

Where:

CYD = number of days in the relevant
Contract Year.

TEDA = the Target Full Load Equivalent Days of Availability, (in days),
for the Contract Year as determined as the number of days in the
Contract Year less the sum of the (i) Full Load Equivalent
Scheduled Outage Allowance Days plus (ii) Full Load
Equivalent Forced Outage Allowance Days. By formula,

Where:

TEDA = CYF * 366 - (SOA + FOA) (for the Contract
Years containing February 29)

TEDA = CYF * 365 - (SOA + FOA) (for the Contract
Years not containing February 29)

Where:

CYF = as previously defined

SOA = Full Load Equivalent Scheduled Outage
Allowance Days, (in days) calculated as:

$$\text{SOA} = \text{CYF} * \text{BSOA}$$

Where:

CYF = as previously defined

BSOA = Base Full Load Equivalent

Scheduled Outage
Allowance (in days) for
the period as set forth in
Schedule 1 of this
Appendix D

FOA = Full Load Equivalent Forced Outage Allowance
Days, (in days), calculated as:

$$FOA = CYF * BFOA$$

Where:

CYF = as previously defined

BFOA = Base Full Load Equivalent
Forced Outage Allowance
(in days) for the period as
set forth in Schedule 1 of
this Appendix D

CC = as defined in Article 1.

EDAM = the Full Load Equivalent Days of Availability, (in days),
achieved in the relevant Billing Period during Days in the Billing
Period, calculated as:

- (1) Gross Full Load Equivalent Days of Availability
(GEDAM),
- (2) Plus Adjustment in Availability Days for Forced Outage
Days or Scheduled Outage Days in excess of FOA and
SOA, respectively (AADE),
- (3) Less Adjustment in Availability Days of Unutilized FOA
and SOA (AADU)

By formula:

$$EDAM = GEDAM + AADE - AADU$$

Where:

GEDAM = the Gross Full Load Equivalent Days of Availability,
(in days) achieved in the relevant Billing Period during Days in
the Billing Period, calculated as the number of Days in the
Billing Period, less the Full Load Equivalent Scheduled Outage
Days Taken, less the Full Load Equivalent Forced Outage Days
Taken, less the Full Load Equivalent Force Majeure Days Taken,
during the Billing Period. By formula:

$$GEDAM = BPD - SOT_M - FOT_M - FMT_M$$

Where:

BPD = the number of Days in the Billing Period

SOT_M = the Full Load Equivalent Scheduled Outage Days Taken (in days) during the Billing Period

FOT_M = the Full Load Equivalent Forced Outage Days Taken (in days) during the Billing Period

FMT_M = the Full Load Equivalent Force Majeure Days Taken (in days) during the Billing Period

AADE = Adjustment in Availability Days for Forced Outage Days in excess of FOA, or Scheduled Outage Days in excess of SOA, calculated as:

$$AADE = FOE_M + SOE_M$$

Where:

FOE_M = FOT_M in excess of FOA, wherein,

- i. If $(FOT_A \geq FOA)$ and $[(FOT_A - FOA) \geq FOT_M]$,

then:

$$FOE_M = FOT_M \text{ (in days)}$$

- ii. If $(FOT_A \geq FOA)$ and $[(FOT_A - FOA) < FOT_M]$,

then:

$$FOE_M = FOT_A - FOA \text{ (in days)}$$

- iii. If $(FOT_A < FOA)$,

then:

$$FOE_M = 0$$

Where:

FOA = as previously defined

FOT_A = Cumulative Full Load Equivalent Forced Outage Days Taken for the Contract Year as of the relevant Billing Period

FOT_M = as previously defined

SOE_M = SOT_M in excess of SOA, wherein,

- i. If (SOT_A ≥ SOA) and [(SOT_A - SOA) ≥ SOT_M],

then:

$$SOE_M = SOT_M \text{ (in days)}$$

- ii. If (SOT_A ≥ SOA) and [(SOT_A - SOA) < SOT_M],

then:

$$SOE_M = SOT_A - SOA \text{ (in days)}$$

- iii. If (SOT_A < SOA),

then:

$$SOE_M = 0$$

Where:

SOA = as previously defined

SOT_A = Cumulative Full Load Equivalent Forced Outage Days Taken for the Contract Year as of the relevant Billing Period

SOT_M = as previously defined

AADU = Adjustment in Availability Days due to unutilized FOA, and SOA wherein:

- i. If (EDA_{A(M-1)} + GEDA_M) ≥ (TEDA - FMT_A),

then:

$$AADU = [(EDA_{A(M-1)} + GEDA_M) - (TEDA - FMT_A) \text{ (in days)}]$$

ii. If $(EDA_{A(M-1)} + GEDA_M) < (TEDA - FMT_A)$,

then:

$$AADU = 0$$

Where:

$EDA_{A(M-1)}$ = the Cumulative Full Load Equivalent Days of Availability for the Contract Year at the end of the previous Billing Period.

$GEDA_M$ = as previously defined

FMT_A = the Cumulative Full Load Equivalent Force Majeure Days Taken for the Contract Year as of the relevant Billing Period, calculated as the sum of all FMT_M for the current Contract Year.

$TEDA$ = as previously defined

With respect to FOT_M , SOT_M , and FMT_M , Full Load Equivalent Days shall be computed in accordance with Schedule 5 of this Appendix D.

B. Monthly Fixed O&M Payment

MFOMP shall cover the Fixed O&M Payment of each Unit of the Plant in Philippine Pesos for the Billing Period and shall be calculated based on the following formula:

$$MFOM = MFOM_{USD} + MFOM_{PHP}$$

Where:

$MFOM$ = the Monthly Fixed O&M Payment for the Billing Period (in PHP)

$MFOM_{USD}$ = the escalating USD denominated portion of the Monthly Fixed O&M Payment for the Billing Period (in PHP), calculated as:

$$MFOM_{USD} = \frac{DFOM_{USD} * (USCPI_c / USCPI_b) * CC * EDA_M * FX}{1}$$

Where:

$DFOM_{USD}$ = the Daily Fixed O&M Fee – USD denominated portion, (in USD/kW-day), calculated as:



$$DFOM_{USD} = CYF * AFOM_{USD} / TEDA$$

Where:

CYF = as previously defined

AFOM_{USD} = Annual Fixed O&M Fee – USD denominated portion, (in USD/kW-year), set forth in Schedule 1 of this Appendix D

TEDA = as previously defined

USCPI_c = the US Consumer Price Index for All Items (1982-84=100) for the calendar month prior to the current Billing Period for which the invoice is being prepared, as published by U.S. Bureau of Labor Statistics, www.bls.gov.

USCPI_b = the US Consumer Price Index for All Items (1982-84=100) as published by the US Bureau of Labor Statistics and indicated in Schedule 1 of Appendix D.

CC = as previously defined.

EDAM = as previously defined.

FX = the selling rate for USD in PHP as announced by the Bangko Sentral ng Pilipinas (www.bsp.gov.ph/statistics/sdds/ExchRate.htm), on the date three Business Days immediately preceding the Payment Date, as defined in Appendix I, (Invoicing and Payment Procedures) by Meralco of the relevant invoice issued by the Power Supplier.

MFOM_{PHP} = the escalating PHP denominated portion of the Monthly Fixed O&M Payment for the Billing Period (in PHP), calculated as:

$$MFOM_{PHP} = DFOM_{PHP} * (PCPI_c / PCPI_b) * CC * EDAM$$

Where:

$DFOM_{PHP}$ = the Daily Fixed O&M Fee –
escalating PHP denominated
portion (in PHP/kW-day),
calculated as:

$DFOM_{PHP} = CYF * AFOM_{PHP} / TEDA$

Where:

CYF = as previously
defined

$AFOM_{PHP}$ = Annual Fixed
O&M Fee – USD
denominated
portion, (in
USD/kW-year),
set forth in
Schedule 1 of this
Appendix D

$TEDA$ = as previously
defined

$PhCPI_c$ = the Philippine Consumer Price Index
for All Income Households in the
Philippines – All Items (2006=100) for
the calendar month prior to the current
Billing Period for which the invoice is
being prepared

$PhCPI_b$ = Base Philippine Consumer Price Index
for All Income Households in the
Philippines – All Items set forth in
Schedule 1 of this Appendix D

CC = as previously defined.

$EDAM$ = as previously defined.

Energy Payments

C. Monthly Fuel Payment

Monthly Fuel Payment for the Billing Period calculated as follows:

$$MFP = (FP / 1000) * \text{Consumption Rate} * FX * AE$$

Where:

MFP = the Monthly Fuel Payment for the Billing Period (in PHP) calculated as the sum of Fuel Payments for all Trading Intervals within the relevant Billing Period.

Where:

FP = the Fuel Payment (in PHP), calculated as:

$$FP = (BCP) * (NEWC_c / NEWC_b) + TC$$

Where:

BCP = Base Coal Price set forth in Schedule 1 of this Appendix D

NEWC_c = Preceding quarter's average coal price for 6,700 kcal/kg ADB per the Global Coal Newcastle Physical Trading Index, www.globalcoal.com (in USD/MT)

NEWC_b = Base Newcastle Index set forth in Schedule 1 of this Appendix D

TC = Transport Cost which is the cost of freight, insurance, brokerage, taxes and other costs (in USD/MT)

Consumption Rate = actual consumption rate of the plant as set forth in Schedule 3 of this Appendix D, stated in kg/kWh. Load factor (LF), expressed in %, shall be calculated and rounded off to the nearest two decimal number.

FX = as previously defined

AE = as previously defined

D. Monthly Variable O&M Payment

Monthly Variable O&M Payment for the Billing Period calculated as follows:

$$MVOM = VOM * (PhCPI_c / PhCPI_b) * AE * FX$$

Where:

MVOM = the total Variable Operation and Maintenance Payment (in PHP) for the relevant Billing Period

VOM	= the base Variable O&M Fee, (in PHP/kWh) as set forth in Schedule 1 to this Appendix D
PhCPI_c	= as previously defined.
PhCPI_b	= as previously defined.
AE	= as previously defined.
FX	= as previously defined

Other Payments

E. Replacement Energy prior to Commercial Operations Date (REP)

In the event that Power Supplier has provided Replacement Power during a period of unexcused delay of the Commercial Operations Date, the Replacement Energy Payment (REP) shall be calculated as follows:

$$REP = REP_{USD} + REP_{PHP}$$

Where:

REP = the total payment for Replacement Energy for the relevant Billing Period.

REP_{USD} = the total payment for Replacement Energy – USD denominated portion for the Billing Period, calculated as:

$$REP_{USD} = [(AFOM_{USD} + VOM * USCPI_c / USCPI_b * FX / 8760) * \Sigma RPQ] + \Sigma FP_h$$

Where:

AFOM_{USD}	= as previously defined
VOM	= as previously defined
USCPI_c	= as previously defined
USCPI_b	= as previously defined
FX	= as previously defined
RPQ	= Replacement Energy Quantity provided by the Power Supplier after the Scheduled Commercial Operations Date but before the Commercial Operations Date. Replacement Energy Quantity for every Trading Interval in which the WEP is higher than CEC, shall be the Meralco nominated quantity less Commissioning Energy. For other Trading Intervals, RPQ equals zero.
FP_h	= as previously defined; for energy payments under this Section 7.5, FP shall be calculated based on RPQ.

REP_{PHP} = the total payment for Replacement Energy – PHP denominated portion for the Billing Period, calculated as:

$$REP_{PHP} = [(ACF + AFOM_{PHP} * PhCPI_c / PCPI_b) / 8760] * \Sigma RPQ$$

Where:

ACF = as previously defined

$AFOM_{PHP}$ = as previously defined

$PhCPI_c$ = as previously defined

$PCPI_b$ = as previously defined

RPQ = Replacement Power Quantity provided by the Power Supplier after the Scheduled Commercial Operations Date but before the Commercial Operations Date. Replacement Power Quantity for every Trading Interval in which the WEP is higher than CEC, shall be the Meralco nominated quantity less Commissioning Energy. For other Trading Intervals, RPQ equals zero.

F. Line Rental Adjustment

LR shall cover the cost of Line Rental Adjustment for the Billing Period, calculated as follows:

If $(\Sigma LR \text{ hourly}) > (AE \times 0.30 \text{ PhP/kWh})$,

$$LR = (\Sigma LR \text{ hourly}) - (AE \times 0.30 \text{ PhP/kWh})$$

else,

$$LR = 0.$$

Where:

$\Sigma LR \text{ hourly}$ = summation of hourly line rental charges based on the PEMC issued billing

AE = as previously defined

G. VAT Payment

VAT is any value-added tax imposed on Power Supplier for Contract Capacity and Associated Energy and Replacement Power in accordance with Philippine tax Laws.

SCHEDULE 1

BASE RATES

Contract Capacity	CC	kW	70,000
Annual Capital Recovery Fee	ACF	Php/kW-year	12,431.0835
Annual Fixed O&M Fee (PHP)	AFOM _{PHP}	PHP/kW-year	2,821.9067
Annual Fixed O&M Fee (USD)	AFOM _{USD}	US\$/kW-year	28.9021
Variable O&M Fee (USD)	VOM	US\$/kW-hour	0.0025
Base Coal Price	BCP	US\$/MT	38.0000
Base Newcastle Index	NEWC _b	US\$/MT	53.0000
Base US CPI _b (1982-84=100) (Feb 2016)	USCPI _b		237.111
Base PhCPI _b (2006=100) (Feb 2016)	PhCPI _b		142.900
Base Full Load Equivalent Scheduled Outage Allowance Days	BSOA	Days	30.00
Base Full Load Equivalent Forced Outage Allowance Days	BFOA	Days	15.00

SCHEDULE 2 SAMPLE CALCULATIONS

Agreed Values

Contract Capacity (CC)	kW	70,000
Annual Capacity Fee(ACF)	PHP/kW-year	12,431.0835
Annual Fixed O&M Fee (AFOM _{USD})	USD/kW-year	28.9021
Annual Fixed O&M Fee (AFOM _{PHP})	PHP/kW-year	2,821.9067
Variable O&M Fee (VOM)	USD/kWh	0.0025
Base Coal Price (BCP)	USD/MT	38.00
Base Newcastle Index (NEWC _b)	USD/MT	53.00
Scheduled Outage Allowance (SOA)	Days	30.00
Forced Outage Allowance (FOA)	Days	15.00
USCPI _b	(1982-84=100)	237.111
PhCPI _b	(2006=100)	142.900

Assumed Values

Contract Year		2017
Days in the Contract Year		365
Billing Period	March 26, 2017 - April 25, 2017	
Billing Period Days	Days	31
AE	kWh	41,664,000.00
Scheduled Outage Taken (SOT _M)	Days	0.00
Forced Outage Taken (FOT _M)	Days	0.00
USCPI _c	(1982-84=100)	240.000
PhCPI _c	(2006=100)	145.000
NEWC _c	USD/MT	50.38
TC	USD/MT	5.90
FX	PHP/USD	46.07
Consumption Rate @ 80% LF	kg/kWh	0.6511
Line Rental Adjustments (LR)	PHP	0.00

Component A - MONTHLY CAPACITAL RECOVERY PAYMENT

$$MCP = DCP * CC * EDA_M$$

1. Calculation of Capacity Fees for each Full Load Equivalent Day Available

$$TEDA = \text{Days in the Contract Year} - SOA - FOA$$

$$= 365 - 30 - 15$$

$$= 320$$

$$DCP = CYF * ACF / TEDA$$

$$= 1 * 12,431.08 / 320$$

$$= 38.8471$$

2. Contract Capacity (kW)

$$= 70,000$$

3. Calculation of Full Load Equivalent Days Availability (EDA_M) - Refer to Schedule 3

$$EDA_M = 31$$

$$MCP = DCP * CC * EDA_M$$

$$= 38.847136 * 70000 * 31$$

$$MCP = \text{PHP } 84,298,284.98$$

Component B - MONTHLY FIXED O&M PAYMENT

$$MFOM = MFOM_{USD} + MFOM_{PHP}$$

1. Calculation of FOM Fees in US Dollar escalating per Billing Period

$$DFOM_{USD} = \text{Annual FOM Fee} / \text{TEDA}$$

$$= 28.90 / 320$$

$$= 0.0903$$

2. Calculation of US CPI escalation factors

$$USCPI_c / USCPI_b = 240 / 237.111$$

$$= 1.012184$$

$$MFOM_{USD} = DFOM_{USD} * USCPI_c / USCPI_b * CC * EDA_M * FX$$

$$= 0.0903 * 1.0122 * 70,000 * 31 * 46.07$$

$$= \text{PHP } 9,139,383.61$$

3. Calculation of FOM Fees in PHP Peso escalating per Billing Period

$$DFOM_{PHP} = \text{Annual FOM Fee} / \text{TEDA}$$

$$= 2,821.91 / 320$$

$$= 8.8185$$

2. Calculation of PH CPI escalation factors

$$PCPI_i / PCPI_o = 145 / 142.9$$

$$= 1.014696$$

$$MFOM_{PHP} = DFOM_{PHP} * PhCPI_c / PhCPI_b * CC * EDA_M$$

$$= 8.8185 * 1.0147 * 70,000 * 31$$

$$= \text{PHP } 19,417,270.45$$

$$MFOM = \text{PHP } 28,556,654.06$$

Component C - MONTHLY FUEL PAYMENT

$$MFP = (FP/1000) * \text{Consumption Rate} * FX * AE$$

1. Calculation of Fuel Payment in USD

$$FP = (BCP) * (NEWC_c / NEWC_b) + TC$$

$$= 38.00 * (50.38 / 53.00) + 5.90$$

$$= 42.02$$

$$\text{MFP} = (\text{FP}/1000) * \text{Consumption Rate} * \text{FX} * \text{AE}$$

$$= (42.02 / 1,000) * 0.65 * 46.07 * 41,664,000.00$$

$$\text{MFP} = \text{PHP } 52,516,831.82$$

Component D - MONTHLY VARIABLE O&M PAYMENT

$$\text{MVOM} = \text{VOM} * \text{PhCPIc} / \text{PhCPIb} * \text{AE} * \text{FX}$$

1. Calculation of Monthly VOM Payments

$$\text{MVOM} = \text{VOM} * \text{PhCPIc} / \text{PhCPIb} * \text{AE} * \text{FX}$$

$$= 0.0025 * (145.00 / 142.90) * 41,664,000 * 46$$

$$\text{MVOM} = \text{PHP } 4,869,170.22$$

Component E - REPLACEMENT ENERGY PRIOR TO COMMERCIAL OPERATIONS DATE

$$\text{REP} = \text{REP}_{\text{USD}} + \text{REP}_{\text{PHP}}$$

$$\text{REP}_{\text{USD}} = [(\text{AFOM}_{\text{USD}} + \text{VOM} * \text{USCPIc} / \text{USCPIb} * \text{FX} / 8760) * \Sigma \text{RPQ}] + \Sigma \text{FP}_h$$

$$= 0.00$$

$$\text{REP}_{\text{PHP}} = [(\text{ACF} + \text{AFOM}_{\text{PHP}} * \text{PhCPIc} / \text{PhCPIb}) / 8760] * \Sigma \text{RPQ}$$

$$= 0.00$$

$$\text{REP} = \text{PHP } 0.00$$

Component F - LINE RENTAL ADJUSTMENT

$$\text{LR} = \text{PHP } 0.00$$

TOTAL MONTHLY PAYMENT

$$\text{MPB} = \text{MCP} + \text{MFOM} + \text{MFP} + \text{MVOM} + \text{REP} - \text{LR}$$

$$= 84,298,284.98 + 28,556,654.06 + 52,516,831.82 + 4,869,170.22 + 0.00 + 0.00$$

$$\text{MPB} = \text{PHP } 170,240,941.09$$

SCHEDULE 3 COAL CONSUMPTION RATE

Load Factor	Load, MW	Coal Cons, Tons/hour	Consumption Rate, kg/kWh
30.00%	45	20.63	0.7936
30.67%	46	21.32	0.7898
31.33%	47	22.01	0.7861
32.00%	48	22.69	0.7825
32.67%	49	23.37	0.7790
33.33%	50	24.04	0.7755
34.00%	51	24.71	0.7722
34.67%	52	25.37	0.7688
35.33%	53	26.03	0.7657
36.00%	54	26.69	0.7625
36.67%	55	27.34	0.7595
37.33%	56	27.99	0.7565
38.00%	57	28.64	0.7536
38.67%	58	29.28	0.7507
39.33%	59	29.92	0.7480
40.00%	60	30.56	0.7453
40.67%	61	31.20	0.7428
41.33%	62	31.83	0.7402
42.00%	63	32.46	0.7378
42.67%	64	33.09	0.7354
43.33%	65	33.73	0.7332
44.00%	66	34.35	0.7309
44.67%	67	34.98	0.7288
45.33%	68	35.61	0.7267
46.00%	69	36.23	0.7245
46.67%	70	36.84	0.7223
47.33%	71	37.45	0.7202
48.00%	72	38.05	0.7180
48.67%	73	38.66	0.7159
49.33%	74	39.26	0.7138
50.00%	75	39.86	0.7118
50.67%	76	40.46	0.7098
51.33%	77	41.05	0.7078
52.00%	78	41.65	0.7059
52.67%	79	42.24	0.7040
53.33%	80	42.83	0.7021
54.00%	81	43.42	0.7002
54.67%	82	44.00	0.6984
55.33%	83	44.59	0.6967
56.00%	84	45.17	0.6949
56.67%	85	45.75	0.6932
57.33%	86	46.33	0.6915
58.00%	87	46.91	0.6899
58.67%	88	47.49	0.6882
59.33%	89	48.07	0.6867
60.00%	90	48.64	0.6851
60.67%	91	49.22	0.6836
61.33%	92	49.79	0.6821
62.00%	93	50.37	0.6806
62.67%	94	50.94	0.6792
63.33%	95	51.51	0.6778
64.00%	96	52.09	0.6764
64.67%	97	52.66	0.6751
65.33%	98	53.23	0.6738
66.00%	99	53.80	0.6726
66.67%	100	54.38	0.6713
67.33%	101	54.94	0.6700
68.00%	102	55.50	0.6687
68.67%	103	56.06	0.6674
69.33%	104	56.62	0.6661
70.00%	105	57.18	0.6649
70.67%	106	57.74	0.6637
71.33%	107	58.30	0.6625
72.00%	108	58.86	0.6614
72.67%	109	59.43	0.6603
73.33%	110	59.99	0.6593
74.00%	111	60.56	0.6583
74.67%	112	61.13	0.6573
75.33%	113	61.70	0.6564

Houseload 19.00
Net Gen at Full Load 131 MW

Load Factor	Load, MW	Coal Cons, Tons/hour	Consumption Rate, kg/kWh
50.67%	76	40.46	0.7098
51.33%	77	41.05	0.7078
52.00%	78	41.65	0.7059
52.67%	79	42.24	0.7040
53.33%	80	42.83	0.7021
54.00%	81	43.42	0.7002
54.67%	82	44.00	0.6984
55.33%	83	44.59	0.6967
56.00%	84	45.17	0.6949
56.67%	85	45.75	0.6932
57.33%	86	46.33	0.6915
58.00%	87	46.91	0.6899
58.67%	88	47.49	0.6882
59.33%	89	48.07	0.6867
60.00%	90	48.64	0.6851
60.67%	91	49.22	0.6836
61.33%	92	49.79	0.6821
62.00%	93	50.37	0.6806
62.67%	94	50.94	0.6792
63.33%	95	51.51	0.6778
64.00%	96	52.09	0.6764
64.67%	97	52.66	0.6751
65.33%	98	53.23	0.6738
66.00%	99	53.80	0.6726
66.67%	100	54.38	0.6713
67.33%	101	54.94	0.6700
68.00%	102	55.50	0.6687
68.67%	103	56.06	0.6674
69.33%	104	56.62	0.6661
70.00%	105	57.18	0.6649
70.67%	106	57.74	0.6637
71.33%	107	58.30	0.6625
72.00%	108	58.86	0.6614
72.67%	109	59.43	0.6603
73.33%	110	59.99	0.6593
74.00%	111	60.56	0.6583
74.67%	112	61.13	0.6573
75.33%	113	61.70	0.6564
76.00%	114	62.27	0.6555
76.67%	115	62.85	0.6547
77.33%	116	63.43	0.6539
78.00%	117	64.01	0.6532
78.67%	118	64.59	0.6524
79.33%	119	65.18	0.6518
80.00%	120	65.76	0.6511
80.67%	121	66.35	0.6505
81.33%	122	66.95	0.6500
82.00%	123	67.55	0.6495
82.67%	124	68.14	0.6490
83.33%	125	68.75	0.6486
84.00%	126	69.35	0.6482
84.67%	127	69.96	0.6478
85.33%	128	70.58	0.6475
86.00%	129	71.20	0.6472
86.67%	130	71.82	0.6470
87.33%	131	72.44	0.6468
88.00%	132	73.07	0.6466
88.67%	133	73.71	0.6465
89.33%	134	74.34	0.6464
90.00%	135	74.97	0.6463
90.67%	136	75.61	0.6462
91.33%	137	76.23	0.6460
92.00%	138	76.85	0.6458
92.67%	139	77.46	0.6455
93.33%	140	78.07	0.6452
94.00%	141	78.67	0.6449
94.67%	142	79.27	0.6445
95.33%	143	79.86	0.6441
96.00%	144	80.45	0.6436
96.67%	145	81.03	0.6431
97.33%	146	81.60	0.6426
98.00%	147	82.17	0.6419
98.67%	148	82.73	0.6413
99.33%	149	83.29	0.6407
100.00%	150	83.84	0.6400

SCHEDULE 4
SAMPLE CALCULATIONS OF TEDA AND EDAM

A. Calculation of TEDA

Agreed Values

Base Annual Scheduled Outage Allowance Days	BSOA	30	Days
Base Annual Forced Outage Allowance Days	BFOA	15	Days

Assumed Values

Contract Year	20YY (non-leap year)		
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CASE 1: Operations Effective Date at December 26, 20YY-1

Other Assumed Values

Contract Year Days for Year 20YY	CYD	365	Days
----------------------------------	-----	-----	------

1. Calculation of TEDA

$$\begin{aligned}
 \text{TEDA} &= (\text{CYF} * 365) - \text{SOA} - \text{FOA} \\
 &= (1.00 * 365) - 30.00 - 15.00 \\
 &= \mathbf{320.00 \text{ Days}}
 \end{aligned}$$

Where:

$$\begin{aligned}
 \text{CYF} &= \text{CYD} / 365 \\
 &= 365 / 365 = 1.00
 \end{aligned}$$

$$\begin{aligned}
 \text{SOA} &= \text{CYF} * \text{BSOA} \\
 &= 1.00 * 30 \\
 &= 30.00 \text{ Days}
 \end{aligned}$$

$$\begin{aligned}
 \text{FOA} &= \text{CYF} * \text{BFOA} \\
 &= 1.00 * 15 \\
 &= 15.00 \text{ Days}
 \end{aligned}$$

CASE 2: Operations Effective Date at May 26, 20YY

Other Assumed Values

Contract Year Days for Year 20YY	CYD _{FIRST}	214	Days
Contract Year Days for Year 20YY+20	CYD _{LAST}	151	Days

First Contract Year (May 26, 20YY to December 25, 20YY)

1. Calculation of TEDA

$$\begin{aligned}
 \text{TEDA} &= (\text{CYF} * 365) - \text{SOA} - \text{FOA} \\
 &= (0.59 * 365) - 17.59 - 8.79 \\
 &= \mathbf{187.62 \text{ Days}}
 \end{aligned}$$

Where:

$$\begin{aligned}
 \text{CYF} &= \text{CYD}_{\text{FIRST}} / 365 \\
 &= 214 / 365 = 0.59 \\
 \text{SOA} &= \text{CYF} * \text{BSOA} \\
 &= 0.59 * 30 \\
 &= 17.59 \text{ Days} \\
 \text{FOA} &= \text{CYF} * \text{BFOA} \\
 &= 0.59 * 15 \\
 &= 8.79 \text{ Days}
 \end{aligned}$$

Last Contract Year (December 26, 20YY+19 to May 25, 20YY+20)

1. Calculation of TEDA

$$\begin{aligned}
 \text{TEDA} &= (\text{CYF} * 365) - \text{SOA} - \text{FOA} \\
 &= (0.41 * 365) - 12.41 - 6.21 \\
 &= 132.38 \text{ Days}
 \end{aligned}$$

Where:

$$\begin{aligned}
 \text{CYF} &= \text{CYD}_{\text{LAST}} / 365 \\
 &= 151 / 365 = 0.41 \\
 \text{SOA} &= \text{CYF} * \text{BSOA} \\
 &= 0.41 * 30 \\
 &= 12.41 \text{ Days} \\
 \text{FOA} &= \text{CYF} * \text{BFOA} \\
 &= 0.41 * 15 \\
 &= 6.21 \text{ Days}
 \end{aligned}$$

B. Calculation of EDAM

Assumed Values

Contract Year	20YY		
Contract Year Days	CYD	365.00	Days
Operations Effective Date	December 26, 20YY-1		
Billing Period	June 26, 20YY to July 25, 20YY		
Contract Year Factor	CYF	1.00	
Target Equivalent Days Availability	TEDA	320.00	Days
Billing Period Days	BPD	30.00	Days
Scheduled Outage Allowance Days	SOA	30.00	Days
Forced Outage Allowance Days	FOA	15.00	Days

CASE 1: NO OUTAGE

Other Assumed Values

Previous Months	EDA _M	SOT _M	FOT _M	FMT _M
January	31	0	0	0
February	31	0	0	0
March	28	0	0	0
April	31	0	0	0
May	30	0	0	0
June	31	0	0	0
Current Month: July		0	0	0
TOTAL	EDA_{A(M-1)}	SOT_A	FOT_A	FMT_A
	182	0	0	0

$$EDA_M = GEDA_M + AADE - AADU$$

1. Calculation of GEDA_M

$$\begin{aligned} GEDA_M &= BPD - SOT_M - FOT_M - FMT_M \\ &= 30 - 0 - 0 - 0 \\ &= 30.00 \text{ Days} \end{aligned}$$

2. Calculation of AADE

$$\begin{aligned} AADE &= SOE_M + FOE_M \\ &= 0.00 + 0.00 \\ &= 0.00 \text{ Days} \end{aligned}$$

$$\begin{aligned} SOE_M &= \text{Maximum} [\text{Minimum} (SOT_A - SOA, SOT_M), 0] \\ &= \text{Maximum} [\text{Minimum} (0 - 30, 0), 0] \\ &= \text{Maximum} [\text{Minimum} (-30, 0), 0] \\ &= 0.00 \text{ Days} \end{aligned}$$

$$\begin{aligned} FOE_M &= \text{Maximum} [\text{Minimum} (FOT_A - FOA, FOT_M), 0] \\ &= \text{Maximum} [\text{Minimum} (0 - 15, 0), 0] \\ &= \text{Maximum} [\text{Minimum} (-15, 0), 0] \\ &= 0.00 \text{ Days} \end{aligned}$$

3. Calculation of AADU

$$\begin{aligned} AADU &= \text{Maximum} [(EDA_{A(M-1)} + GEDA_M) - (TEDA - FMT_A), 0] \\ &= \text{Maximum} [(182 + 30) - (320 - 0), 0] \\ &= \text{Maximum} [-108, 0] \\ &= 0.00 \text{ Days} \end{aligned}$$

$$EDA_M = GEDA_M + AADE - AADU$$

$$\begin{aligned} &= 30 + 0 - 0 \\ &= 30.00 \text{ Days} \end{aligned}$$

CASE 2: OUTAGES WITHIN THE ALLOWANCE

Other Assumed Values

Previous Months	EDA _M	SOT _M	FOT _M	FMT _M
January	31	0	0	0
February	31	0	0	0
March	28	0	0	0
April	31	0	0	0
May	30	0	0	0
June	31	0	0	0
Current Month: July		5	3	0
TOTAL	EDA_{A(M-1)}	SOT_A	FOT_A	FMT_A
	182	5	3	0

$$EDA_M = GEDA_M + AADE - AADU$$

1. Calculation of GEDA_M

$$\begin{aligned}
 GEDA_M &= BPD - SOT_M - FOT_M - FMT_M \\
 &= 30 - 5 - 3 - 0 \\
 &= 22.00 \text{ Days}
 \end{aligned}$$

2. Calculation of AADE

$$\begin{aligned}
 AADE &= SOE_M + FOE_M \\
 &= 0.00 + 0.00 \\
 &= 0.00 \text{ Days}
 \end{aligned}$$

$$\begin{aligned}
 SOE_M &= \text{Maximum} [\text{Minimum} (SOT_A - SOA, SOT_M), 0] \\
 &= \text{Maximum} [\text{Minimum} (5 - 30, 5), 0] \\
 &= \text{Maximum} [\text{Minimum} (-25, 5), 0] \\
 &= 0.00 \text{ Days}
 \end{aligned}$$

$$\begin{aligned}
 FOE_M &= \text{Maximum} [\text{Minimum} (FOT_A - FOA, FOT_M), 0] \\
 &= \text{Maximum} [\text{Minimum} (3 - 15, 3), 0] \\
 &= \text{Maximum} [\text{Minimum} (-12, 3), 0] \\
 &= 0.00 \text{ Days}
 \end{aligned}$$

3. Calculation of AADU

$$\begin{aligned}
 AADU &= \text{Maximum} [(EDA_{A(M-1)} + GEDA_M) - (TEDA - FMT_A), 0] \\
 &= \text{Maximum} [(182 + 22) - (320 - 0), 0] \\
 &= \text{Maximum} [-116, 0] \\
 &= 0.00 \text{ Days}
 \end{aligned}$$

$$EDA_M = GEDA_M + AADE - AADU$$

$$\begin{aligned}
 &= 22 + 0 - 0 \\
 &= 22.00 \text{ Days}
 \end{aligned}$$

CASE 3: OUTAGES BEYOND THE ALLOWANCE

Other Assumed Values

Previous Months	EDAM	SOTM	FOTM	FMTM
January	21	10	0	0
February	31	0	0	0
March	28	0	0	0
April	26	0	5	0
May	25	0	5	0
June	26	5	0	0
Current Month: July		5	3	0
TOTAL	EDAA(M-1)	SOTA	FOTA	FMTA
	157	20	13	0

$$EDAM = GEDAM + AADE - AADU$$

1. Calculation of GEDAM

$$\begin{aligned}
 GEDAM &= BPD - SOTM - FOTM - FMTM \\
 &= 30 - 5 - 3 - 0 \\
 &= 22.00 \text{ Days}
 \end{aligned}$$

2. Calculation of AADE

$$\begin{aligned}
 AADE &= SOEM + FOEM \\
 &= 0.00 + 0.00 \\
 &= 0.00 \text{ Days}
 \end{aligned}$$

$$\begin{aligned}
 SOEM &= \text{Maximum} [\text{Minimum} (SOTA - SOA, SOTM), 0] \\
 &= \text{Maximum} [\text{Minimum} (20 - 30, 5), 0] \\
 &= \text{Maximum} [\text{Minimum} (-10, 5), 0] \\
 &= 0.00 \text{ Days}
 \end{aligned}$$

$$\begin{aligned}
 FOEM &= \text{Maximum} [\text{Minimum} (FOTA - FOA, FOTM), 0] \\
 &= \text{Maximum} [\text{Minimum} (13 - 15, 3), 0] \\
 &= \text{Maximum} [\text{Minimum} (-2, 3), 0] \\
 &= 0.00 \text{ Days}
 \end{aligned}$$

3. Calculation of AADU

$$\begin{aligned}
 AADU &= \text{Maximum} [(EDAA(M-1) + GEDAM) - (TEDA - FMTA), 0] \\
 &= \text{Maximum} [(157 + 22) - (320 - 0), 0] \\
 &= \text{Maximum} [-141, 0] \\
 &= 0.00 \text{ Days}
 \end{aligned}$$

$$EDAM = GEDAM + AADE - AADU$$

$$\begin{aligned}
 &= 22 + 0 - 0 \\
 &= 22.00 \text{ Days}
 \end{aligned}$$

CASE 4: OUTAGES DUE TO FORCE MAJEURE

Other Assumed Values

Previous Months	EDA _M	SOT _M	FOT _M	FMT _M
January	31	0	0	0
February	31	0	0	0
March	28	0	0	0
April	31	0	0	0
May	30	0	0	0
June	31	0	0	0
Current Month: July		0	0	5
TOTAL	EDA_{A(M-1)}	SOT_A	FOT_A	FMT_A
	182	0	0	5

$$EDA_M = GEDA_M + AADE - AADU$$

1. Calculation of GEDA_M

$$\begin{aligned}
 GEDA_M &= BPD - SOT_M - FOT_M - FMT_M \\
 &= 30 - 0 - 0 - 5 \\
 &= 25.00 \text{ Days}
 \end{aligned}$$

2. Calculation of AADE

$$\begin{aligned}
 AADE &= SOE_M + FOE_M \\
 &= 0.00 + 0.00 \\
 &= 0.00 \text{ Days}
 \end{aligned}$$

$$\begin{aligned}
 SOE_M &= \text{Maximum} [\text{Minimum} (SOT_A - SOA, SOT_M), 0] \\
 &= \text{Maximum} [\text{Minimum} (0 - 30, 0), 0] \\
 &= \text{Maximum} [\text{Minimum} (-30, 0), 0] \\
 &= 0.00 \text{ Days}
 \end{aligned}$$

$$\begin{aligned}
 FOE_M &= \text{Maximum} [\text{Minimum} (FOT_A - FOA, FOT_M), 0] \\
 &= \text{Maximum} [\text{Minimum} (0 - 15, 0), 0] \\
 &= \text{Maximum} [\text{Minimum} (-15, 0), 0] \\
 &= 0.00 \text{ Days}
 \end{aligned}$$

3. Calculation of AADU

$$\begin{aligned}
 AADU &= \text{Maximum} [(EDA_{A(M-1)} + GEDA_M) - (TEDA - FMT_A), 0] \\
 &= \text{Maximum} [(182 + 25) - (320 - 5), 0] \\
 &= \text{Maximum} [-108, 0] \\
 &= 0.00 \text{ Days}
 \end{aligned}$$

$$EDA_M = GEDA_M + AADE - AADU$$

$$\begin{aligned}
 &= 25 + 0 - 0 \\
 &= 25.00 \text{ Days}
 \end{aligned}$$

CASE 5: UNUTILIZED OUTAGES ALLOWANCE TOWARDS THE END OF CONTRACT YEAR

Other Assumed Values

Previous Months	EDA _M	SOT _M	FOT _M	FMT _M
January	21	10	0	0
February	31	0	0	0
March	23	0	5	0
April	29	0	2	0
May	30	0	0	0
June	31	0	0	0
July	30	0	0	0
August	31	0	0	0
September	31	0	0	0
October	30	0	0	0
November	31	0	0	0
Current Month: December		0	0	0
TOTAL	EDA_{A(M-1)}	SOT_A	FOT_A	FMT_A
	318	10	7	0

$$EDA_M = GEDA_M + AADE - AADU$$

1. Calculation of GEDA_M

$$\begin{aligned} GEDA_M &= BPD - SOT_M - FOT_M - FMT_M \\ &= 30 - 0 - 0 - 0 \\ &= 30.00 \text{ Days} \end{aligned}$$

2. Calculation of AADE

$$\begin{aligned} AADE &= SOE_M + FOE_M \\ &= 0.00 + 0.00 \\ &= 0.00 \text{ Days} \end{aligned}$$

$$\begin{aligned} SOE_M &= \text{Maximum} [\text{Minimum} (SOT_A - SOA, SOT_M), 0] \\ &= \text{Maximum} [\text{Minimum} (10 - 30, 0), 0] \\ &= \text{Maximum} [\text{Minimum} (-20, 0), 0] \\ &= 0.00 \text{ Days} \end{aligned}$$

$$\begin{aligned} FOE_M &= \text{Maximum} [\text{Minimum} (FOT_A - FOA, FOT_M), 0] \\ &= \text{Maximum} [\text{Minimum} (7 - 15, 0), 0] \\ &= \text{Maximum} [\text{Minimum} (-8, 0), 0] \\ &= 0.00 \text{ Days} \end{aligned}$$

3. Calculation of AADU

$$\begin{aligned} AADU &= \text{Maximum} [(EDA_{A(M-1)} + GEDA_M) - (TEDA - FMT_A), 0] \\ &= \text{Maximum} [(318 + 30) - (320 - 0), 0] \\ &= \text{Maximum} [28, 0] \\ &= 28.00 \text{ Days} \end{aligned}$$

$$\begin{aligned} \text{EDA}_M &= \text{GEDA}_M + \text{AADE} - \text{AADU} \\ &= 30 + 0 - 28 \\ &= 2.00 \text{ Days} \end{aligned}$$

SCHEDULE 5 CALCULATION OF FULL LOAD EQUIVALENT OUTAGE DAYS

1. Full Load Equivalent Scheduled Outages Days Taken

The Full Load Equivalent Scheduled Outages Days (SOT) Taken for each Billing Period shall be calculated based on the following formula:

$$SOT = \sum_{j=1}^{BPD} \frac{\sum_{i=1}^{Int} (CSO_{ij})}{(CC * Int)}$$

$$CSO = CC - ACSO$$

Where:

SOT = Full Load Equivalent Scheduled Outages Days Taken

CSO = capacity on Scheduled Outage

CC = as provided in Appendix D

ACSO = Available Capacity resulting from Scheduled Outage as declared in the Day-ahead Capacity Availability of the Power Supplier

Int = number of trading intervals per Day in accordance with the WESM Rules

BPD = as previously defined

2. Full Load Equivalent Forced Outages Days Taken

The Full Load Equivalent Forced Outages Days (FOT) Taken for each Billing Period shall be calculated based on the following formula:

$$FOT = \sum_{j=1}^{BPD} \frac{\sum_{i=1}^{Int} (CFO_{ij})}{(CC * Int)}$$

$$CFO = CC - ACFO$$

Where:

FOT = Full Load Equivalent Forced Outages Days Taken

CFO = capacity on Forced Outage

CC = as provided in Appendix D

ACFO = Available Capacity resulting from Forced Outage as declared in the Day-ahead Capacity Availability of the Power Supplier

Int = as previously defined

BPD = as previously defined

3. Full Load Equivalent Force Majeure Days Taken

The Full Load Equivalent Force Majeure Days (FMT) Taken for each Billing Period shall be calculated based on the following formula:

$$FMT = \sum_{j=1}^{BPD} \frac{\sum_{i=1}^{Int} (CFM_{ij})}{(CC * Int)}$$

$$CFM = CC - ACFM$$

Where:

FMT = Full Load Equivalent Force Majeure Days Taken

CFM = capacity on Forced Outage

CC = as provided in Appendix D

ACFM = Available Capacity resulting from Force Majeure as declared in the Day-ahead Capacity Availability of the Power Supplier

Int = as previously defined

BPD = as previously defined



Appendix E

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Appendix F
OPERATING PROCEDURES

1 DEFINITIONS

All capitalized terms used herein shall have the meanings given to them in Article 1 of this Agreement, except as otherwise defined herein.

Billing Period BCQ Summary has the meaning given to it in Section 7.1 below.

Incident Report has the meaning given to it in Section 10.1 below.

Trading Office means in the case of Power Supplier, the department responsible for coordinating the scheduling of Plant dispatch with Meralco's nomination, and in the case of Meralco, the department responsible for coordinating the scheduling of its contractual nomination with Power Supplier.

WEP means the WESM Ex-Ante Price at Power Supplier WESM node.

2 GENERAL

The purpose of this Appendix is to prescribe the procedures for coordinating (a) the nomination and WESM declaration of BCQs and (b) Scheduled Outages. Nothing in this Agreement (including in this Appendix) shall be construed, by virtue of the absence of a specific reference, as relieving either Party of the responsibility to communicate with the other Party in a manner that will allow both Parties to operate their respective facilities in a safe manner consistent with Dispatch Instructions, Prudent Operating Practices and Relevant Operating Regulations.

3 COORDINATING COMMITTEE

3.1 Establishment of the Coordinating Committee

3.1.1 No later than thirty (30) Days prior to the Operations Effective Date, the Parties shall establish the Coordinating Committee as contemplated by this Agreement. During the time prior to the Commercial Operations Date or Operations Effective Date, whichever occurs earlier, the Coordinating Committee shall work towards putting into place the scheduling arrangements so that the nominations and other matters handled by the Coordinating Committee can proceed seamlessly on and after the occurrence of the Commercial Operations Date or Operations Effective Date, as appropriate.

3.1.2 The Coordinating Committee shall consist of four (4) members, two (2) members appointed by Meralco and two (2) members appointed by Power Supplier.

3.1.3 Either Party, upon written notice to the other, may from time to time remove or replace any Coordinating Committee member appointed by it. Any vacancies that occur within the membership of the Coordinating Committee shall be immediately filled by the appropriate Party.

3.1.4 Meralco and Power Supplier shall each pay the expenses of its respective Coordinating Committee members.

3.1.5 All other expenses incurred by the Coordinating Committee and approved by the Parties shall be shared equally by Power Supplier and Meralco, or as determined by the Coordinating Committee.

3.2 Duties of the Coordinating Committee

3.2.1 The duties of the Coordinating Committee shall include the following:

3.2.1.1 in case of disputes on the Provisional Invoice, reconciliation of nomination and Delivery of BCQs and Allowed Outages prior to issuance of a Final Invoice and payment;

3.2.1.2 coordination of maintenance schedules;

3.2.1.3 coordination of short range and long range forecasts of load and capabilities; and

3.2.1.4 consideration of such other Plant operational matters as may be referred to the Coordinating Committee by the mutual agreement of Power Supplier and Meralco.

3.3 Decisions of the Coordinating Committee

3.3.1 Decisions of the Coordinating Committee must be unanimous.

3.3.2 If the Coordinating Committee is unable to reach a unanimous decision on any matter within seven (7) Business Days after the matter is first raised to the Coordinating Committee, such disputed matter shall, at the request of a Party, be referred to the senior management of Power Supplier and the senior management of Meralco for immediate review. If Power Supplier and Meralco do not reach a mutual agreement concerning the disputed matter within fifteen (15) Days after it has been referred to the review by senior management, the dispute shall be resolved in accordance with Article 19.

3.4 Communications

Power Supplier shall maintain multi-communication systems between Power Supplier's Trading Office and appropriate communication systems of the Meralco's Trading Office, which shall consist of, but not be limited to, (a) telephone, (b) facsimile, (c) email or other agreed electronic communication and (d) cellular phone. Each Party shall notify the other Party in writing of its point of contact fifteen (15) Days after the Effective Date, and prior to changing any previously established point(s) of contact. The Parties shall maintain communications in accordance with Prudent Operating Practices and, as necessary, shall (without prejudice to the other provisions of this Agreement) inform the other Party with respect to the operating conditions and

requirements of their respective facilities that may affect the other Party's operating requirements.

Communication Channels

Power Supplier

Contact Person:	Jaime T. Azurin	Janssen A. Dela Cruz
Designation:	Executive Vice President	Assistant Vice President, Business Development
Address:	22/F GT Tower International 6813 Ayala Ave. Cor. H.V. Dela Costa St., Salcedo Village, Makati City	19/F GT Tower International 6813 Ayala Ave. Cor. H.V. Dela Costa St., Salcedo Village, Makati City
Telephone:	414-1600 loc. 1113	414-1600 loc. 1207
Facsimile:	414-1600 loc. 1147	414-1600 loc. 1147
Email:	Jaime.Azurin@globalpower. com.ph	Janssen.Delacruz@globalpower .com.ph

Meralco

Contact Person:	Rolando M. Cagampan	Ciprinilo C. Meneses
Designation:	Head, Energy Management	Head, Energy Sourcing Office
Address:	Meralco Center, Ortigas Avenue, Pasig City	Meralco Center, Ortigas Avenue, Pasig City
Telephone:	1622-6483	1622-6656
Facsimile:	(632) 632-8683	(632) 632-8643
Email:	rmcagampan@meralco.com.ph	ccmeneses@meralco.com.ph

4 Annual, Monthly and Weekly Nomination Schedule

In accordance with Section 5.3.2 of this Agreement, Meralco shall furnish Power Supplier with non-binding year-ahead energy nomination schedules, month-ahead nomination schedules, and week-ahead nomination schedules. Such nomination schedules shall reflect Meralco's good faith estimate of its projected requirements for each of the hours during such periods.

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4.1 Year-ahead Energy Nomination Schedule

When establishing the year-ahead energy nomination schedule, the Parties shall observe the following:

- (a) Power Supplier shall furnish Meralco the year-ahead capacity Availability schedule of the Plant for a relevant Contract Year (in the form prescribed in Schedule 1 of this Appendix) at least one hundred and fifty (150) Days prior to start of the next Contract Year. Meralco shall furnish Power Supplier with the year-ahead energy nomination schedule (in the form prescribed in Schedule 2 to this Appendix) at least one hundred and twenty (120) Days prior to the start of the next Contract Year. When establishing the year-ahead energy nomination schedule, Meralco shall provide an hourly estimate of energy nomination to Power Supplier for each hour of this Agreement. The year-ahead energy nomination schedule shall be based upon Meralco's good faith estimates of its energy requirements to serve its customers' aggregate demand, as such estimates may be revised during the course of the Contract Year (as shown in the month-ahead, week-ahead and day-ahead nominations) to reflect the actual variation in customer demand. In the case of the first Contract Year, Meralco shall furnish Power Supplier with the year-ahead energy nomination schedule within five (5) Days after Commercial Operations Date or Operations Effective Date, whichever occurs earlier.
- (b) Upon receipt of the year-ahead energy nomination schedule submitted by Meralco, Power Supplier shall confirm in writing receipt of such schedule within twenty-four (24) hours.

4.2 Month-ahead and Week-ahead Nomination Schedules

When establishing the month-ahead and week-ahead nomination schedules, the Parties shall observe the following:

- (a) Power Supplier shall furnish Meralco the month-ahead capacity Availability schedule of the Plant for a Billing Period (in the form prescribed in Schedule 3 of this Appendix) on or before 1200H of every first (1st) Day of the calendar month in which such Billing Period starts, and for the week-ahead capacity Availability schedule (in the form prescribed in Schedule 4 of this Appendix) on or before 1200H of every Thursday of the preceding week.
- (b) The month-ahead capacity Availability schedule shall indicate the hourly estimate of capacity Availability (in kW) of the Plant in accordance with the Contract Capacity for each of the hours of the Billing Period (e.g., 720 hours for a 30-Day month) and the Scheduled Outages calendared for the Billing Period as approved by the System Operator, if any, and changes thereat in the annual capacity Availability schedule submitted for the Contract Year.
- (c) The week-ahead capacity Availability schedule shall indicate the hourly estimate of capacity Availability (in kW) of the Plant in accordance with the Contract Capacity for each of the hours of the week (e.g., 168 hours) and the Scheduled Outages calendared for the week as approved by the System Operator,

if any, and changes thereat in the month-ahead capacity Availability schedule submitted for the Billing Period.

- (d) Upon receipt of the month-ahead and week-ahead capacity Availability schedules submitted by Power Supplier, Meralco shall send written confirmation of receipt of such schedules by facsimile and e-mail not later than 1500H of the same Day of receipt.
- (e) Meralco shall furnish Power Supplier with the month-ahead nomination schedule (in the form prescribed in Schedule 5 of this Appendix) on or before 1200H of the 19th Day of the calendar month in which such Billing Period starts, and for the week-ahead nomination schedule (in the form prescribed in Schedule 6 of this Appendix) on or before 1200H of every Friday of the preceding week.
- (f) The month-ahead and week-ahead nomination schedules shall contain the hourly quantity offers of Meralco for each hour of the Billing Period or week taking into account any Scheduled Outages of the Plant submitted by Power Supplier in accordance with the WESM Rules and the Grid Code.
- (g) Upon receipt of the month-ahead and week-ahead nomination schedules submitted by Meralco, Power Supplier shall send written confirmation of receipt of such schedules by facsimile and e-mail not later than 1500H of the same Day of receipt.

5 Day-Ahead Nomination Schedule

Meralco shall furnish Power Supplier with binding day-ahead 24-hour energy quantity nominations subject to the Technical Limits of the Unit. The following guidelines shall be followed:

- 5.1 Power Supplier shall furnish Meralco the Unit's day-ahead capacity Availability schedule (in the form prescribed in Schedule 7 of this Appendix) on or before 1000H of the preceding day. The day-ahead capacity Availability schedule shall indicate the binding 24-hourly capacity Availability (in kW) of the Plant in accordance with the Contract Capacity and the Scheduled Outages scheduled for the succeeding day, if any, and changes thereat in the week-ahead capacity Availability schedule submitted for the week. If Power Supplier does not furnish Meralco the Unit's day-ahead capacity Availability schedule, the capacity for the same Day in the week-ahead capacity Availability schedule shall be deemed the available capacity for the Day.
- 5.2 Upon receipt of the day-ahead capacity Availability schedule submitted by Power Supplier, Meralco shall send to Power Supplier written confirmation of receipt of such schedule by facsimile and e-mail within two (2) hours of receipt.
- 5.3 Meralco shall furnish Power Supplier with the day-ahead 24-hour energy quantity nomination (in the form prescribed in Schedule 8 of this Appendix) on or before 1400H of the preceding day, which shall be consistent with the Technical Limits of the Unit. If Meralco does not furnish Power Supplier with its day-ahead nomination, the nomination for the same Day in the week-ahead nomination shall be deemed the nominated price and quantity offers for the Day.

- 5.4 Upon receipt of the day-ahead binding 24-hour energy nomination schedule submitted by Meralco, Power Supplier shall send to Meralco written confirmation of receipt of such schedule by facsimile and e-mail within two (2) hours of receipt.
- 5.5 Power Supplier shall be responsible for submitting its price and quantity offers to the WESM for the Dispatch schedule of the Plant in accordance with the WESM Rules. If necessary, Power Supplier shall coordinate with the System Operator the Dispatch schedule of the Plant in accordance with the Grid Code. Energy Imbalance Fees resulting from the actual Dispatch of the Plant shall be for the account of Power Supplier.
- 5.6 Subject to Section 5 of this Appendix and the Technical Limits, Meralco may, during the Day, revise the nominations stated in its day-ahead nominations, provided that any revision shall be submitted by Meralco to Power Supplier at least two (2) hours (or such other period as may be allowed by the WESM Rules) before gate closure, as provided in the WESM Rules, of the first affected Trading Interval.

6 BCQ Declaration with Market Operator

- 6.1 Power Supplier shall be responsible for declaring BCQ with the Market Operator at least four (4) hours before the deadline set under the WESM Rules. Power Supplier shall ensure that such BCQ declaration is as nominated by Meralco in its day-ahead nomination, except for the quantities affected by Forced Outages, Force Majeure, and any scheduled outages beyond the Scheduled Outage Allowances.
- 6.2 In the event of Scheduled or Forced Outages beyond the Outage Allowances, Power Supplier shall declare the quantities stated in the day-ahead nomination of Meralco as BCQ for all Trading Intervals. In case of an Event of Force Majeure, Power Supplier shall have no obligation to declare BCQ to Meralco during the affected Trading Intervals.
- 6.3 On a daily basis, Power Supplier shall furnish Meralco a copy of its BCQ declaration with the Market Operator within one (1) hour of its declaration. Meralco shall review such reports and upon its review, shall inform Power Supplier of any discrepancies or exceptions it may find; otherwise, the declaration shall be made consistent with Section 6.1 above. Power Supplier shall immediately notify Market Operator of any corrections to its BCQ declarations in accordance with the WESM Rules.

7 Confirmation After the Billing Month

- 7.1 At every twenty-eighth (28th) of the month before 1200H, Power Supplier will provide Meralco, by fax or email, a summary of the BCQs nominated for Meralco in the immediately preceding Billing Period (the "**Billing Period BCQ Summary**"). The Billing Period BCQ Summary shall contain the BCQs in each of the WESM Trading Intervals based on the nominations that Meralco made in the immediately preceding Billing Period, in accordance with Schedule 8 of this Appendix. It shall likewise contain any adjustments or re-declaration of lower BCQs due to Events of Force Majeure affecting Meralco's ability to receive electricity at the Delivery Point previously re-declared under Section 6.2 above, and which has been duly certified by NGCP.
- 7.2 Meralco shall forthwith review the Billing Period BCQ Summary and shall endeavor to notify Power Supplier, by fax or email, by not later than 1700H of the same Day the Billing Period BCQ Summary is received, if there is any mathematical error in or discrepancy between the Billing Period BCQ Summary and the nominations that Meralco made in the immediately preceding Billing Period in accordance with Schedule 8 of this Appendix. Upon receipt of notice by Power Supplier of any mathematical error or discrepancy, the Parties shall immediately take steps to resolve such error or discrepancy.
- 7.3 If Meralco fails to notify Power Supplier of any mathematical error or discrepancy, the Billing Period BCQ Summary as sent to Meralco is deemed to be correct. The failure of Meralco to notify Power Supplier of any error or discrepancy in accordance with Section 7.2, above, shall constitute a waiver by Meralco of any claim for the adjustment or correction of the Associated Energy for the Billing Period.

8 3-Year and Annual Scheduled Maintenance Outages

- 8.1 In accordance with Section 8.2 of this Agreement, Power Supplier shall furnish Meralco its proposed scheduled maintenance outages including 3-year provisional maintenance and annual maintenance programs. Power Supplier shall submit to Meralco said maintenance programs on or before April 30 prior to submitting such program to the System Operator in compliance with the Grid Code. Such maintenance programs shall indicate the dates and duration of each proposed scheduled outage for the relevant Contract Years. Within five (5) Days after the Commercial Operations Date, Power Supplier shall submit to Meralco its 3-year maintenance and annual maintenance program.
- 8.2 Power Supplier shall furnish Meralco a copy of the 3-year and annual maintenance programs approved by the System Operator within three (3) Days of receipt from the System Operator.

9 Implementation of Scheduled Maintenance Outage

- 9.1 Power Supplier shall confirm to Meralco seven (7) Days prior to the implementation of a scheduled maintenance outage the schedule of activities leading to the implementation of such maintenance outage, including the schedule of shut-down, duration of maintenance outage, and schedule of completion and start-up.
- 9.2 From time-to-time, Power Supplier shall inform Meralco of any changes requested by Power Supplier in the schedule of maintenance outage including possible delays in the shut-down and completion schedules or early completion of scheduled outage.
- 9.3 Power Supplier shall continue to submit its month-ahead, week-ahead and day-ahead capacity availability schedule indicating the capacity availability of the Plant and the schedule of maintenance outage to Meralco in accordance with the procedure above. In the same manner, Meralco shall continue to submit its month-ahead, week-ahead and day-ahead energy nomination schedule indicating the appropriate energy nomination during the hours of scheduled maintenance outage.
- 9.4 In case of delay in the completion of scheduled outage, Power Supplier shall immediately inform Meralco and advise new schedule of completion at least seven (7) Days before the original completion date. Otherwise, the additional outage days shall be considered a Forced Outage. Power Supplier shall submit revised month-ahead, week-ahead and day-ahead capacity availability schedules indicating the revised capacity availability of the Plant and the revised schedule of maintenance outage to Meralco in accordance with the procedure above. In the same manner, Meralco shall revise its month-ahead, week-ahead and day-ahead energy nomination schedules indicating the appropriate energy nomination during the hours of the revised scheduled maintenance outage up to the Scheduled Outage Allowance for the Contract Year. If the revised scheduled maintenance outage may cause Power Supplier to exceed its Scheduled Outage Allowance, Power Supplier shall be responsible for providing Replacement Energy at the Price. Meralco shall submit its day-ahead energy nomination schedule indicating its required energy for each of the 24-hours.
- 9.5 In case of early completion, Power Supplier shall immediately inform Meralco of such event and advise Meralco of resumption of delivery of Contract Capacity and Associated Energy at a time earlier than that originally scheduled for completion of the scheduled outage. Power Supplier shall submit a revised month-ahead, week-ahead and day-ahead capacity availability schedules indicating the revised capacity availability of the Plant and the revised scheduled completion of maintenance outage to Meralco in accordance with the procedure above. In the same manner, Meralco shall revise its month-ahead, week-ahead and day-ahead energy nomination schedules indicating its revised energy nominations during the hours of the revised completion of the scheduled maintenance outage.

10 Forced Outages

If in the course of operation of the Plant, a Forced Outage occurs, the following procedures shall be followed:

- 10.1 Power Supplier shall inform Meralco in accordance with Article 9 of the Agreement of such outage occurrence, nature and expected duration of the Forced Outage, informally at first (such as by telephone, cellular phone, email, or text message) and thereafter, Power Supplier shall promptly furnish Meralco with a copy of the report with the best estimate of the probable duration of such outage ("**Incident Report**").
- 10.2 As soon as possible after a Forced Outage has occurred, Power Supplier shall submit a revised day-ahead capacity schedule to Meralco and shall revise, as necessary, the price and quantity offers to the WESM in accordance with the WESM Rules. The hourly energy amounts in Meralco's day-ahead nomination shall be treated as deemed delivered up to the trading period that the WESM recognized the revisions made by Power Supplier.
- 10.3 Upon receipt by Meralco of the revised day-ahead capacity schedule, Meralco shall have twelve (12) hours to submit to Power Supplier a correspondingly-revised day-ahead energy nomination.
- 10.4 If the Forced Outage was of a short duration such that the twenty-four (24) hourly capacity nominations to Meralco for the succeeding day can be met by the Plant, Power Supplier need not submit a revised Day-Ahead Capacity Nomination to Meralco, but Power Supplier shall still submit an Incident Report to Meralco in accordance with Section 10.1 of this Appendix.
- 10.5 If Power Supplier anticipates that the Forced Outage will extend beyond seven (7) Days, Power Supplier may send notice to Meralco indicating that the portion of the outage beyond seven (7) Days shall be considered a Scheduled Outage; provided that the conversion shall take effect at least seven (7) Days after receipt by Meralco of such notice from Power Supplier.
- 10.6 For the entire duration of the Forced Outage, Power Supplier shall declare to the WESM the Meralco BCQs in respect of this Agreement for all the Trading Intervals during which the Plant was subject to the Forced Outage.
- 10.7 Any Energy Imbalance Fees (Power Supplier) imposed by the WESM as a result of the Forced Outage shall be for the account of Power Supplier.
- 10.8 Following the occurrence of a Forced Outage, Power Supplier shall endeavour to immediately restore the Plant to its normal operating condition. Once the Plant is restored, Power Supplier shall immediately inform Meralco and submit a revised day-ahead capacity Availability schedule to reflect the restored available Contract Capacity of the Plant.
- 10.9 Power Supplier shall keep track of the cumulative Full Load Equivalent Forced Outage Days and shall submit to Meralco such figure in a written report for Meralco's

validation. If after the validation, Meralco's figure does not match that of Power Supplier, representatives from both Parties shall meet and discuss the issue at the soonest time to resolve the discrepancy in the figures.



SCHEDULE 1

FORM OF POWER SUPPLIER'S YEAR-AHEAD CAPACITY AVAILABILITY SCHEDULE

[NAME OF POWER SUPPLIER]
Nomination of Year-Ahead Available Capacity for MERALCO (in MW)
[Month] 26, 20__ to [Month] 26, 20__

Hour	26-Month	27-Month	28-Month	29-Month	30-Month	31-Month	1-Month	2-Month	3-Month	4-Month	5-Month	6-Month	7-Month	8-Month	9-Month
1															
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Chksum	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Hour	10-Month	11-Month	12-Month	13-Month	14-Month	15-Month	16-Month	17-Month	18-Month	19-Month	20-Month	21-Month	22-Month	23-Month	24-Month	25-Month
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Chksum	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Check Sum: -

Remark:

NOMINATED BY

Firstname M. Surname
[Title]
[Name of Power Supplier]

ACKNOWLEDGED BY

Firstname M. Surname
[Title]
MERALCO

SCHEDULE 2

FORM OF MERALCO'S YEAR-AHEAD NOMINATION SCHEDULE



MANILA ELECTRIC COMPANY (MERALCO)
 Nomination of Year-Ahead Energy for [Name of Power Supplier] (in MWh)
 [Month] 26, 20__ to [Month] 26, 20__

Hour	26-Month	27-Month	28-Month	29-Month	30-Month	31-Month	1-Month	2-Month	3-Month	4-Month	5-Month	6-Month	7-Month	8-Month	9-Month
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Total	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Hour	10-Month	11-Month	12-Month	13-Month	14-Month	15-Month	16-Month	17-Month	18-Month	19-Month	20-Month	21-Month	22-Month	23-Month	24-Month	25-Month
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24																
Total	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Total for the month	-
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Remark:

NOMINATED BY

Firstname M. Surname
 [Title]
 MERALCO

ACKNOWLEDGED BY

Firstname M. Surname
 [Title]
 [Name of Power Supplier]

SCHEDULE 3 **FORM OF POWER SUPPLIER'S MONTH-AHEAD CAPACITY AVAILABILITY** **SCHEDULE**

[NAME OF POWER SUPPLIER]
Nomination of Month-Ahead Available Capacity for MERALCO (in MW)
[Month] 26, 20__ to [Month] 25, 20__

Hour	26-Month	27-Month	28-Month	29-Month	30-Month	31-Month	1-Month	2-Month	3-Month	4-Month	5-Month	6-Month	7-Month	8-Month	9-Month
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Chksum	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Hour	10-Month	11-Month	12-Month	13-Month	14-Month	15-Month	16-Month	17-Month	18-Month	19-Month	20-Month	21-Month	22-Month	23-Month	24-Month	25-Month
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Check Sum: -

Remark:

NOMINATED BY:

ACKNOWLEDGED BY:

Firstname M. Surname
[Title]
[Name of Power Supplier]

Firstname M. Surname
[Title]
MERALCO



SCHEDULE 4

FORM OF POWER SUPPLIER'S WEEK-AHEAD CAPACITY AVAILABILITY SCHEDULE

[NAME OF POWER SUPPLIER]

Nomination of Week-Ahead Available Capacity for MERALCO (in MW)

For the week of _____ - _____, 20____

Time	[Day of Week]	[Day of Week]	[Day of Week]	[Day of Week]	[Day of Week]	[Day of Week]	[Day of Week]
	20	20	20	20	20	20	20
0000H-0100H							
0100H-0200H							
0200H-0300H							
0300H-0400H							
0400H-0500H							
0500H-0600H							
0600H-0700H							
0700H-0800H							
0800H-0900H							
0900H-1000H							
1000H-1100H							
1100H-1200H							
1200H-1300H							
1300H-1400H							
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1600H-1700H							
1700H-1800H							
1800H-1900H							
1900H-2000H							
2000H-2100H							
2100H-2200H							
2200H-2300H							
2300H-2400H							
Check Sum							

Remark:

NOMINATED BY:

ACKNOWLEDGED BY:

Firstname M. Surname

[Title]

[Name of Power Supplier]

Firstname M. Surname

[Title]

MERALCO

SCHEDULE 5

FORM OF MERALCO'S MONTH-AHEAD NOMINATION SCHEDULE



MANILA ELECTRIC COMPANY (MERALCO)
 Nomination of Month-Ahead Energy for [Name of Power Supplier] (in MWh)
 [Month] 28, 20__ to [Month] 26, 20__

Hour	26-Month	27-Month	28-Month	29-Month	30-Month	31-Month	1-Month	2-Month	3-Month	4-Month	5-Month	6-Month	7-Month	8-Month	9-Month
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Total	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Hour	10-Month	11-Month	12-Month	13-Month	14-Month	15-Month	16-Month	17-Month	18-Month	19-Month	20-Month	21-Month	22-Month	23-Month	24-Month	25-Month
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22																
23																
24																
Total	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Total for the month	-
----------------------------	---

Remark:

NOMINATED BY:

ACKNOWLEDGED BY:

Firstname M. Surname
 [Title]
 MERALCO

Firstname M. Surname
 [Title]
 [Name of Power Supplier]

SCHEDULE 6

FORM OF MERALCO'S WEEK-AHEAD NOMINATION SCHEDULE



MANILA ELECTRIC COMPANY (MERALCO)

Nomination of Week-Ahead Energy for [Name of Power Supplier] (in MWh)

For the week of _____ - _____, 20____

Time	Day 1	Day 2	Day 3	Day 4	Day 5	Day 6	Day 7
0000H-0100H							
0100H-0200H							
0200H-0300H							
0300H-0400H							
0400H-0500H							
0500H-0600H							
0600H-0700H							
0700H-0800H							
0800H-0900H							
0900H-1000H							
1000H-1100H							
1100H-1200H							
1200H-1300H							
1300H-1400H							
1400H-1500H							
1500H-1600H							
1600H-1700H							
1700H-1800H							
1800H-1900H							
1900H-2000H							
2000H-2100H							
2100H-2200H							
2200H-2300H							
2300H-2400H							
Check Sum							

Remark:

NOMINATED BY:

Firstname M. Surname
[Title]MERALCO

ACKNOWLEDGED BY:

Firstname M. Surname
[Title][Name of Power Supplier]

SCHEDULE 7
FORM OF POWER SUPPLIER'S DAY-AHEAD CAPACITY AVAILABILITY
SCHEDULE

[NAME OF POWER SUPPLIER]

Nomination of Day-Ahead Available Capacity for MERALCO

For _____, 20__ ([Day of Week])

Time	Available Capacity
0000H-	
0100H-	
0200H-	
0300H-	
0400H-	
0500H-	
0600H-	
0700H-	
0800H-	
0900H-	
1000H-	
1100H-	
1200H-	
1300H-	
1400H-	
1500H-	
1600H-	
1700H-	
1800H-	
1900H-	
2000H-	
2100H-	
2200H-	
2300H-	
Check Sum	

Remark:

NOMINATED BY:

ACKNOWLEDGED BY:

Firstname M. Surname
 [Title]
 [Name of Power Supplier]

Firstname M. Surname
 [Title]
 MERALCO

SCHEDULE 8



FORM OF MERALCO'S DAY-AHEAD NOMINATION SCHEDULE

MANILA ELECTRIC COMPANY (MERALCO)

Nomination of Day-Ahead Price and Quantity Offers for [Name of Power Supplier]

For _____, 20__ ([Day of Week])

Time	Day-Ahead Nomination (MWh)
0000H-0100H	
0100H-0200H	
0200H-0300H	
0300H-0400H	
0400H-0500H	
0500H-0600H	
0600H-0700H	
0700H-0800H	
0800H-0900H	
0900H-1000H	
1000H-1100H	
1100H-1200H	
1200H-1300H	
1300H-1400H	
1400H-1500H	
1500H-1600H	
1600H-1700H	
1700H-1800H	
1800H-1900H	
1900H-2000H	
2000H-2100H	
2100H-2200H	
2200H-2300H	
2300H-2400H	
Check Sum	

Remark:

Remark:

NOMINATED BY:

ACKNOWLEDGED BY:

Firstname M. Surname

Firstname M. Surname

[Title]
MERALCO

[Title]
[Name of Power Supplier]

Appendix G
INVOICING AND PAYMENT PROCEDURES

Definitions

All capitalized terms used herein shall have the meanings given to them in Article 1 of this Agreement, except as otherwise defined herein.

Invoice means any Invoice rendered according to Appendix G.

Final Invoice means any Final Invoice rendered according to Section 2 below.

Payment Date shall have the meaning given to it in Section 3 below.

Provisional Invoice means any Provisional Invoice rendered according to Section 1.1 below.

Receipt means any Receipt issued according to Section 6 below.

1 Provisional Invoice

1.1 Any Invoice rendered by Power Supplier to Meralco pursuant to Article 10 hereof shall be rendered in the first instance in the form of a provisional invoice (the "**Provisional Invoice**"). Power Supplier shall deliver the Provisional Invoice to Meralco no later than the last Day of the calendar month of the Billing Period.

1.2 Within ten (10) Days after 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.

2 Final Invoice

On the fifteenth (15th) day of the immediately succeeding month after the end of the Billing Period, Power Supplier shall provide Meralco with a Final Invoice for such Billing Period, in the same format as the Provisional Invoice (the "**Final Invoice**"); provided that the Final Invoice shall reflect any corrections or adjustments agreed to by the Parties.

3 Payment Date

Provided that Meralco receives the Final Invoice within the time set forth in Section 2 of this Appendix G, each Final Invoice shall be due and payable not later than the last Day of the immediately succeeding month after the end of the month of the Billing

Period, provided that if the last Day is not a Business Day then the payment shall be due and payable on the immediately next Business Day ("**Payment Date**").

4 Withholding Tax

4.1 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 and the corresponding documentation due to the prevailing regulation of such withholding to Power Supplier. If Power Supplier believes such withholding tax is not applicable to it, Power Supplier shall provide Meralco with such documents and evidence acceptable to Meralco to demonstrate that payments to Power Supplier are not subject to such withholding tax. Power Supplier shall indemnify Meralco for any assessment, liability, surcharge, interests, penalties and other costs or fees arising from Meralco's non-withholding or failure to withhold creditable withholding tax if Meralco does not withhold such tax upon Power Supplier's request, including any change, reversal or ruling affecting Power Supplier's status or claim of not being subject to a creditable or withholding tax.

5 Method of Payment

All payments by Meralco pursuant to this Appendix shall be made by wire transfer of cleared funds to such account/s as Power Supplier may notify in writing.

6 Receipt

Power Supplier shall issue a value-added tax-qualified official receipt to Meralco acknowledging receipt of any payment hereunder on the date of such payment.

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

ANNEX " § "

**IN THE MATTER OF THE
APPLICATION FOR THE
APPROVAL OF THE POWER
SUPPLY AGREEMENT (PSA)
BETWEEN MANILA ELECTRIC
COMPANY (MERALCO) AND
PANAY ENERGY
DEVELOPMENT
CORPORATION (PEDC),**

ERC CASE NO. 2016 - ____ RC

**MANILA ELECTRIC COMPANY
(MERALCO) AND PANAY
ENERGY DEVELOPMENT
CORPORATION (PEDC),**

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 employed at the Manila Electric Company ("MERALCO") as Head of the Energy Sourcing Office, was conducted by Atty. Adrian Rex C. Dimalanta, counsel for Applicant MERALCO, at the 7th Floor, Lopez Building, Ortigas Avenue, Pasig City, this 27th day of April 2016.

The testimony of Mr. Ciprinilo C. Meneses is being offered to show and prove:

1. The existence and details of the Power Supply Agreement ("PSA") executed between MERALCO and Panay Energy Development Corporation (PEDC);
2. The necessity for the approval of the PSA 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

- PSA, including the contract price thereunder;
4. Identification of documents in the course of the hearing;
and
 5. Other matters relevant to the Joint 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 at MERALCO?

A3: I have been employed at 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 MERALCO'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 Power Supply Agreement (PSA) Between Manila Electric Company (MERALCO) and Panay Energy Development Corporation (PEDC)"* jointly filed by Applicants MERALCO and PEDC? If so, why?

A5: Yes, I am familiar with the same as I was directly involved in the preparation of the Joint 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 Power Supply Agreement ("PSA") that was executed between MERALCO and PEDC.

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

A6: My Judicial Affidavit is being taken in support of the aforesaid Joint Application for the Approval of the PSA between MERALCO and PEDC.

Q7: What are the salient provisions of the PSA?

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

"2.2 Term of Agreement

2.2.1 Subject to Article 3, this Agreement shall become effective on the Effective Date.

2.2.1.1 The term of this Agreement (the "**Term**") shall commence on the Operations Effective Date and shall expire on the date falling twenty (20) years after the Operations Effective Date xxx

xxx

3.1 Effective Date

The Effective Date shall be the date the conditions precedent in Section 3.2 have been satisfied or waived by the relevant Party (the "**Effective Date**").

xxx

3.3 Commencement Date

The "**Commencement Date**" shall occur upon the satisfaction of the conditions below:

- (a) The conditions set out in Section 3.2 have been fulfilled;
- (b) Each Party has delivered to the other Party a certification dated no earlier than two (2) Days prior to the proposed Commencement Date to the effect that its representations and warranties contained herein shall be true and correct in all material respects on and as of the Commencement Date; and
- (c) On or before the Longstop Date, (i) the ERC shall have approved this Agreement, including the pricing structure as set out herein (or as otherwise

acceptable to Power Supplier), in the ERC Provisional Approval or ERC Final Approval.

Within seven (7) Days after the satisfaction of the conditions referred to in this Section 3.3, Meralco and Power Supplier shall issue a joint certification confirming that the Commencement Date has occurred.

3.4 Operations Effective Date

3.4.1 Power Supplier covenants that Operations Effective Date shall occur on August 26, 2016 (the “**Operations Effective Date**”).

3.4.2 Following the Operations Effective Date, the obligations of Power Supplier and Meralco under this Agreement with respect to sale and purchase of Contract Capacity and Associated Energy, and Replacement Energy, shall become effective.

3.5 Commercial Operations Date

The Unit shall achieve Commercial Operations Date upon delivery by Power Supplier of the documents enumerated below, in form and substance satisfactory to Meralco:

- (a) Capacity Test Certificate xxx;
- (b) a Net Plant Heat Rate Test Certificate xxx;
- (c) certified true copy of the certificate of compliance of the Power Supplier as a generation company issued by the ERC, its registration as a member of the WESM and evidence of its execution of a Market Participation Agreement with the Philippine Electricity Market Corporation; and a certification that all relevant permits, licenses, authorizations and other approvals from all Government Authorities and third parties needed for the operation of the Unit and the supply of electricity by the Power Supplier to Meralco have been obtained by Power Supplier;
- (d) a Commercial Operations Date Certificate; and
- (e) Power Supplier certification that the insurances required under this Agreement xxx have been obtained xxx.

xxx

3.7 Early Occurrence of the Commercial Operations Date

3.7.1 In the event that Power Supplier achieves Commercial Operations Date prior to the occurrence of the Operations Effective Date, Power Supplier shall promptly deliver to Meralco written notice thereof on or before the Commercial Operations Date. Upon receipt of such written notice, Meralco shall, by written notice to Power Supplier, choose between the following options:

- a) Consider that Operations Effective Date shall occur on the Commercial Operations Date or such other later date as provided under Section 3.7.2; or
- b) Require Power Supplier to deliver, for purchase by Meralco on a non-firm basis, such portion of the Contract Capacity and Associated Energy needed by Meralco from Commercial Operations Date to Operations Effective Date, which shall be paid at the Price. For the avoidance of doubt, Meralco shall have priority over the Contract Capacity and Associated Energy. If needed by Meralco, it shall communicate its binding day-ahead nominations of the Contract Capacity and Associated Energy (or a portion thereof) to Power Supplier.

xxx

5.1 Supply of Power

Subject to the terms and conditions of this Agreement:

5.1.1 From the Operations Effective Date until the expiration of the Term or earlier termination of this Agreement, Power Supplier shall:

- (a) make available to Meralco, and Meralco shall purchase from Power Supplier, at the Price determined in accordance with Appendix D, the Contract Capacity of the Unit; and
- (b) sell to Meralco, and Meralco shall purchase from Power Supplier, at the Price determined in accordance with Appendix D, the Associated Energy, to the extent of Meralco's relevant day-

ahead nominations.

The Dispatch of Contract Capacity and Associated Energy shall meet the requirements set out in Appendix B (*Technical Limits*).

- 5.1.2 Unless otherwise expressly permitted by this Agreement, Power Supplier shall not, without Meralco's prior written consent, sell, divert, grant, transfer, dedicate, reserve or assign all or any portion of the Contract Capacity and Associated Energy to any Person other than Meralco.
- 5.1.3 Power Supplier shall source its supply for Meralco only from the Plant except during: (i) the period from Operations Effective Date until Commercial Operations Date; (ii) Scheduled Outages and Forced Outages; and (iii) any Curtailment due to Dispatch Instructions.
- 5.1.4 The supply of the Contract Capacity and Associated Energy by Power Supplier to Meralco shall be in accordance with WESM Rules. Moreover, each Party shall, during the Term, always keep and maintain its registration as bona fide trading member of the WESM.

xxx

8.1 **Outage Allowances and Replacement Energy**

- 8.1.1 After Commercial Operations Date, Power Supplier shall be allowed Scheduled Outages of thirty (30) Days ("**Full Load Equivalent Scheduled Outage Allowance Days**") and Forced Outages of fifteen (15) Days ("**Full Load Equivalent Forced Outage Allowance Days**") each Contract Year, provided that a Forced Outage may only be counted towards the Full Load Equivalent Forced Outage Allowance Days upon provision to Meralco of a copy of the certification from the System Operator that a Forced Outage has occurred. During these times, Meralco shall procure Replacement Energy from the WESM and Power Supplier shall not bill Meralco for these quantities.
- 8.1.2 During Outages beyond the Full Load Equivalent Scheduled Outage Allowance Days and/or Full Load Equivalent Forced Outage Allowance Days, Power Supplier shall purchase Replacement Energy, which shall be declared as BCQ and paid by Meralco at the Price. The supply by Power Supplier of Replacement Energy under this Section 8.1.2 shall be deemed

fulfillment of Power Supplier's obligation to make available the Contract Capacity and to deliver the Associated Energy during such period.

- 8.1.3 During any period in which an Event of Force Majeure affects Power Supplier or Meralco, Meralco shall procure Replacement Energy from the WESM to the extent supply or offtake is so affected.

xxx

9.1 **Assignment or Transfer of Contract Capacity Due to RCOA**

In connection with the implementation by the ERC of RCOA, Meralco shall also be entitled to assign, transfer, designate, delegate or allocate (collectively in this context, "**Transfer**") its rights and obligations to purchase a portion of Contract Capacity and Associated Energy that is no longer required by Meralco as a result of RCOA (i) to any of its wholly-owned Distribution Utility or Supplier Affiliates (in each case, a direct WESM member) or business segments, to the extent allowed by Law, without the prior consent of the Power Supplier; or (ii) to any other Person subject to the consent of Power Supplier, which consent shall not be unreasonably withheld.

xxx

9.2 **Reduction in Contract Capacity and Associated Energy**

- 9.3.1 Subject to the provisions of Section 9.3.2 below, Meralco shall, from time to time, be entitled to a reduction in the Contract Capacity and Associated Energy (the "**Reduction in Contract Capacity and Associated Energy**") equivalent to the reduction in the demand of its captive customers by reason of the enforcement of RCOA and the Renewable Energy Law. Similarly, Power Supplier may request for a Reduction in Contract Capacity and Associated Energy, subject to mutual agreement of the Parties.

xxx

10.2 **Payments**

- 10.2.1 Meralco shall pay the entire amount indicated in the Final Invoice (subject to Appendix G) when due and payable,

provided that Meralco shall not be required to make payment on any Invoice that is manifestly in error, apparently invalid or not in the form or substance contemplated by this Agreement until the same has been corrected following prompt notice by Meralco to Power Supplier of such error, invalidity or absence of proper form or substance.

xxx

11.2 Charges Due to Change in Circumstances

- (a) If as a result of a Change in Circumstances, Meralco becomes liable to pay any new charges, fees, taxes, duties, assessments or other similar amounts ("**New Charges**"), or any increase in existing charges, fees, taxes, duties, assessments or other similar amounts ("**Increased Charges**") become payable with respect to this Agreement, the New Charges or Increased Charges shall form part of the price that Meralco will charge to its customers.
\\
- (b) If as a result of a Change in Circumstances affecting Power Supplier, Power Supplier becomes liable to pay any New Charges or any Increased Charges or a Change in Circumstances materially and adversely affects the ability of Power Supplier to perform or materially increases the operating costs or capital expenditures associated with the Plant or materially and adversely affects its performance of its obligations under this Agreement, adversely affects the sale by Power Supplier of Contract Capacity and Associated Energy in accordance with this Agreement, makes the Power Supplier's administration or operational aspects of such performance materially more burdensome (whether made at the direction of any Governmental Instrumentality or otherwise) or causes serious damage to, or materially and adversely affects the financial condition of Power Supplier, Power Supplier shall send a notice to Meralco of the occurrence of such Change in Circumstances ("**Notice of Change in Circumstances**") together with an analysis of the cost impact of such Change in Circumstances. Within thirty (30) Days of such Notice of Change in Circumstances, Meralco and Power Supplier shall meet to discuss, in good faith, remedial measures to mitigate the impact of such Change in Circumstances. Each Party shall cooperate in good faith to secure any Governmental Authorizations to implement any agreed remedial measures. If the Parties fail to reach a mutually satisfactory resolution within sixty (60) Days from the

commencement of negotiations, the Power Supplier shall be entitled to terminate this Agreement in accordance with the provisions of Section 17.6.7(a).

- (c) In the event that, as a result of a Change in Circumstances and pursuant to a corresponding order of the ERC or any other Governmental Instrumentality:
 - (a) Meralco is prevented from making a pass through to its customers of any charges under this Agreement (as approved by the ERC in the ERC ERC Provisional Approval or ERC Final Approval, as accepted by Power Supplier); or
 - (b) any portion of the Price that has been paid to Power Supplier is required to be refunded to Meralco or Meralco's customers in connection with the ERC Application or any petition, claim, case, proceeding or other action involving any of the Parties brought before any judicial, administrative or quasi-judicial body,

the Parties shall enter into good faith negotiations to agree on a satisfactory solution regarding the amendment of this Agreement to restore Meralco's commercial position prior to such Change in Circumstances, including an adjustment of the Price. If the Parties fail to reach a mutually satisfactory resolution within sixty (60) Days from the commencement of negotiations, the provisions of Section 17.6.7(b) will apply.

xxx

13.2 ERC Approval

- 13.2.1 Upon receipt of the ERC Final Approval, Meralco shall provide a copy of such ERC Final Approval to Power Supplier. Power Supplier shall have ten (10) Business Days from the date of receipt from MERALCO of such ERC Final Approval to notify Meralco in writing that (i) it accepts such ERC Final Approval or (ii) it does not accept the ERC Final Approval, stating the grounds for non-acceptance.
- 13.2.2 In case of Power Supplier's non-acceptance, Power Supplier shall be free to: (i) file with the ERC a motion for reconsideration or (ii) terminate this Agreement upon sixty (60) days prior written notice to Meralco; provided that, any order on a motion for reconsideration shall be

treated as an ERC Final Approval for purposes of the processes under this Section 13.2; provided further that, if the motion for reconsideration is denied by the ERC, or provided by the ERC but still with any material term or condition that is not acceptable to Power Supplier, Power Supplier may terminate this agreement upon sixty (60) days prior written notice to Meralco.

xxx

16.5 Effect of Extended Force Majeure

If any Event of Force Majeure prevents Power Supplier from making available the Contract Capacity or Associated Energy or Meralco from accepting Contract Capacity or Associated Energy, in each case for a continuous period of more than one hundred eighty (180) Days, then either Party may upon written notice, require the other Party to meet as soon as practicable to reasonably discuss any modification, change or amendment of this Agreement under such reasonable terms, to the extent necessary to resolve the issues arising from the Event of Force Majeure and maintain, to the extent feasible, the rights and obligations of the Parties under this Agreement.

If the Parties do not reach such satisfactory solution prior to the end of such one hundred eighty (180) Day period, or such other time as may be agreed upon, either Party may terminate this Agreement in accordance with Section 17.6.6.

xxx”

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

Q8: What is the contract capacity and associated energy contracted under the PSA?

A8: The PSA is for the purchase of up to 70 MW contract capacity and associated energy.

Q9: What is the effective rate under the PSA?

A9: Given a certain set of assumptions, the annual effective rate under the PSA is PhP3.7207 per kWh. A copy of the PEDC PSA – Rate Impact is attached to the Joint Application as Annex “O”.

Q10: If approved, how much will be the simulated delivered price under the PSA?

A10: Given the assumptions provided in Annex “O”, the simulated delivered price under the PSA would result in the reduction of MERALCO’s generation charge by about PhP0.0188 per kWh.

Q11: Do you affirm and confirm the truthfulness and veracity of your answers to the questions asked?

A11: Yes.

IN WITNESS WHEREOF, I have hereunto affixed my signature this 27th day of April 2016, at Pasig City, Philippines.



CIPRINILO C. MENESES

Affiant

ATTESTATION

I, **ATTY. ADRIAN REX C. DIMALANTA**, 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 27th day of April 2016, at Pasig City, Philippines.

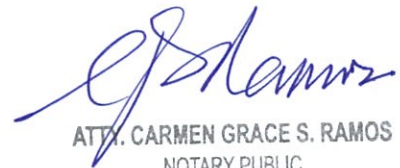


ATTY. ADRIAN REX C. DIMALANTA

Affiant

SUBSCRIBED AND SWORN TO before me this 27th day of April 2016 by Engr. Ciprinilo C. Meneses and Atty. Adrian Rex C. Dimalanta exhibiting their SSS IDs with Nos. 03-6515286-8 and 34-0968670-5, respectively, as proof of their identities.

Doc. No.: 196 ;
Page No.: 41 ;
Book No.: IV ;
Series of 2016.



ATTY. CARMEN GRACE S. RAMOS
NOTARY PUBLIC

Pasig, Pateros, Taguig & San Juan
Issued on July 13, 2015 at Pasig City
until December 31, 2016

Roll No. 55945; IBP No. 1023723; 01/08/16; RSM Chapter
PTR No. 1473409; 01/21/16; Pasig City
7th Floor, Lopez Bldg., Ortigas Ave., Pasig City

ANNEX " C **FI**

COVER SHEET

Nature of Application

AMENDED ART INC.

SEC Registration Number

C	S	2	0	0	9	0	1	9	1	2
---	---	---	---	---	---	---	---	---	---	---

Former Company Name

[illegible]

AMENDED TO:
New Company Name

[illegible]

Principal Office (No./Street/Barangay/City/Town)Province)

Principal Office (No./Street/Barangay/City/Town)/Province)

2. 2 N D F G T J O W E R G B I 3 A Y A L A C O R.

h. v. D E L A C O S T A M A K A T I

Company's Email Address

Company's Email Address
NA

COMPANY INFORMATION

Company's Telephone Number/s

Company's Telephone Number/s

Company's Fascimile Number/s

N *

Name of Contact Person

ATTY. ROSA HERMOSO

CONTACT PERSON INFORMATION

Email Address

Email Address
NA

Telephone Number/s

464-1600

Facsimile Number/s

NA

Contact Person's Address

Contact Person's Address

To be accomplished by CRMD Personnel

Assigned Processor

Date _____

Signature

Document I.D.

--

Received by Corporate Filing and Records Division (CFRD)

Forwarded to:

- | | |
|--|---|
| | Corporate and Partnership Registration Division |
| | Green Lane Unit |
| | Financial Analysis and Audit Division |
| | Licensing Unit |
| | Compliance Monitoring Division |

[illegible]

AMENDED ARTICLES OF INCORPORATION

OF

PANAY ENERGY DEVELOPMENT CORPORATION

KNOW ALL MEN BY THESE PRESENTS:

That we, all of legal age and majority of whom are residents of the Philippines, have this day voluntarily associated ourselves together for the purpose of forming a corporation under the laws of the Republic of the Philippines.

AND WE HEREBY CERTIFY THAT:

FIRST. The name of the corporation shall be PANAY ENERGY DEVELOPMENT CORPORATION.

SECOND. The purposes for which this corporation is formed are:

PRIMARY PURPOSE

To carry on the general business of generating power, derived from coal, fossil fuel, geothermal, nuclear, natural gas, hydroelectric and other viable sources of power, for lighting and power purposes and whole-selling the electric power to the National Power Corporation, private electric cooperatives, distribution utilities, industrial customers, and other entities, and for the carrying on of all business related or incident hereto, including but not limited to the provision of ancillary services and the sale of the by-products of power generation, e.g., steam, water, etc., and to acquire, build, construct, own, maintain, and operate all necessary and convenient buildings, structures, dams, machinery, substations, transmission lines, poles, wires, and other things and devices; to acquire and hold water and flowage rights and to acquire, lease, hold, occupy or use land rights of way and easements therein; and to purchase and/or import raw materials, equipment and spare parts to be used for its business as power generator¹.

SECONDARY PURPOSES

To invest in, hold, purchase, acquire, import, lease, contract, or otherwise, within the limits allowed for by law, any and all real and personal properties of every kind and description whatsoever which the Corporation may deem necessary or appropriate and to exchange or otherwise dispose of the whole or any part thereof;

¹ Amendments approved at the meeting of the Board of Directors on 26 March 2014 and of the Stockholders of the Corporation held on 7 May 2014.

To purchase, or otherwise acquire the stocks, bonds, and other securities or evidence of indebtedness of any other corporation, association, firm or entity, domestic, or foreign, and to issue in exchange thereof its own stocks, bonds, or other obligations, or to pay therefore in cash, or otherwise;

To hold, own, use, sell, issue, deal in, dispose of, and turn to account any such stocks, warrants, options, bonds or other securities, and while the owner or holder thereof to exercise all the rights and powers of ownership, including the right to vote thereon for any purpose;

To acquire, takeover, hold over, hold and control all or any part of the business, goodwill, property and other assets, and to assume or undertake the whole or any part of liabilities and obligations of any person, firm, association or corporation, and to pay for the same in cash or in stocks, bonds, or securities of the Corporation or otherwise;

To hold, manage, operate, conduct and dispose of, in any manner, the whole or part of any such qualifications, and to exercise all the powers necessary or convenient for the conduct and management thereof, and to do every act and thing covered generally by the denomination "holding company," provided, it shall not act as brokers or dealers in securities;

To apply for, or join in applying for, purchase or by other means acquire, and protect, prolong and renew, whether in any country or other jurisdiction whatsoever, any patents, patent rights, trademarks, licenses, protections, and concessions which may appear likely to be advantageous or useful to the company, and to use and turn to account, and to manufacture under or grant licenses or privileges in respect of the same, and to extend money in experimenting upon and testing and improving or seeking to improve any patents, inventions, or rights which the company may acquire or purpose to acquire;

To carry on any other business transaction or operation which may seem to the corporation capable of being conveniently carried on in connection with the above, or calculated directly or indirectly to enhance the value of the corporation's business, property, or rights;

To guarantee, assume, or undertake the whole or any part of the liabilities and obligations of any person, firm, association, or corporation;

To mortgage or encumber real and personal properties of every kind and description in order to secure repayment of all loans, bonds, promissory notes, and other evidence of indebtedness incurred by it or by any person, firm, association, or corporation; and²

² Amendments approved at the joint meeting of the Stockholders and the Board of Directors of the Corporation held on 9 May 2014.

To possess and exercise all power and privileges now or hereafter granted to or conferred upon corporations of the Republic of the Philippines; and to possess and exercise such incidental corporate powers as are, and to do all and everything as is, necessary, suitable, convenient or proper for the accomplishment of any of the purpose or the attainment of any one or more of the objects herein enumerated, or which shall at any time appear conducive to or expedient for the protection or benefit of the corporation either as holder of or as interested party in any property or otherwise.

THIRD. The place where the principal office of the corporation is to be established or located is at Brgy. Ingore, La Paz, Iloilo City³, Philippines.

FOURTH. The term for which the corporation is to exist shall be fifty (50) years from and after the date of issuance of the certificate of incorporation.

FIFTH. The names, nationalities, and residences of the incorporators of the corporation are as follows:

Name	Nationality	Addresses
Francisco C. Sebastian	Filipino	454 Ma. Christina St., Ayala Alabang Village, Muntinlupa City
Antonio S. Abacan, Jr.	Filipino	316 Madrigal Ave., Ayala Alabang Village, Muntinlupa City
Jesus N. Alcordo	Filipino	239 Anahaw St., Ayala Alabang Village, Muntinlupa City
Alfred V. Ty	Filipino	62 Kawayan Road, Cambridge Circle, North Forbes Park, Makati City
Elon Ting	American	36A Pacific Plaze Towers Condominium, Bonifacio Global City

³ Amendment approved at the joint meeting of the stockholders and Board of Directors of the Corporation held on 16 September 2009.

SIXTH. The number of directors of the corporation shall be five (5), and the names, nationalities, residences of the directors who are to serve until their successors are elected and qualified as provided by the By-Laws are as follows:

Name	Nationality	Addresses
Francisco C. Sebastian	Filipino	454 Ma. Christina St., Ayala Alabang Village, Muntinlupa City
Antonio S. Abacan, Jr.	Filipino	316 Madrigal Ave., Ayala Alabang Village, Muntinlupa City
Jesus N. Alcorido	Filipino	239 Anahaw St., Ayala Alabang Village, Muntinlupa City
Alfred V. Ty	Filipino	62 Kawayan Road, Cambridge Circle, North Forbes Park, Makati City
Elon Ting	American	36A Pacific Plaze Towers Condominium, Bonifacio Global City

SEVENTH: That the authorized capital stock of the corporation is ONE BILLION FIVE HUNDRED MILLION PESOS (Php1,500,000,000.00), in lawful money of the Philippines, divided into FIFTEEN MILLION (15,000,000) common shares with par value of ONE HUNDRED PESOS (Php100.00) per share.⁴

EIGHTH. That at least 25% of the authorized capital stock has been subscribed and at least 25% of the total subscription has been paid as follows:

Name	Nationality	No. of Shares	Amount of Stock Subscribed	Amount of Paid Up Capital
Claredon Tower Holdings, Inc.	Filipino	1,385,995	P138,599,500	P34,649,500
Francisco C. Sebastian	Filipino	1	100	100
Antonio S. Abacan, Jr.	Filipino	1	100	100
Jesus N. Alcorido	Filipino	1	100	100
Alfred V. Ty	Filipino	1	100	100
Elon Ting	American	1	100	100
Total		1,386,000	138,600,000	P34,650,000

⁴ Amendment approved at the meetings of the stockholders and Board of Directors of the Corporation held on 8 December 2011.

NINTH. No transfer of stock or interest which would reduce the stock ownership of Filipino citizens to less than the required percentage of the capital stock as provided by existing laws shall be allowed or permitted to be recorded in the proper books of corporation and this restriction shall be indicated in the stock certificates issued by the corporation.

TENTH. **ALFRED V. TY** has been elected by the subscribers as treasurer of the Corporation to act as such until his successor is duly elected and qualified in accordance with the by-laws; and that as such Treasurer, he was authorized to receive for and in the name and for the benefit of the corporation, all subscriptions paid or given by the subscribers.

ELEVENTH. We, in behalf of said corporation, hereby undertake to change its corporate name immediately upon receipt of notice or directive from the Commission that another corporation, partnership, or person has acquired a prior right to the use of that name or that the name has been declared as misleading, deceptive, confusingly similar to a registered name, or contrary to public morals, good customs, or public policy.

IN WITNESS WHEREOF, we have hereunto set our hands this 19 day of August 2008 at Metro Manila.

(Sgd.)
FRANCISCO C. SEBASTIAN
TIN 163-762-954

(Sgd.)
ANTONIO S. ABACAN, JR.
TIN 121-518-476

(Sgd.)
JESUS N. ALCORDO
TIN 115-327-801

(Sgd.)
ALFRED V. TY
TIN 107-032-619

(Sgd.)
ELON TING
TIN 108-107-895

WITNESSES:

ACKNOWLEDGEMENT

REPUBLIC OF THE PHILIPPINES }
MAKATI CITY, METRO MANILA }S.S.

BEFORE ME, a Notary Public for and in Makati City, Metro Manila, this August 19, 2008, personally appeared:

Name	Community Tax Certificate No./Passport No.	Place and Date of Issue
Francisco C. Sebastian	13253761	1/8/08; Manila
Antonio S. Abacan, Jr.	19303632	2/04/08; Makati
Jesus N. Alcordo	19581208	1/29/08;Muntinlupa
Alfred V. Ty	19485017	1/16/08; Makati
Elon Ting	711782172	5/08/2005; US Embassy, Manila

all known to me and to me known to be the same persons who executed the foregoing Articles of Incorporation and they acknowledged to me that the same is their own free and voluntary act and deed.

IN WITNESS WHEREOF, I have hereunto affixed my notarial seal on the date and place first hereinabove written.

(SGD)
ATTY. GERVACIO B. ORTIZ, JR
NOTARY PUBLIC

Doc. No. 288;
Page No. 54;
Book No. XXIII;
Series of 2008.

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

SECRETARY'S CERTIFICATE

I, **Bernadette Ann V. Policarpio**, of legal age, Filipino, with office address at the 22nd Floor, GT Tower International, 6813 Ayala Avenue corner H.V. Dela Costa Street, Makati City, after having been duly sworn in accordance with law, hereby certify that:

1. I am the duly elected and incumbent Assistant Corporate Secretary of **Panay Energy Development Corporation** (the "Corporation"), a corporation duly organized and existing under the laws of the Republic of the Philippines with office address at Barangay Ingore, La Paz, Iloilo City.

2. To the best of my knowledge, no action or proceeding has been filed or is pending before any court involving any intra-corporate dispute and/or claim by any person or group against the Board of Directors, individual directors and/or major corporate officers of the Corporation as its duly elected and/or appointed directors or officers or vice versa.

IN WITNESS WHEREOF, I have hereunto affixed my signature this
SEP 15 2014 in Makati City.


Bernadette Ann V. Policarpio
Assistant Corporate Secretary

SUBSCRIBED AND SWORN to before me this SEP 15 2014 at Makati City, affiant exhibiting to me her Community Tax Certificate No. 12568314 issued in Lipa City on 8 January 2014 and satisfactorily proving to me her identity through her Passport No. EB9884943, valid until 26 December 2018, that she is the same person who personally signed before me the foregoing Secretary's Certificate and acknowledged that she executed the same.

Doc. No. 440;
Page No. 84;
Book No. 7;
Series of 2014


ROSA CHRISTINA R. HERMOSO
Notary Public for Makati City
Commission No. M-543 Until December 31, 2014
22nd Floor GT Tower International 6813 Ayala Ave
cor. H.V. Dela Costa Sts., Salcedo Village Makati City
Roll No. 58078 MCLE Compliance No. IV-0019302
IBP No. 957389/ 1-14-2014
PTR No. 4229325/ 1-3-2014/ Makati City



Republic of the Philippines
DEPARTMENT OF ENERGY

^{1st} **ENDORSEMENT**
28 August 2014

We are favorably endorsing to the Corporate and Partnership Registration Division, Securities and Exchange Commission, EDSA, Greenhills, Mandaluyong City the attached Amended Articles of Incorporation of **PANAY ENERGY DEVELOPMENT CORPORATION**, with the statement that this Bureau interposes no objection to amending its primary purpose which now read: to carry on the general business of generating power, derived from coal, fossil fuel, geothermal, nuclear, natural gas, hydroelectric and other viable sources of power, for lighting and power purposes and whole-selling the electric power to the National Power Corporation, private electric cooperatives, distribution utilities, industrial customers, and other entities, and for the carrying on of all business related or incident thereto, including but not limited to the provision of ancillary services and the sale of the by-products of power generation, e.g., steam, water, etc., and to acquire, build, construct, own, maintain and operate all necessary and convenient buildings, structures, dams, machinery, substations, transmission lines, poles, wires and other things and devices; to acquire and hold water and flowage rights and to acquire, lease, hold, occupy or use land rights of way and easement therein; and to purchase and/or import raw materials, equipment, and spare parts to be used for its business as power generator; *Provided, That PANAY ENERGY DEVELOPMENT CORPORATION* shall comply with the provisions of the Republic Act No. 9136 (Electric Power Industry Reform Act of 2001 or EPIRA) and Republic Act No. 9513 (Renewable Energy Act of 2008) and their implementing rules and regulations (IRR) including any amendments thereto. **PANAY ENERGY DEVELOPMENT CORPORATION** shall secure from the Energy Regulatory Commission (ERC) the necessary clearances, permits and licenses as well as compliance with the Competition Rules promulgated by the ERC pursuant to EPIRA and its IRR including any amendments thereto and shall likewise comply with the attendant policy guidelines, rules and regulations issued by the Department of Energy, ERC and Department of Environment and Natural Resources and other relevant government agencies.


MYLENE C. CAPONGCOL
Director
Electric Power Industry Management Bureau

CERTIFICATE OF
AMENDMENT OF THE ARTICLES
OF INCORPORATION OF

PANAY ENERGY DEVELOPMENT CORPORATION



KNOW ALL MEN BY THESE PRESENTS:

We, the undersigned Chairman of the Board, Corporate Secretary, and all of the members of the Board of Directors of PANAY ENERGY DEVELOPMENT CORPORATION (the "Corporation"), a corporation duly organized and existing under and by virtue of the laws of the Republic of the Philippines, do hereby certify that at the meetings of the stockholders and Board of Directors of the Corporation held at the 22nd Floor, GT Tower International, 6813 Ayala Avenue corner H.V. de la Costa Street, Makati City, on 26 March 2014, 7 and 9 May 2014, at each of such meetings a quorum was present and acted throughout, the stockholders representing more than two-thirds (2/3) of the Corporation's total issued and outstanding capital stock and at least a majority of the members of the Board of Directors resolved to amend the Articles of Incorporation of the Corporation to:

1. Amend the primary purpose of the Corporation as follows:

"RESOLVED, That the Second Article of the Articles of Incorporation of the Corporation be amended to read as follows:

'SECOND. The purposes for which this corporation is formed are:

PRIMARY PURPOSE

To carry on the general business of generating power, derived from coal, fossil fuel, geothermal, nuclear, natural gas, hydroelectric and other viable sources of power, for lighting and power purposes and whole-selling the electric power to the National Power Corporation, private electric cooperatives, distribution utilities, industrial customers, and other entities, and for the carrying on of all business related or incident hereto, including but not limited to the provision of ancillary services and the sale of the by-products of power generation, e.g., steam, water, etc., and to acquire, build, construct, own, maintain, and operate all necessary and convenient buildings, structures, dams, machinery, substations, transmission lines, poles, wires, and other things and devices; to acquire and hold water and flowage rights and to acquire, lease, hold, occupy or use land rights of way and easements therein; and to purchase and/or import raw materials, equipment and spare parts to be used for its business as power generator. (Amendments approved at the meeting of the Board of Directors on 26 March 2014 and of the Stockholders of the Corporation held on 7 May 2014.)"

2. Add to the secondary purposes of the Corporation to allow it to: (1) guarantee, assume, or undertake the whole or any part of the liabilities and obligations of any person, firm, association, or corporation; and (2) mortgage real and personal properties of every kind and description in order to secure repayment of all loans, bonds, promissory notes, and other evidence of indebtedness to be incurred by the said entities:

"RESOLVED, That the Second Article of the Articles of Incorporation of the Corporation be amended to read as follows:

'SECOND. The purposes for which this corporation is formed are:

PRIMARY PURPOSES

x x x

SECONDARY PURPOSES

x x x

To carry on any other business transaction or operation which may seem to the corporation capable of being conveniently carried on in connection with the above, or calculated directly or indirectly to enhance the value of the corporation's business, property, or rights;

To guarantee, assume, or undertake the whole or any part of the liabilities and obligations of any person, firm, association, or corporation;

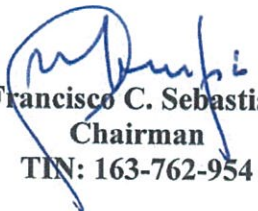
To mortgage or encumber real and personal properties of every kind and description in order to secure repayment of all loans, bonds, promissory notes, and other evidence of indebtedness incurred by it or by any person, firm, association, or corporation; and

To possess and exercise all power and privileges now or hereafter granted to or conferred upon corporations of the Republic of the Philippines; and to possess and exercise such incidental corporate powers as are, and to do all and everything as is, necessary, suitable, convenient or proper for the accomplishment of any of the purpose or the attainment of any one or more of the objects herein enumerated, or which shall at any time appear conducive to or expedient for the protection or benefit of the corporation either as holder of or as interested party in any property or otherwise.

(Amendments approved at the joint meeting of the Stockholders and the Board of Directors of the Corporation held on 9 May 2014.)'"

We hereby certify that the attached documents are a full, complete, true, and correct copy of the Amended Articles of Incorporation of the Corporation.

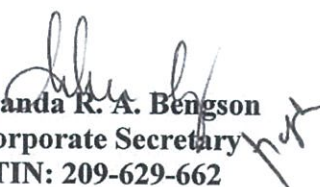
IN WITNESS WHEREOF, the undersigned Chairman of the Board, Directors, and Corporate Secretary have signed this Certificate this SEP 12 2014 at Makati City.


Francisco C. Sebastian
Chairman
TIN: 163-762-954


Antonio S. Abacan, Jr.
Vice Chairman
TIN: 221-607-426


Roberto Juanchito T. Dispo
Director
TIN: 129-882-308


Francisco H. Suarez, Jr.
Director
TIN: 126-817-465


Amanda R. A. Bengson
Corporate Secretary
TIN: 209-629-662

ACKNOWLEDGMENT

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

SEP 12 2014 BEFORE ME, a Notary Public in and for the above jurisdiction, this
personally appeared the following:

Name	Competent Proof of Identity	CTC No. / Date and Place of Issue
Francisco C. Sebastian	Passport No. EB9047722 / 2 September 2018/ DFA Manila	CTC No. 02259260 / 11 February 2014 / Makati
Antonio S. Abacan, Jr.	Passport No. EC0613015 / 18 March 2019 / DFA Manila	CTC No. 34401300 / 7 February 2014 / Manila
Roberto Juanchito T. Dispo	Passport No. EA0032951 / 18 February 2015 / DFA Manila	
Francisco H. Suarez, Jr.	Passport No. EB6058232 / 30 July 2017 / DFA Manila	
Amanda R. A. Bengson	Passport No. EC0012906 / 15 January 2019 / DFA Manila	CTC No. 10866440 / 14 January 2014 / Makati

known to me and to me known to be the same persons who executed the foregoing instrument and they acknowledged to me that the same is their free and voluntary act and deed and that of the corporation they represent.

This instrument refers to a Certification consisting of three (3) pages including this page where this acknowledgment is written.

WITNESS MY HAND AND SEAL on the date and place hereinabove mentioned.

NOTARY PUBLIC

Doc. No. 419
Page No. 84
Book No. 7
Series of 2014.


ROSA CHRISTINA R. HERMOSO
Notary Public for Makati City
Commission No. M-548 Until December 31, 2014
22nd Floor GT Tower International 6813 Ayala Ave.
cor. H.V. Dela Costa Sts., Salcedo Village Makati City
Roll No. 58078 MCLE Compliance No. IV-0019302
IBP No. 957389/ 1-14-2014
PTR No. 4229325/ 1-3-2014/ Makati City



REPUBLIC OF THE PHILIPPINES
SECURITIES AND EXCHANGE COMMISSION
SEC Building, EDSA, Greenhills,
City of Mandaluyong, Metro Manila

COMPANY REGISTRATION AND MONITORING DEPARTMENT

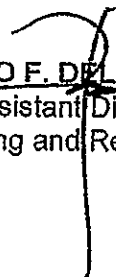
C E R T I F I C A T I O N

This is to certify that based on the records of the Securities and Exchange Commission Panay Energy Development Corporation with SEC No. CS200901912 has not been dissolved nor has this Commission received any information derogatory to said corporation that would prevent it from exercising its primary franchise.

In witness whereof, I have set my hand and caused the seal of this Commission to be affixed to this certification at EDSA, Mandaluyong City, Philippines, this 4th day of June, Twenty Fourteen.

FERDINAND B. SALES
Director

By:


GERARDO F. DEL ROSARIO
Assistant Director
Corporate Filing and Records Division

OR NO : 1106587
Date : 02 June 2014
Amount: P500.00



Republic of the Philippines
Department of Finance
Securities and Exchange Commission
SEC Bldg. EDSA, Greenhills, Mandaluyong City

COMPANY REGISTRATION AND MONITORING DEPARTMENT

IN THE MATTER OF

PANAY ENERGY DEVELOPMENT
CORPORATION

: FOR THE VIOLATION OF THE
: CORPORATION CODE OF THE PHILIPPINES
: AND THE SEC GUIDELINES ON
: REPORTORIAL REQUIREMENTS

SEC Registration No. CS200901912

X-----X

CONFIRMATION OF PAYMENT OF FINES

The PANAY ENERGY DEVELOPMENT CORPORATION registered on February 27, 2009 violated SEC Memorandum Circular No. 8, Series of 2009 (i.e Material Misstatement in the AFS 2013).

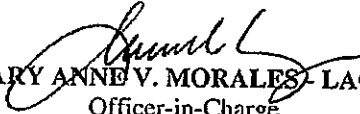
The corporation was directed to pay a total fine of P 4,000.00 paid on May 30, 2014 under Official Receipt No. 1105914.

This serves as a confirmation that the corporation has paid the fines for its failure to comply with the above-stated requirements.

It is warned that if the corporation commits a similar violation in the future, the Commission shall be constrained to impose heavier penalties on the corporation and/or its responsible officers.

Mandaluyong City, Philippines. 5 June 2014.

For the Director:


MARY ANNE V. MORALES-LAGURA
Officer-in-Charge
Compliance Monitoring Division

/s/

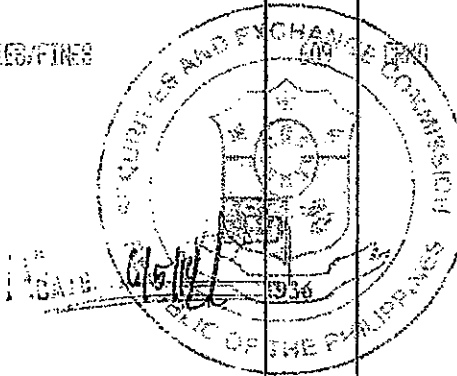


OFFICIAL RECEIPT
 Republic of the Philippines
DEPARTMENT OF FINANCE
SECURITIES & EXCHANGE COMMISSION
 SEC Building, EDSA, Greenhills
 City of Mandaluyong, 1554



Accountable Form No. 51 Revised 2006	ORIGINAL
DATE May 30, 2014	No. 1105914

PAYOR	PANAY ENERGY DEVELOPMENT CORPORATION ILOILO CITY
--------------	---

NATURE OF COLLECTION	ACCOUNT CODE	RESPONSIBILITY CENTER	AMOUNT
PENALTIES/FINES 			4,000.00

TOTAL PHP 4,000.00

AMOUNT IN WORDS
FOUR THOUSAND PESOS AND 00/100

Received <div> ☐ Cash ☐ Treasury Warrant ☒ Check ☐ Money Order </div>	Received the Amount Stated Above  Carlota A. Brown COLLECTING OFFICER
Treasury Warrant, Check, Money Order Number Check-Metrobank-0940079253	
Date of Treasury Warrant, Check, Money Order	O.R. No. 1105914

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



OFFICIAL RECEIPT
Republic of the Philippines
DEPARTMENT OF FINANCE
SECURITIES & EXCHANGE COMMISSION
SEC Building, EDSA, Greenhills
City of Mandaluyong, 1554



Accountable Form No. 51
Revised 2006

ORIGINAL

DATE

September 22, 2014

No.

1179046

PAYOR PANAY ENERGY DEVELOPMENT CORPORATION
MAGKATI CITY

NATURE OF COLLECTION	ACCOUNT CODE	RESPONSIBILITY CENTER	AMOUNT
LRF (A0823)	131	CRMD	10.00
AMENDED ARTICLES	806	CRMD	500.00

TOTAL PHP 510.00

AMOUNT IN WORDS

FIVE HUNDRED TEN PESOS AND 0/100

Received ☒ Cash
☐ Treasury Warrant
☐ Check
☐ Money Order

Treasury Warrant, Check,
Money Order Number

Date of Treasury Warrant,
Check, Money Order

Received the
Amount Stated Above

Mary Jane S. Domingue
COLLECTING OFFICER

O.R. No. 1179046

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



REPUBLIC OF THE PHILIPPINES
SECURITIES AND EXCHANGE COMMISSION

SEC Building, EDSA, Greenhills
City of Mandaluyong, Metro Manila

COMPANY REG. NO. CS200901912

**CERTIFICATE OF FILING
OF
AMENDED ARTICLES OF INCORPORATION**

KNOW ALL PERSONS BY THESE PRESENTS:

This is to certify that the amended articles of incorporation of the

PANAY ENERGY DEVELOPMENT CORPORATION
(Amending Articles II Primary & Secondary Purposes thereof.)

copy annexed, adopted on March 26, 2014, May 07 & 09, 2014 by majority vote of the Board of Directors and by the vote of the stockholders owning or representing more than two-thirds of the outstanding capital stock, and certified under oath by the Corporate Secretary and a majority of the Board of Directors of the corporation was approved by the Commission on this date pursuant to the provision of Section 16 of the Corporation Code of the Philippines, Batas Pambansa Blg. 68, approved on May 1, 1980, and copies thereof are filed with the Commission.

Unless this corporation obtains or already has obtained the appropriate Secondary License from this Commission, this Certificate does not authorize it to undertake business activities requiring a Secondary License from this Commission such as, but not limited to acting as: broker or dealer in securities, government securities eligible dealer (GSED), investment adviser of an investment company, close-end or open-end investment company, investment house, transfer agent, commodity/financial futures exchange/broker/merchant, financing company and time shares/club shares/membership certificates issuers or selling agents thereof. Neither does this Certificate constitute as permit to undertake activities for which other government agencies require a license or permit.

IN WITNESS WHEREOF, I have set my hand and caused the seal of this Commission to be affixed to this Certificate at Mandaluyong City, Metro Manila, Philippines, this 30th day of September, Twenty Fourteen.


FERDINAND B. SALES
Director

Company Registration and Monitoring Department





109292015001442

**SECURITIES AND EXCHANGE COMMISSION**

SEC Building, EDSA, Greenhills, Mandaluyong City, Metro Manila, Philippines
Tel: (632) 726-0931 to 39 Fax: (632) 725-5293 Email: mis@sec.gov.ph

Barcode Page

The following document has been received:

Receiving Officer/Encoder : Mark Anthony R. Osen
Receiving Branch : SEC Head Office
Receipt Date and Time : September 29, 2015 03:36:52 PM
Received From : Head Office

Company Representative

Doc Source

Company Information

SEC Registration No. CS200901912
Company Name PANAY ENERGY DEVELOPMENT CORPORATION
Industry Classification Miscellaneous Business Activities
Company Type Stock Corporation

Document Information

Document ID 109292015001442
Document Type GENERAL INFORMATION SHEET
Document Code GIS
Period Covered April 16, 2015
No. of Days Late 0
Department CED/CFD/CRMD/MRD
Remarks Amended
WITH CERTIFICATION ON CD



Panay Energy Development Corporation

A GBO Company

Brgy. Ingore, La Paz, Iloilo City 5000
Tel. (63) (33) 333 2001
(63) (33) 333 2002
Fax (63) (33) 333 2009

24 September 2015

Central Receiving and Records Division
SECURITIES AND EXCHANGE COMMISSION
SEC Building, EDSA
Greenhills, Mandaluyong City

Dear Sir/Madame:

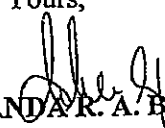
In compliance with SEC Memorandum Circular No. 10, Series of 2013, enclosed herewith are the amended pages of the Amended 2015 General Information Sheet ("GIS") of Panay Energy Development Corporation (the "Corporation") to reflect the following:

1. Removal of Mr. Roberto Juanchito T. Dispo and Atty. Bernadette Ann Villa Policarpio as a member of the Board of Directors and Assistant Corporate Secretary of the Corporation, respectively, in view of their resignations (Page 3);
2. Election and appointment of Engr. Rolando T. Bacani as the President and a Board Director of the Corporation (Page 3);
3. Appointment of Mr. Jerry Andrew L. Dela Santa as the Corporation's Vice President - Controller (Page 3);
4. Change in the stockholder's information in view of the subscription of Engr. Bacani (Page 4); and
5. Updated total number of officers, rank & file employees, and manpower complement of the Corporation (Page 5).

We likewise enclose the complete Amended 2015 GIS and the CD containing the softcopy of the same.

We trust you will find the foregoing in order.

Truly Yours,


AMANDA R. A. BENGSON

@ Corporate Secretary

Enlightening Lives. Empowering Progress.

CORPORATE OFFICE

22nd Floor, GT Tower International, 6813 Ayala Avenue corner H.V. Dela Costa St. Salcedo Village 1227 Makati City Philippines
Tel: (632) 464-1600 | Fax: (632) 464-1629

GENERAL INFORMATION SHEET (GIS)

FOR THE YEAR 2015 (Amended)

STOCK CORPORATION**GENERAL INSTRUCTIONS:**

1. FOR USER CORPORATION: THIS GIS SHOULD BE SUBMITTED WITHIN THIRTY (30) CALENDAR DAYS FROM THE DATE OF THE ANNUAL STOCKHOLDERS' MEETING. DO NOT LEAVE ANY ITEM BLANK. WRITE "N.A." IF THE INFORMATION REQUIRED IS NOT APPLICABLE TO THE CORPORATION OR "NONE" IF THE INFORMATION IS NON-EXISTENT. IF THE ANNUAL STOCKHOLDERS' MEETING IS HELD ON A DATE OTHER THAN THAT STATED IN THE BY-LAWS, THE GIS SHALL BE SUBMITTED WITHIN THIRTY (30) CALENDAR DAYS FROM THE ACTUAL DATE OF THE ANNUAL STOCKHOLDERS' MEETING.
2. IF NO MEETING IS HELD, THE CORPORATION SHALL SUBMIT THE GIS NOT LATER THAN JANUARY 30 OF THE FOLLOWING YEAR. HOWEVER, SHOULD AN ANNUAL STOCKHOLDERS' MEETING BE HELD THEREAFTER, A NEW GIS SHALL BE SUBMITTED/FILED.
3. THIS GIS SHALL BE ACCOMPLISHED IN ENGLISH AND CERTIFIED AND SWORN TO BY THE CORPORATE SECRETARY OF THE CORPORATION.
4. THE SEC SHOULD BE TIMELY APPRISED OF RELEVANT CHANGES IN THE SUBMITTED INFORMATION AS THEY ARISE. FOR CHANGES RESULTING FROM ACTIONS THAT AROSE BETWEEN THE ANNUAL MEETINGS, THE CORPORATION SHALL SUBMIT ONLY THE AFFECTED PAGE OF THE GIS THAT RELATES TO THE NEW INFORMATION TOGETHER WITH A COVER LETTER SIGNED BY THE CORPORATE SECRETARY OF THE CORPORATION. THE PAGE OF THE GIS AND COVER LETTER SHALL BE SUBMITTED WITHIN SEVEN (7) DAYS AFTER SUCH CHANGE OCCURRED OR BECAME EFFECTIVE.
5. SUBMIT FOUR (4) COPIES OF THE GIS TO THE CENTRAL RECEIVING SECTION, GROUND FLOOR, SEC BLDG., EDSA, MANDALUYONG CITY. ALL COPIES SHALL UNIFORMLY BE ON A4 OR LETTER-SIZED PAPER WITH A STANDARD COVER PAGE. THE PAGES OF ALL COPIES SHALL USE ONLY ONE SIDE. CORPORATIONS SUBMITTING A COPY OF THEIR GIS ONLINE OR VIA INTERNET SHALL SUBMIT ONE (1) HARD COPY OF THE GIS, TOGETHER WITH A CERTIFICATION UNDER OATH BY ITS CORPORATE SECRETARY THAT THE COPY SUBMITTED ONLINE CONTAINS THE EXACT DATA IN THE HARD COPY.
6. ONLY THE GIS ACCOMPLISHED IN ACCORDANCE WITH THESE INSTRUCTIONS SHALL BE CONSIDERED AS HAVING BEEN FILED.
7. THIS GIS MAY BE USED AS EVIDENCE AGAINST THE CORPORATION AND ITS RESPONSIBLE DIRECTORS/OFFICERS FOR ANY VIOLATION OF EXISTING LAWS, RULES AND REGULATIONS

===== PLEASE PRINT LEGIBLY =====

CORPORATE NAME:	PANAY ENERGY DEVELOPMENT CORPORATION	DATE REGISTERED:
BUSINESS/TRADE NAME:	PANAY ENERGY DEVELOPMENT CORPORATION	27-Feb-09
SEC REGISTRATION NUMBER:	CS200901912	FISCAL YEAR END: December 31
DATE OF ANNUAL MEETING PER BY-LAW:	Any day in April	CORPORATE TAX IDENTIFICATION NUMBER (TIN): 007-243-246
ACTUAL DATE OF ANNUAL MEETING:	16-Apr-15	WEBSITE/URL ADDRESS:
COMPLETE PRINCIPAL OFFICE ADDRESS:	Barangay Ingore, La Paz, Iloilo City	E-MAIL ADDRESS:
COMPLETE BUSINESS ADDRESS:	Barangay Ingore, La Paz, Iloilo City	FAX NUMBER: (02) 4641629
NAME OF EXTERNAL AUDITOR & ITS SIGNING PARTNER: Sycip Gorres Velayo & Co. / Mr. John T. Villa	SEC ACCREDITATION NUMBER (if applicable): 0327-A	TELEPHONE NUMBER(S): (02) 4641600
PRIMARY PURPOSE/ACTIVITY/INDUSTRY PRESENTLY ENGAGED IN: Power Generation	INDUSTRY CLASSIFICATION:	GEOGRAPHICAL CODE:

INTERCOMPANY AFFILIATIONS

PARENT COMPANY	SEC REGISTRATION NO.	ADDRESS
Panay Power Holdings Corporation	CS200308021	Brgy. Ingore, La Paz, Iloilo City
SUBSIDIARY/AFFILIATE	SEC REGISTRATION NO.	ADDRESS
Panay Power Corporation	A1996-584	Brgy. Ingore, La Paz, Iloilo City

NOTE: USE ADDITIONAL SHEET IF NECESSARY

GENERAL INFORMATION SHEET

STOCK CORPORATION

PLEASE PRINT LEGIBLY

Corporate Name: **PANAY ENERGY DEVELOPMENT CORPORATION**

A. Is the Corporation a covered person under the Anti Money Laundering Act (AMLA), as amended? (Rep. Acts. 9160/9164/10167/10365)

Yes ☐ No ☒

Please check the appropriate box:

1.

- ☐ a. Banks
- ☐ b. Offshore Banking Units
- ☐ c. Quasi-Banks
- ☐ d. Trust Entities
- ☐ e. Non-Stock Savings and Loan Associations
- ☐ f. Pawnshops
- ☐ g. Foreign Exchange Dealers
- ☐ h. Money Changers
- ☐ i. Remittance Agents
- ☐ j. Electronic Money Issuers
- ☐ k. Financial Institutions which Under Special Laws are subject to Bangko Sentral ng Pilipinas' (BSP) supervision and/or regulation, including their subsidiaries and affiliates.

2.

- ☐ a. Insurance Companies
- ☐ b. Insurance Agents
- ☐ c. Insurance Brokers
- ☐ d. Professional Reinsurers
- ☐ e. Reinsurance Brokers
- ☐ f. Holding Companies
- ☐ g. Holding Company Systems
- ☐ h. Pre-need Companies
- ☐ i. Mutual Benefit Association
- ☐ j. All Other Persons and entities supervised and/or regulated by the Insurance Commission (IC)

3.

- ☐ a. Securities Dealers
- ☐ b. Securities Brokers
- ☐ c. Securities Salesman
- ☐ d. Investment Houses
- ☐ e. Investment Agents and Consultants
- ☐ f. Trading Advisors
- ☐ g. Other entities managing Securities or rendering similar services
- ☐ h. Mutual Funds or Open-end Investment Companies
- ☐ i. Close-end Investment Companies
- ☐ j. Common Trust Funds or Issuers and other similar entities
- ☐ k. Transfer Companies and other similar entities
- ☐ l. Other entities administering or otherwise dealing in currency, commodities or financial derivatives based there on
- ☐ m. Entities administering or otherwise dealing in valuable objects
- ☐ n. Entities administering or otherwise dealing in cash Substitutes and other similar monetary instruments or property supervised and/or regulated by the Securities and Exchange Commission (SEC)

4. ☐ Jewelry dealers in precious metals, who, as a business, trade in precious metals

5. ☐ Jewelry dealers in precious stones, who, as a business, trade in precious stone

6. Company service providers which, as a business, provide any of the following services to third parties:

- ☐ a. acting as a formation agent of juridical persons
- ☐ b. acting as (or arranging for another person to act as) a director or corporate secretary of a company, a partner of a partnership, or a similar position in relation to other juridical persons
- ☐ c. providing a registered office, business address or accommodation, correspondence or administrative address for a company, a partnership or any other legal person or arrangement
- ☐ d. acting as (or arranging for another person to act as) a nominee shareholder for another person

7. Persons who provide any of the following services:

- ☐ a. managing of client money, securities or other assets
- ☐ b. management of bank, savings or securities accounts
- ☐ c. organization of contributions for the creation, operation or management of companies
- ☐ d. creation, operation or management of juridical persons or arrangements, and buying and selling business entities

8. ☒ None of the above

Describe nature of business: **Power Generation**

B. Has the Corporation complied with the requirements on Customer Due Diligence (CDD) or Know Your Customer (KYC), record-keeping, and submission of reports under the AMLA, as amended, since the last filing of its GIS? N/A

Yes ☐ Not applicable ☒

GENERAL INFORMATION SHEET

STOCK CORPORATION

PLEASE PRINT LEGIBLY

CORPORATE NAME: PANAY ENERGY DEVELOPMENT CORPORATION

CAPITAL STRUCTURE

AUTHORIZED CAPITAL STOCK

	TYPE OF SHARES *	NUMBER OF SHARES	PAR/STATED VALUE	AMOUNT (PhP) (No. of shares X Par/Stated Value)
	COMMON	15,000,000	100.00	1,500,000,000.00
TOTAL		15,000,000	TOTAL P	1,500,000,000.00

SUBSCRIBED CAPITAL

FILIPINO	NO. OF STOCK-HOLDERS	TYPE OF SHARES *	NUMBER OF SHARES	NUMBER OF SHARES IN THE HANDS OF THE PUBLIC **	PAR/STATED VALUE	AMOUNT (PhP)	% OF OWNERSHIP
	6	COMMON	15,000,000		100.00	1,500,000,000.00	100%
TOTAL			15,000,000	TOTAL	TOTAL P	1,500,000,000.00	100%

FOREIGN (INDICATE BY NATIONALITY)	NO. OF STOCK-HOLDERS	TYPE OF SHARES *	NUMBER OF SHARES	NUMBER OF SHARES IN THE HANDS OF THE PUBLIC **	PAR/STATED VALUE	AMOUNT (PhP)	% OF OWNERSHIP
Percentage of Foreign Equity :		TOTAL		TOTAL	TOTAL P		
					TOTAL SUBSCRIBED P	1,500,000,000.00	

PAID-UP CAPITAL

FILIPINO	NO. OF STOCK-HOLDERS	TYPE OF SHARES *	NUMBER OF SHARES	PAR/STATED VALUE	AMOUNT (PhP)	% OF OWNERSHIP
	6	COMMON	15,000,000	100.00	1,500,000,000.00	100%
TOTAL			15,000,000	TOTAL P	1,500,000,000.00	100%
FOREIGN (INDICATE BY NATIONALITY)	NO. OF STOCK-HOLDERS	TYPE OF SHARES *	NUMBER OF SHARES	PAR/STATED VALUE	AMOUNT (PhP)	% OF OWNERSHIP
TOTAL				TOTAL P		
				TOTAL PAID-UP P	1,500,000,000.00	

NOTE: USE ADDITIONAL SHEET IF NECESSARY

* Common, Preferred or other classification

** Other than Directors, Officers, Shareholders owning 10% of outstanding shares.

GENERAL INFORMATION SHEET

STOCK CORPORATION

PLEASE PRINT LEGIBLY

CORPORATE NAME: PANAY ENERGY DEVELOPMENT CORPORATION

DIRECTORS / OFFICERS

NAME, NATIONALITY AND CURRENT RESIDENTIAL ADDRESS	INC'R	BOARD	SEX	STOCK HOLDER	OFFICER	EXEC. COMM.	TAX IDENTIFICATION NO. (TIN) FOR FILIPINOS AND FOREIGNERS
1. Francisco C. Sebastian- Filipino 454 Ma. Cristina St., Ayala Alabang Village, Muntinlupa City	Y	C	M	Y	Chairman	Y	163-762-954
2. Antonio S. Abacan Jr.- Filipino 316 Madrigal Avenue, Ayala Alabang Village, Muntinlupa City	Y	V.C.	M	Y	V.C.	N.A.	121-518-476
3. Rolando T. Bacani-Filipino 146 Sto. Nino, Guagua, Pampanga	N	M	M	Y	Pres.	N.A.	138-022-075
4. Francisco H. Suarez, Jr.-Filipino 14 Buckingham Street, Hillsborough Alabang Village, Cupang Muntinlupa	N	M	M	Y	N.A.	N.A.	126-817-465
5. Alfonso A. Uy-Filipino 14 Lark St., Greenmeadows, Quezon City	N	M	M	Y	N.A.	N.A.	123-752-104
6. Anjanette T. Dy Buncio-Filipino 626 Calderon St., Mandaluyong City	N	N	F	N	SVP/ Treas.	N.A.	106-911-161
7. Jaime T. Azurin-Filipino 201 Calatagan St., Ayala Alabang Village, Muntinlupa City	N	N	M	N	EVP / CFO	N.A.	102-116-570
8. Elisa L. Dayao- Filipino 7 Pulangui St., Napocor Village, Tandang Sora, Q.C.	N	N	F	N	FSVP	N.A.	106-443-678
9. Alvin U. Ty-Filipino Skyland Plaza, Sen. Gil Puyat Ave., cor. Tindalo St., Makati City	N	N	M	N	SVP	N.A.	173-622-370
10. Amanda R. Abrera-Bengson-Filipino 19A Kalipayan Homes, Don Jesus Avenue, Alabang Hills, Muntinlupa City	N	N	F	N	FVP/ Corp. Sec.	N.A.	209-629-662
11. Petronillo R. Madrid-Filipino Lot 2 Block 1 Torrance St. Park Place Executive Village, Cainta, Rizal	N	N	M	N	FVP	N.A.	105-690-380
12. Elisa T. Zarate- Filipino 177 P. Burgos St., Brgy. Addition Hills, San Juan, Manila	N	N	F	N	VP	N.A.	107-032-830
13. Bernard M. Carague - Filipino 107 Sto. Domingo St. Ayala Alabang Village, Muntinlupa City	N	N	M	N	VP	N.A.	146-473-570
14. Jerry Andrew L. Dela Santa-Filipino 11 Riverside Vill., Ortigas Extn., Sta. Lucia, Pasig City	N	N	M	N	VP	N.A.	170-948-738

INSTRUCTIONS:

FOR SEX COLUMN, PUT "F" FOR FEMALE, "M" FOR MALE.

FOR BOARD COLUMN, PUT "C" FOR CHAIRMAN, "M" FOR MEMBER, "I" FOR INDEPENDENT DIRECTOR.

FOR INC'R COLUMN, PUT "Y" IF AN INCORPORATOR, "N" IF NOT.

FOR STOCKHOLDER COLUMN, PUT "Y" IF A STOCKHOLDER, "N" IF NOT.

FOR OFFICER COLUMN, INDICATE PARTICULAR POSITION IF AN OFFICER, FROM VP UP INCLUDING THE POSITION OF THE TREASURER, SECRETARY, COMPLIANCE OFFICER AND/OR ASSOCIATED PERSON.

FOR EXECUTIVE COMMITTEE, INDICATE "C" IF MEMBER OF THE COMPENSATION COMMITTEE; "A" FOR AUDIT COMMITTEE; "N" FOR NOMINATION AND ELECTION COMMITTEE. ADDITIONALLY WRITE "C" AFTER SLASH IF CHAIRMAN AND "M" IF MEMBER.

GENERAL INFORMATION SHEET

STOCK CORPORATION

PLEASE PRINT LEGIBLY

CORPORATE NAME: PANAY ENERGY DEVELOPMENT CORPORATION

TOTAL NUMBER OF STOCKHOLDERS: 6

NO. OF STOCKHOLDERS WITH 100 OR MORE SHARES EACH: 1

TOTAL ASSETS BASED ON LATEST AUDITED FINANCIAL STATEMENTS:

STOCKHOLDER'S INFORMATION

NAME, NATIONALITY AND CURRENT RESIDENTIAL ADDRESS	SHARES SUBSCRIBED				AMOUNT PAID (PhP)	TAX IDENTIFICATION NO. (TIN) FOR FILIPINOS AND FOREIGNERS
	TYPE	NUMBER	AMOUNT (PhP)	% OF OWNER- SHIP		
1. Panay Power Holdings Corporation Filipino 22nd Flr. GT Tower International, 6813 Ayala Ave., Makati City	C	14,999,995	1,499,999,500.00	100%	1,499,999,500.00	223-606-323
	TOTAL	14,999,995	1,499,999,500.00			
2. Francisco C. Sebastian Filipino 454 Ma. Cristina St., Ayala Alabang Village, Muntinlupa City	C	1	100.00		100.00	163-762-954
	TOTAL	1	100.00			
3. Alfonso A. Uy Filipino 14 Lark St. Greenmeadows, Quezon City	C	1	100.00		100.00	123-752-104
	TOTAL	1	100.00			
4. Antonio S. Abacan, Jr. Filipino 316 Madrigal Avenue, Ayala Alabang Village, Muntinlupa City	C	1	100.00		100.00	121-518-476
	TOTAL	1	100.00			
5. Rolando T. Bacani Filipino 146 Sto. Nino, Guagua, Pampanga	C	1	100.00		100.00	138-022-075
	TOTAL	1	100.00			
6. Francisco H. Suarez, Jr. Filipino 14 Buckingham Street, Hillsborough Alabang Village, Cupang Muntinlupa	C	1	100.00		100.00	126-817-465
	TOTAL	1	100.00			
TOTAL AMOUNT OF SUBSCRIBED CAPITAL			1,500,000,000.00			
TOTAL AMOUNT OF PAID-UP CAPITAL					1,500,000,000.00	

INSTRUCTION: SPECIFY THE TOP 20 STOCKHOLDERS AND INDICATE THE REST AS OTHERS

Note: For PDTC Nominee included in the list, please indicate further the beneficial owners owning more than 5% of any class of the company's voting securities. Attach separate sheet, if necessary.

GENERAL INFORMATION SHEET
STOCK CORPORATION

===== PLEASE PRINT LEGIBLY =====			
CORPORATE NAME: PANAY ENERGY DEVELOPMENT CORPORATION			
1. INVESTMENT OF CORPORATE FUNDS IN ANOTHER CORPORATION	AMOUNT (PhP)	DATE OF BOARD RESOLUTION	
1.1 STOCKS	N.A.	N.A.	
1.2 BONDS/COMMERCIAL PAPER (Issued by Private Corporations)	N.A.	N.A.	
1.3 LOANS/ CREDITS/ ADVANCES	N.A.	N.A.	
1.4 GOVERNMENT TREASURY BILLS	N.A.	N.A.	
1.5 OTHERS	N.A.	N.A.	
2. INVESTMENT OF CORPORATE FUNDS IN ACTIVITIES UNDER ITS SECONDARY PURPOSES (PLEASE SPECIFY:)	DATE OF BOARD RESOLUTION	DATE OF STOCKHOLDERS RATIFICATION	
N.A.	N.A.	N.A.	
3. TREASURY SHARES: N.A.	NO. OF SHARES	% AS TO THE TOTAL NO. OF SHARES ISSUED	
	N.A.	N.A.	
4. UNRESTRICTED/UNAPPROPRIATED RETAINED EARNINGS AS OF END OF LAST FISCAL YEAR: PhP175,090,374.00			
5. DIVIDENDS DECLARED DURING THE IMMEDIATELY PRECEDING YEAR:			
TYPE OF DIVIDEND	AMOUNT (PhP)	DATE DECLARED	
5.1 CASH	1,100,000,000.00	17-Nov-14	
5.2 STOCK	N.A.	N.A.	
5.3 PROPERTY	N.A.	N.A.	
TOTAL	1,100,000,000.00	N.A.	
6. ADDITIONAL SHARES ISSUED DURING THE PERIOD:			
DATE	NO. OF SHARES	AMOUNT	
25-Feb-15	6,871,000	PhP687,100,000.00	
N.A.	N.A.	N.A.	
N.A.	N.A.	N.A.	
SECONDARY LICENSE/REGISTRATION WITH SEC AND OTHER GOV'T AGENCY:			
NAME OF AGENCY:	SEC	BSP	IC
TYPE OF LICENSE/REGN.	N.A.	N.A.	N.A.
DATE ISSUED:	N.A.	N.A.	N.A.
DATE STARTED OPERATIONS:	N.A.	N.A.	N.A.
TOTAL ANNUAL COMPENSATION OF DIRECTORS DURING THE PRECEDING FISCAL YEAR (in PhP)	TOTAL NO. OF OFFICERS: 76	TOTAL NO. OF RANK & FILE EMPLOYEES: 84	TOTAL MANPOWER COMPLEMENT: 160

NOTE: USE ADDITIONAL SHEET IF NECESSARY

I, **AMANDA ROSELLE A. BENGSON**, Corporate Secretary OF THE ABOVE-MENTIONED
(NAME) (POSITION)

CORPORATION DECLARE UNDER THE PENALTY OF PERJURY, THAT ALL MATTERS SET FORTH IN THIS GENERAL INFORMATION SHEET WHICH CONSISTS OF (7) PAGES HAVE BEEN MADE IN GOOD FAITH, DULY VERIFIED BY ME AND TO THE BEST OF MY KNOWLEDGE AND BELIEF, ARE TRUE AND CORRECT.

I UNDERSTAND THAT THE FAILURE OF THE CORPORATION TO FILE THIS GIS FOR FIVE (5) CONSECUTIVE YEARS SHALL BE CONSTRUED AS NON-OPERATION OF THE CORPORATION AND A GROUND FOR THE REVOCATION OF THE CORPORATIONS CERTIFICATE OF INCORPORATION. IN THIS EVENTUALITY, THE CORPORATION HEREBY WAIVES ITS RIGHT TO A HEARING FOR THE SAID REVOCATION.

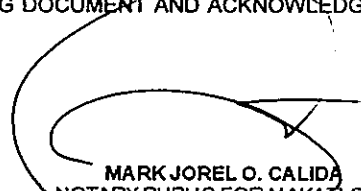
DONE THIS _____ DAY OF SEP 28 2015, 20____ IN MAKATI CITY



AMANDA ROSELLE A. BENGSON
Corporate Secretary

SEP 28 2015 SUBSCRIBED AND SWORN TO BEFORE ME IN MAKATI CITY CITY/PROVINCE, PHILIPPINES ON SEP 28 2015, AFFIANT PERSONALLY APPEARED BEFORE ME AND EXHIBITED TO ME HER COMMUNITY TAX CERTIFICATE NO. 02420489 ISSUED AT MAKATI CITY ON 12 JANUARY 2015, SATISFACTORILY PROVING TO ME HER IDENTITY THROUGH HER PASSPORT NO. EC0012906, VALID UNTIL 16 JANUARY 2019, THAT SHE IS THE SAME PERSON WHO PERSONALLY SIGNED BEFORE ME THE FOREGOING DOCUMENT AND ACKNOWLEDGED THAT SHE EXECUTED THE SAME.

DOC. NO: 101 :
PAGE NO. 22 :
BOOK NO. 1 :
SERIES OF 2015 :


MARK JOREL O. CALIDA
NOTARY PUBLIC FOR MAKATI CITY
Notarial Commission No. M-254
Commission expires on December 31, 2015
Roll No. 61457
IBP No. 979200/Jan. 8, 2015/Makati City
PTR No. 4777501/Jan. 27, 2015/Makati City
Office Address: 22nd Floor GT Tower International, 6813 Ayala Avenue
Corner H.V. Dela Costa Street, Salcedo Village Makati City

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

SECRETARY'S CERTIFICATE

I, **Amanda Roselle A. Bengson**, of legal age, Filipino, with office address at the 22nd Floor, GT Tower International, 6813 Ayala Avenue corner H.V. Dela Costa Street, Makati City, after being duly sworn in accordance with law, hereby certify that:

1. I am the Assistant Corporate Secretary of **Panay Energy Development Corporation** (the "Corporation"), a corporation duly organized and existing under and by virtue of the laws of the Republic of the Philippines under SEC Registration No. CS200901912;

2. The 2015 Amended General Information Sheet ("GIS") CD submitted contains the exact data stated in the hard copies of the GIS of the Corporation;

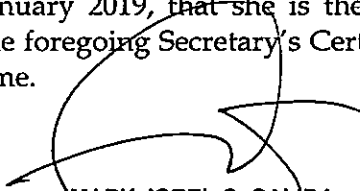
3. I am executing this certification to attest to the truth of the foregoing and in compliance with the reportorial requirements of the SEC.

IN WITNESS WHEREOF, I hereunto affix my signature this
SEP 28 2015 in Makati City.


p **AMANDA ROSELLE A. BENGSON**
Assistant Corporate Secretary

SEP 28 2015 **SUBSCRIBED** AND SWORN to before me this
at Makati City affiant exhibiting to me her Community Tax Certificate No. 02420489 issued in Makati City on 12 January 2015 at Makati City and satisfactorily proving to me her identity through her Passport No. EC0012906, valid until 16 January 2019, that she is the same person who personally signed before me the foregoing Secretary's Certificate and acknowledged that she executed the same.

Doc. No.: 178 ;
Page No.: 22 ;
Book No.: I ;
Series of 2015.


MARK JOREL O. CALIDA
NOTARY PUBLIC FOR MAKATI CITY
Notarial Commission No. M-254
Commission expires on December 31, 2015
Roll No. 61457
IBP No. 979200/Jan. 8, 2015/Makati City
PTR No. 4777501/Jan. 27, 2015/Makati City
Office Address: 22nd Floor GT Tower International, 6813 Ayala Avenue
Corner H.V. Dela Costa Street, Salcedo Village Makati City



Republic of the Philippines
BOARD OF INVESTMENTS
 Makati City



CERTIFICATE OF REGISTRATION

No. 2014-110

TO ALL WHOM IT MAY CONCERN:

This is to certify that the Board of Investments has duly registered

PANAY ENERGY DEVELOPMENT CORPORATION
Expanding Operator of 150 MW Coal-Fired Power Plant
(La Paz, Iloilo City)

in accordance with the provisions of the Omnibus Investments Code of 1987, as amended, subject to the representations and commitments set forth in its application for registration, the provisions of the above law, the rules and regulations of the Board of Investments and the terms and conditions herein prescribed.

In testimony whereof the seal of the Board of Investments and the signature of its Chairman / Vice - Chairman is hereunto affixed. Given at Makati City, Philippines, this 22nd day of, July 2014.

Board Res. No. 21-07 S'2014



Attested:

[Signature]
EXEC. DIR. EFREN V. LEAÑO

Board Secretary

[Signature]
ADRIAN S. CRISTOBAL JR.
 Undersecretary and BOI Managing Head



PANAY ENERGY DEVELOPMENT CORPORATION
(La Paz, Iloilo City)

Type of Registration/Activity : EXPANDING OPERATOR OF COAL-FIRED
POWER PLANT
Annual Capacity : 150 MW
Status : NON-PIONEER
Certificate of Registration No. : 2014-110
Date : JULY 22, 2014

X -----X

SPECIFIC TERMS AND CONDITIONS

1. The enterprise shall start commercial operation in **August 2016**. Request for amendment of timetable should be filed before the scheduled start of commercial operation. However, movement of Income Tax Holiday (ITH) period is subject to Art 7 of EO 226.
2. The enterprise shall submit proof of the financial close for the project within one year from date of registration; otherwise the registration shall be automatically cancelled.
3. The enterprise shall secure a Certificate of Compliance (COC) from the Energy Regulation Commission (ERC) prior to the start of commercial operation subject to the condition that in the event that ERC denies the said COC, the registration shall be subject to the automatic cancellation procedure.
4. The enterprise shall increase its stockholders' equity to **Php3.894 Billion** equivalent to 25% of the total project cost and shall submit proof of compliance before availment of ITH. Equity shall include paid-up capital stock, additional paid-in capital and unrestricted retained earnings, and restricted retained earnings provided that such is intended for the project. Appraisal surplus and treasury stock should not be included as part of stockholders' equity for this purpose.
5. In the grant of incentives, the extent of the project's ITH entitlement shall be based on the project's ability to contribute to the economy's development based on the following parameters: (1) net value added; (2) job generation; (3) multiplier effect; and (4) measured capacity. The Board may reduce the ITH if the project does not realize the extent of economic benefits represented by the proponent at the time of its application. The enterprise shall comply with the following representations:

a. Net Value Added should be at least 25%

Year	Y1	Y2	Y3	Y4	Y5
NVA	38%	38%	37%	37%	37%

b. Job Generation

Year	Y1	Y2	Y3	Y4	Y5
Number of Employees	44	44	44	44	44

(Continued on page 2)

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PANAY ENERGY DEVELOPMENT CORPORATION
(La Paz, Iloilo City)

C.R. No. 2014-110

Specific Terms and Conditions

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c. Investments and Timetable:

Activity	Date	Related Expenses	Cost (PhP)
1. Secure necessary license/permit/registration from the government	November 2013- June 2016	Pre-operating expense (including permits, related consultancy agreements)	1,269,984,460
2. Site preparation and development	November 2013- June 2016	Mobilizations cost and other site pre-development works, construction cost	2,857,987,691
3. Acquisition/ installation of equipment	January 2014 – June 2016	Acquisition/installation cost	10,751,183,474
4. Testing and Commissioning	June – July 2016	Misc. expenses	
5. Start of commercial operation	August 2016	Working Capital	698,561,951
TOTAL PROJECT COST			15,577,717,576

d. Sales Revenues

Year	1	2	3	4	5
Sales Volume (KWH'000)	1,053,240	1,056,384	1,053,240	1,053,240	1,053,240
Ave. Selling Price (PhP/kwh)	5.4833	5.5761	5.6746	5.7746	5.8766
SALES VALUE (PhP' 000)	5,775,278	5,890,493	5,976,728	6,082,047	6,190,550

Net income qualified for ITH availment shall not be a result of gross revenues exceeding 10% of the projected gross revenue represented by the enterprise in its application.

In cases where the project's actual revenues exceed the projections due to, e.g., new markets/orders, additional employment/shifts, additional investments, the Board may increase the project's ITH availment proportionately. Request/s for adjustments of projected revenue must be filed before the filing of application for ITH.

6. The enterprise should endeavor to undertake meaningful and sustainable Corporate Social Responsibility (CSR) activities in the locality where the project is implemented.
7. The enterprise shall maintain books of account for this registered project separate from all its other operation/s and/or activity/ies.
8. The enterprise shall be entitled to the following incentives:
 - a. ITH for **three (3) years** from **August 2016** or actual start of commercial operations, whichever is earlier but in no case earlier than the date of registration.

(Continued on page 3)

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PANAY ENERGY DEVELOPMENT CORPORATION

(La Paz, Iloilo City)

C.R. No. 2014-110

Specific Terms and Conditions

Page - 3 -

The ITH for this expansion project shall be subject to a base figure of **960,360,016 kwh** (the enterprise's highest sales volume for the last three years prior to application for registration) which will be applied after the ITH availment period of its existing project.

- a.i) The entitlement to ITH incentive is subject to the condition that the approved generation rate of the Energy Regulatory Commission (ERC) assumes that the project will be given ITH.

For this purpose, the enterprise shall submit a Certification from ERC that the ITH incentive has been taken into consideration in the computation of the approved generation rate for this project.

- a.ii) The ITH shall be limited only to the revenues generated from the sales of electricity of the **150 MW Coal-Fired Power Plant**. Only revenues derived from power generated and sold to the grid, other entities and/or communities based on bilateral contracts approved by the ERC shall be entitled to ITH. For this purpose, the enterprise shall submit audited segregated income statements and simplified income statement form as prescribed by the Board, as shown hereunder*, for this registered project. **Net income from operation of the registered activity shall be certified under oath by the Chief Executive Officer (CEO) or Chief Financial Officer (CFO).**

- a.iii) The amount of ITH to be granted shall not exceed 10% of the total revenue from the generated power.

- a.iv) The enterprise shall submit the list of cost items common to all its projects/activities (whether BOI or non-BOI registered) and the methodology adopted in allocating common cost between the registered activity/ies and the non-registered activity/ies. The methodology to be adopted in depreciation for Fixed Assets particularly the Plant, Property and Equipment account shall be the Straight Line depreciation method.

- a.v) Furthermore, the Interest Expense on the enterprise's liabilities shall be appropriately allocated between the registered activity/ies and the non-registered activity/ies.

Date of filing: An application should be filed with the BOI Incentives Service within one (1) month from filing of the final Income Tax Return (ITR) with the Bureau of Internal Revenue (BIR) in order to validate the claim for income tax exemption.

***Simplified Income Statement Form:**

Eligible Revenue	
Less: Cost of sales	
Gross Profit	
Less: Operating Expenses	
Other Charges/Expenses	
Net Income	
Add/Deduct: Reconciling Entries Related to Registered Activity (Net)	
Taxable Income from Registered Activity	
Tax Rate	
Tax Due/estimated ITH	30%

(Continued on page 4)

PANAY ENERGY DEVELOPMENT CORPORATION

(La Paz, Iloilo City)

C.R. No. 2014-110

Specific Terms and Conditions

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The application shall be accompanied by a certification by SSS that the enterprise is in good standing in the remittances of SSS contributions of its employees. Further, any request for extension of the reckoning date of ITH availment should be filed prior to the scheduled date or within ninety (90) days from the occurrence of fortuitous events and/or government delays.

The enterprise must secure a Certificate of ITH Entitlement (CoE) from the BOI Legal Service prior to the filing of ITR with the BIR; otherwise ITH for that particular taxable year without CoE shall be forfeited.

Notwithstanding the provisions of the preceding paragraphs, the Board, as a matter of national interest and for reasonable causes, reserves the right to suspend the availment of ITH.

- b. Importation of capital equipment, spare parts and accessories at zero (0) duty from the date of effectivity of Executive Order No. 70 and its Implementing Rules and Regulations for a period of five (5) years reckoned from the date of its registration or until the expiration of EO 70, whichever is earlier.

Date of filing: An application for availment of capital equipment incentive shall be filed with the BOI Incentives Service prior to the ordering of equipment.

- c. Additional deduction from taxable income of fifty percent (50%) of the wages corresponding to the increment in number of direct labor for skilled and unskilled workers in the year of availment as against the previous year, if the project meets the prescribed ratio of capital equipment to the number of workers set by the Board. This may be availed of for the first five (5) years from date of registration but not simultaneously with ITH.

Date of filing: An application should be filed with the BOI Incentives Service within one (1) month from filing of the final ITR with the BIR.

- d. Importation of consigned equipment for a period of ten (10) years from date of registration, subject to posting of re-export bond.

Date of filing: Application should be filed with the BOI Incentives Service for endorsement to the DOF.

- e. Employment of foreign nationals. This may be allowed in supervisory, technical or advisory positions for five (5) years from date of registration. The president, general manager and treasurer of foreign-owned registered enterprises or their equivalent shall not be subject to the foregoing limitations.

Date of filing: Application should be filed with the BOI Incentives Service before assumption to duty of the newly hired foreign national and at least one (1) month before expiration of existing employment authority for renewal of visa.

(Continued on page 5)

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PANAY ENERGY DEVELOPMENT CORPORATION

(La Paz, Iloilo City)

C.R. No. 2014-110

Specific Terms and Conditions

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9. The enterprise shall submit to the BOI Legal Service, on a semestral basis, within fifteen (15) days from end of each semester, a report on actual investments, employment, sales, production costs, actual ITH availed of for each year, and other information that the Board may require at any given time with respect to the registered project.
10. The enterprise shall be subject to the provisions of BIR Revenue Regulation (RR) No. 1-2010 Amending further Section 3 of RR No. 9-2001, as last amended by RR No.10-2007, Expanding the Coverage of Taxpayers Required to File Returns and Pay Taxes Through the Electronic Filing and Payment System (EFPS) of the BIR.
11. The enterprise must commit to the tenets of Good Corporate Governance.
12. The enterprise shall adopt measures intended to reduce climate change risks in support of the National Framework Strategy on Climate Change.
13. The enterprise is encouraged to secure environmental certifications based on internationally-recognized standards.
14. In the event of transfer to another Investment Promotion Agency, the enterprise shall undertake the publication of its cancellation of BOI registration in a newspaper of general circulation.
15. The enterprise shall visit the BOI website (<http://www.boi.gov.ph>) on a regular basis for updates on BOI rules, policies and guidelines.
16. The enterprise shall abide by the rules, policies, guidelines and regulations set forth by the Department of Energy pertinent to the registered project.

-----Nothing follows----- *jaa*

PANAY EVERGY DEVELOPMENT CORPORATION

(La Paz, Iloilo City)

C.R. No. 2014-110

GENERAL TERMS AND CONDITIONS

1. The enterprise shall observe and abide by the provisions of the Omnibus Investments Code of 1987, as amended and other related laws and their implementing rules and regulations as well as its commitments and representations made in the application for registration and take adequate measures to ensure that its obligation thereunder as well as those of its officers, employees and stockholders are faithfully discharged; provided it is understood that any misrepresentation or falsification in the documents or other supporting papers submitted to the Board shall constitute as ground for automatic cancellation of its registration.
2. The enterprise's Address of Record shall be **Brgy. Ingore, La Paz, Iloilo City**. All BOI notices/communications to the enterprise shall be sent to this address. The enterprise shall be responsible for notifying BOI, in writing, of any changes in its Address of Record, within ten (10) calendar days after such change, and therefore, should it fail to do so, service of all BOI communications, notices or processes in its Address of Record shall be considered valid, complete and binding to this enterprise.

In case the enterprise has an authorized representative, designated as such by virtue of a Board Resolution of the enterprise, duly certified by its Board Secretary, and as appearing in the records of the BOI, it shall be so indicated that notices, communications and/or processes of the latter shall be sent to said representative. The authorized representative shall be responsible for notifying BOI, in writing, of any changes in its Address of Records within ten (10) calendar days after such changes and therefore, should it fail to do so, service of all BOI communications, notices or processes in the Address of Record of such authorized representative shall be considered valid, complete and binding to this enterprise.

3. The enterprise shall notify the BOI before doing any of the following acts:
(Per Board Res. No. 38-16 S'2005 dated November 22, 2005)
 - a) Invest in, extend loans to, or buy bonds, in substantial amount, from any enterprise either in the Philippines or abroad. This does not apply to bond issued by the Philippine Government;
 - b) Issue stock convertible into voting stocks; or
 - c) Buy its own stock;
4. The enterprise shall secure prior permission of the BOI before doing any of the following acts:
 - a) Transfer ownership and/or control of the enterprise;
 - b) Expand its capacity, with or without incentives; or
 - c) Engage in an undertaking other than the preferred project covered by its registration.
5. The enterprise shall maintain separate books of accounts for each activity, registered and unregistered with the Board. Moreover, the enterprise shall submit a list of direct costs attributable to each type of activity for purposes of determining the taxable income of each activity.
6. The enterprise shall submit to the Board an annual report of its actual investments, taxes paid and employment in the project within one (1) month following the end of the enterprise's calendar/fiscal year.
7. The enterprise shall comply with environmental laws and regulations.

(Continued on page 2) *maa*

PANAY ENERGY DEVELOPMENT CORPORATION
(La Paz, Iloilo City)

C.R. No. 2014-110

General Terms and Conditions

Page - 2 -

8. The enterprise shall comply with the Tree-Planting Program of the BOI requiring a minimum of one hundred (100) forest trees to be planted pursuant to Memorandum Circular No. 01, not later than one (1) year from date of registration. Proof of compliance must be submitted within one (1) year from the first anniversary date of the enterprise's registration; otherwise, applications for availment of any incentives by the enterprise shall not be accepted by the Board.
9. The enterprise shall comply with the other conditions and representations made and accepted by the enterprise as embodied in the project feasibility study and confirmation letter, among others, and shall form part of this registration.
10. All the fiscal and non-fiscal incentives which do not contain specific period for their enjoyment shall terminate after a period of not more than ten (10) years from date of registration.
11. Failure of the enterprise to file an incentive application within the prescribed date will mean imposition of fines and penalty including possible forfeiture or suspension of incentives or non-acceptance of the said application.
12. The enterprise shall submit the following reporting requirements to the BOI Legal Service, on or before their respective due dates:
 - S1 (Annual Report of Performance) Calendar Year – May 15
Fiscal Year – 4 ½ months after the end of Fiscal Year
 - Annual Audited Financial Statement One (1) month from the date of filing with the BIR
 - Annual Income Tax Return Thirty (30) calendar days from the date of filing with the BIR

The enterprise may submit the above reports on-line to SMD@boi.gov.ph.

For late filing and/or non-submission of reports and other requirements, the Board shall impose such fines in accordance with the schedules as set forth in the rules.

----- nothing follows----- *maa*



Republic of the Philippines
Department of Environment and Natural Resources
ENVIRONMENTAL MANAGEMENT BUREAU
DENR Compound, Visayas Avenue, Diliman, Quezon City 1116
Telephone Nos.: 927-15-17, 928-20-96
Email : emb@emb.gov.ph
Visit us at <http://www.emb.gov.ph>

ANNEX " G "

04 MAR 2014

ECC-CO-1309-0029

MR. PETRONILO R. MADRID
Vice President – Panay Operations
PANAY ENERGY DEVELOPMENT CORPORATION (PEDC)
22nd Floor, GT Tower International
Ayala Avenue cor. H.V dela Costa Street
Salcedo Village, Makati City

SUBJECT: ENVIRONMENTAL COMPLIANCE CERTIFICATE

Dear Sir:

This refers to the Environmental Compliance Certificate (ECC) application of Panay Energy Development Corporation for the PEDC Power Plant Expansion Project to be located at Brgy. Ingore, Lapaz, Iloilo City.

After satisfying the requirements in the said application and upon recommendation of the Environmental Management Bureau (EMB), this Department has decided to grant an ECC for the above-mentioned project.

With the issuance of this ECC, you are expected to fully implement the measures presented in the Environmental Performance Report and Management Plan and the Environmental Management and Monitoring Plan (EMMoP), intended to protect and mitigate the project's adverse impacts on community health, welfare and the environment. Environmental considerations shall be incorporated in all phases and aspects of the project. You may proceed with the project implementation only after securing all the necessary permits from other pertinent Government agencies. This Office will be monitoring the project periodically to ensure your compliance with stipulations cited in the attached ECC.

Please be guided accordingly.

Very truly yours,

By the Authority of the Secretary:

ATTY. JUAN MIGUEL T. CUNA, CESO IV
Director



REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF ENVIRONMENT
AND NATURAL RESOURCES



SENRO36601

cc: EMB – Region VI
LGU – City of Iloilo
LGU – Lapaz
LGU – Brgy. Ingore
DOE



Republic of the Philippines
Department of Environment and Natural Resources
ENVIRONMENTAL MANAGEMENT BUREAU
DENR Compound, Visayas Avenue, Diliman, Quezon City 1116
Telephone Nos.: 927-15-17, 928-20-96
Email : emb@emb.gov.ph
Visit us at <http://www.emb.gov.ph>

ENVIRONMENTAL COMPLIANCE CERTIFICATE
(Issued under Presidential Decree No. 1586)
ECC-CO-1309-0029

THIS IS TO CERTIFY THAT THE PROPONENT, **PANAY ENERGY DEVELOPMENT CORPORATION** as represented by its Vice President, **Mr. Petronilo R. Madrid** is granted this Environmental Compliance Certificate (ECC) for the **PEDC Power Plant Expansion Project** located in **Brgy. Incore, Lapaz, Iloilo City** by the Department of Environment and Natural Resources (DENR) through the Environmental Management Bureau (EMB).

SUBJECT ONLY to the conditions and restrictions set in this ECC and in the attached document labeled as Annexes A and B.

This Certificate is issued with the following details:

PROJECT DESCRIPTION

This Certificate covers the existing and proposed facilities of Panay Energy Development Corporation using the Circulating Fluidized Bed (CFB) technology. The total area covered is 51.5 hectares.

The project has four (4) major components:

A. Existing 2x82 MW Coal Fired Power Plant Facilities:

- 2 sets of CFB boilers
- 2 sets of Steam Turbines
- 2 sets of Generators
- 1 unit Powerhouse with noise attenuation
- 1 unit 138kV switchyard
- 5 units Water storage tanks
- 1 unit Fuel storage tank with overflow warning device, and concrete bund wall with water proofing
- 1 cooling water intake and discharge canal with temperature monitoring device
- 2 units Continuous Emission Monitoring Systems (CEMS) with analyzer CO, O₂, NO_x, Sox and Opacity
- 2 units Electrostatic Precipitators
- 2 units 100-meter smokestacks with a common structural frame
- Covered coal yard
- Belt conveyors and transfer towers
- 6 units Coal silos
- 2 units Fly ash silos
- 2 units Sand silos
- 2 units limestone silos
- 6 units Circulating water pumps
- Demineralization Plant
- Desalination Plant

Environmental Compliance Certificate
PEDC Power Plant Expansion Project
Panay Energy Development Corporation



B. Proposed 1x150MW Coal Fired Power Plant

- 1 set CFB boiler
- 1 set Steam Turbine
- 1 set of Generator
- 1 unit Powerhouse with noise attenuation
- 1 unit 138kV switchyard
- 5 units Water storage tanks
- 1 unit Fuel storage tank with overflow warning device, and concrete bund wall with water proofing
- 1 cooling water intake and discharge canal with temperature monitoring device
- Continuous Emission Monitoring System (CEMS) with analyzer CO, O₂, NO_x, Sox and Opacity
- 1 unit Electrostatic Precipitator
- 1 unit 100-meter smokestack
- Covered coal yard
- Belt conveyors and transfer towers
- 3 units Coal silo
- 1 unit Fly ash silo
- 1 unit Sand silo
- 1 unit limestone silo
- 3 units Circulating water pumps
- Demineralization Plant
- Desalination Plant

C. 25 Ha Ash Disposal Facility with buffer zones, and

D. Jetty Expansion to add 1380 sq.m from the existing 1088sq.m

Facilities common to both existing and proposed coal fired power plant:

- Coal jetty which will be extended to accommodate the deliveries for the proposed additional plant
- Conveyor system from the berthing area to the coal yard
- Covered coal yard: 70,000MT for the existing and additional 85,000 MT for the proposed expansion. There are no settling ponds for the proposed coal yard
- Fire Protection and detection system
- Wastewater treatment facility
- 19km 138kV 2 lines single circuit transmission line

The ECC-CO-0801-003-4021 dated September 1, 2008 issued to Panay Power Corporation shall be superseded upon the approval of this Certificate.

This Certificate is issued in compliance with the requirements of Presidential Decree No. 1586, and in accordance with DENR Administrative Order (D.A.O.) No. 2003-30. Non-compliance with any of the provisions of this Certificate shall be a sufficient cause for the cancellation hereof and/or imposition of a fine in an amount not to exceed Fifty Thousand Pesos (P50,000.00) for every violation thereof without prejudice to imposition of fines and penalties under other environmental laws. The EMB, however, is not precluded from

Environmental Compliance Certificate
PEDC Power Plant Expansion Project
Panay Energy Development Corporation



reevaluating and correcting any deficiencies or errors that may be found after issuance of this Certificate.

Issued at DENR, Quezon City, Philippines, this MAR 04 2014.

Recommending Approval:


ATTY. MICHAEL DRAKE P. MATIAS
OIC-Chief, EIAM Division

Approved:


ATTY. JUAN MIGUEL T. CUNA, CESO IV
Director



STATEMENT OF ACCOUNTABILITY

I, **Mr. Petronilo R. Madrid**, Vice President – Panay Operations, representing Panay Energy Development Corporation with office address located in 22nd Floor, GT Tower International, Ayala Avenue cor. H.V. dela Costa Street, Salcedo Village, Makati City take full responsibility in complying with all conditions in this Environmental Compliance Certificate (ECC).



Signature

TIN 105-690-380

Subscribed and sworn to before me this MAR 04 2014, 2014, the above-named affiant taking oath presenting CTC# 08349294 issued on

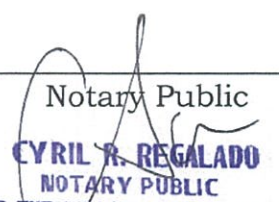
13 January 2014 at Iloilo City.

Passport No: EB9863982

Date of Issue: 20 December 2013

Place of Issue: Iloilo City

Doc. No. 127
Page No. 026
Book No. 27
Series of 1014



Notary Public
CYRIL R. REGALADO
NOTARY PUBLIC
FOR THE CITY AND PROVINCE OF ILOILO
NOTARIAL COMMISSION REG. 116
DECEMBER UNTIL 31 2014
ROLL NO. 35716/APRIL 1989
PTR NO. 4 319079/01-13-2014 ILOILO CITY
IBP NO. 457014/01-13-2014 ILOILO CITY
MCLE COMPLIANCE NO. IV-0015434/04-03-2013
MEZZANINE FLOOR, S.C. DIVINAGRACIA BLDG,
QUEZON STREET, ILOILO CITY
TEL. NO. (033) 337954-1

I. CONDITIONS

ENVIRONMENTAL MANAGEMENT

All commitments, mitigating measures and monitoring requirements, contained in the Environmental Performance Report and Management Plan (EPRMP) particularly in the EMMoP including any modifications and/or additional information as approved by the EMB, shall be instituted to minimize any adverse impact of the project to the environment throughout its implementation, which shall include among others the following *to wit*:

1. Conduct an effective Information, Education and Communication (IEC) Program to inform and educate all stakeholders, especially its contractors, workers, and local residents about the mitigating measures embodied in its EPRMP, the conditions stipulated in this Certificate and the environmental and human safety features of the project for greater awareness, understanding and sustained acceptance of the project. The program shall be submitted to EMB Central Office on an annual basis simultaneous with the submission of 2nd Semi Annual Compliance Monitoring Report (CMR);
2. Enhance the current Comprehensive Social Development Program (SDP) and submit a separate report together with the Compliance Monitoring Report (CMR) to the EMB Central Office and copy furnished EMB Region VI on a semi-annual basis simultaneous with the CMR;
3. Establish and maintain appropriate measures and buffer zones along the entire periphery of the project site with appropriate species/dense vegetation cover to enhance the condition of the ecosystems and to serve as noise, vibration and dust buffers;
4. Continue to maintain floating buoys within the mixing zone area and boundary areas of the coal fired power plant;
5. Conduct validation of air dispersion, coastal current circulation, and thermal plume modeling for the entire (PPC/PEDC) complex prior to the start of project commissioning and submit a report to EMB Central Office and EMB Region VI within two (2) months from the conduct of modeling;
6. Conduct flora and fauna assessment and monitoring annually for the first three (3) years and every three (3) years thereafter and submit the report to EMB Central Office and EMB Region VI within two (2) months from the conduct of assessment and monitoring;
7. Conduct quantitative risk assessment (QRA) and/or hazard operability (HAZOP) for the entire PPC and PEDC complex prior to commissioning to ensure that hazards and risks are kept at a minimum. The report shall be submitted to EMB Central Office and EMB Region VI within sixty (60) days from the conduct of the QRA or HAZOP. At the minimum, the QRA and/or HAZOP shall be updated at least every five (5) years, to ensure that hazards and risks are kept at the minimum;





8. Continuous implementation and enhancement of the reforestation and carbon sink program using endemic/indigenous species to mitigate greenhouse gas (GHG) emissions of the project in line with the DENR's thrust for GHG emissions reduction programs and National Greening Program.

GENERAL CONDITIONS

9. The plant operations shall conform with the provisions of RA 6969 (Toxic Substances and Hazardous and Nuclear Wastes Control Act of 1990), RA 8749 (Philippine Clean Air Act of 1999), RA 9003 (Ecological Solid Waste Management Act of 2000), and RA 9275 (Philippine Clean Water Act of 2004) and other relevant policies, rules and regulations;
10. The existing Memorandum of Agreement (MOA) on the Environmental Guarantee Fund (EGF), Environmental Monitoring Fund (EMF) and Multipartite Monitoring Team (MMT), shall be amended to include the expansion. The amended MOA shall be submitted to EMB for approval within sixty (60) days upon receipt of this Certificate;
11. The existing Environmental Unit (EU) shall competently handle the environment-related aspects of the project. In addition to the monitoring requirements as specified in the Environmental Management Plan/ Environmental Monitoring Plan, the EU shall have the following responsibilities:
 - a. Monitor actual project impacts vis-à-vis the predicted impacts and management measures in the EPRMP;
 - b. Regularly analyze the coal for heavy metals in particularly mercury and chromium to address toxicity and emission issues associated with coal utilization as fuel;
 - c. Recommend revisions to the EMMoP, whenever necessary subject to the approval of EMB Central Office. Revisions shall also consider the result of the validation of air dispersion and thermal plume modeling;
 - d. Real time reporting of the CEMS performance and Relative Accuracy Test Audit (RATA) evaluation test annually, and
 - e. Ensure that data gathered during monitoring activities are properly documented, assessed, evaluated and reported to EMB (Central Office and Region VI) in accordance with the standard formats;
12. The existing mangroves in the area shall be included in the management program of Jaro river. Quarterly monitoring of the said river to include aquatic biota shall be undertaken, the results of which shall be submitted to the EMB Central and Regional Office;
13. The proponent shall ensure that its contractors and sub-contractors strictly comply with the relevant conditions of this Certificate;

REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF ENVIRONMENT
AND NATURAL RESOURCES



SENRO36601



Environmental Compliance Certificate
PEDC Power Plant Expansion Project
Panay Energy Development Corporation

II. RESTRICTIONS

14. No activities shall be undertaken other than what were stipulated in the EPRMP. Any expansion of the project beyond the project description or any change in the activity or transfer of location shall be subject to a new Environmental Impact Assessment; and
15. In case of transfer of ownership of this project, these same conditions and restrictions shall apply and the transferee shall be required to notify the EMB Central Office within fifteen (15) days from the transfer of ownership to allow the necessary changes brought about by such transfer.

O.R. No : 7146574
Date : 8/29/2013
Processing Fee : PhP6, 000.00

Republic of the Philippines
DEPARTMENT OF ENVIRONMENT
AND NATURAL RESOURCES



Environmental Compliance Certificate
PEDC Power Plant Expansion Project
Panay Energy Development Corporation

PROJECT ASSESSMENT PLANNING TOOL

For the assistance of the Proponent and the Government agencies concerned in the management of the Project and for better coordination in mitigation of the impacts of the Project on its surrounding areas and the environment, the following are recommended to the parties and authorities concerned for appropriate action.

OTHER REGULATORY REQUIREMENTS/CONDITIONS	CONCERNED GOVERNMENT AGENCIES/ENTITIES
1. Compliance with the following a. Sanitation Code of the Philippines; b. Labor Code of the Philippines; c. Building Code of the Philippines; d. Ecological Solid Waste Management Act;	DOH DOLE – Bureau of Working Conditions LGU concerned LGU concerned
2. Secure tree cutting permit(if necessary)	DENR-FMB
3. Secure Foreshore Lease Agreement/ Area Clearance	DENR Regional Office
4. Secure Grid Impact Study	National Grid Corporation of the Philippines (NGCP)
ENVIRONMENTAL PLANNING RECOMMENDATIONS FOR THE PROPONENT	
6. Coordinate with the LGU on its Integrated Coastal Management Program.	
7. Consider the project’s need to revise and enhance the Emergency Preparedness Plans and Programs (EPPP) in coordination with the LGU and appropriate agencies. Involvement of the community is recommended through the MMT.	
8. Priority of employment shall be given to qualified local residents. Adequate public information for jobs available to local residents in the affected areas shall be provided.	
9. Installation of appropriate signages and other applicable measures for the safety of the affected stakeholders.	
10. An independent third party shall be commissioned to undertake an environmental audit, including a continuing study of the effects of the Project on the health of the workers and affected residents, including vulnerable groups. The results of the third party environmental audit, including the auditing of risks and hazards of the Project, shall be submitted to EMB Central Office, while the result of the continuing health study shall be submitted, every two (2) years, to the Department of Health (DOH), for evaluation.	


ATTY. MICHAEL DRAKE P. MATIAS
OIC, Chief EIAM Division


ATTY. JUAN MIGUEL T. CUNA, CESO IV
Director

**Executive Summary of the Electric Power Purchase Agreement (EPPA)
between Panay Energy Development Corporation (PEDC) and
Manila Electric Company (MERALCO)**

The salient terms and conditions of the EPPA are as follows:

1. *Cooperation Period*

The Contract provides for a Cooperation period of twenty (20) years renewable for an additional five (5) years commencing on the Operations Effective Date which is 26 August 2016 and ending on the 20th anniversary of such commencement date.

2. *Contracted Capacity*

The Contracted Capacity of MERALCO is 28MW from 26 August 2016 and shall be 70 MW from 26 February 2017 while the Minimum Contracted Energy varies depending on the month, the same should result in a load factor of not less than 100% and as set out in the attached Schedule 1.

This Contracted Capacity of 28 MW (from 26 August 2016) and 70 MW (from 26 February 2017) will be delivered to MERALCO at the designated metering points in the Power Supply Agreement.

3. *Electricity Fees*

Contract Capacity	CC	kW	70,000
Annual Capital Recovery Fee	ACF	Php/kW-year	12,431.08
Annual Fixed O&M Fee (PHP)	AFOM _{PHP}	PHP/kW-year	2,821.91
Annual Fixed O&M Fee (USD)	AFOM _{USD}	US\$/kW-year	28.9021
Variable O&M Fee (USD)	VOM	US\$/kW-hour	0.0025
Base Coal Price	BCP	US\$/MT	38
Base Newcastle Index	NEWC _b	US\$/MT	53
Base USCPI _b (1982-84=100) (Feb 2016)	USCPI _b		237.111
Base PhCPI _b (2006=100) (Feb 2016)	PhCPI _b		142.9
Base Full Load Equivalent Scheduled Outage Allowance Days	BSOA	Days	30
Base Full Load Equivalent Forced Outage Allowance Days	BFOA	Days	15

Please see Appendix D PSA MERALCO - PEDC

4. Sources of Funds/Financial Plans

Project Cost

EPC	PHP	8,505,000,000
Duties and Taxes	PHP	425,250,000
VAT	PHP	1,020,600,000
IDC and Financing Charges	PHP	1,548,318,912
Other Costs	PHP	4,078,548,663
<i>Site Preparation and Construction</i>	PHP	200,025,000
<i>BOP Facilities</i>	PHP	444,195,000
<i>EPC Facilities, Civil Works, Others</i>	PHP	3,029,903,429
<i>Initial Working Capital</i>	PHP	404,425,234
Total Project Cost	PHP	<u>15,577,717,575</u>

Financing

Debt	68.00%	Php	10,592,847,951
Equity	32.00%	Php	4,984,869,624

Interest Rate 6.50%

Computation of Return on Investment/WACC

The WACC of 14.5% was based on the ERC decision of the KSPC-NOCECO rate application (ERC Case No. 2007-130 RC, docketed Nov-07).

KSPC used the WACC of 14.5625% in computing the interest of the investment. For the purpose of deriving the WACC of 14.5625%, KSPC considered a cost of debt of 6.51% and cost of equity of 18.78%. The seventy percent of the (70%) total capital cost was assumed to be funded through debt financing while the remaining thirty percent (30%) will be sourced from equity invested by KSPC. The Commission believes that the WACC of 14.5625% of KSPC is fair and reasonable considering the attendant business risk involved and competitive forces in the generation sector.

The 14.5% WACC was also deemed reasonable for a generation firm, as per the CEDC-VECO rate application (ERC Case No. 2009-075 RC, docketed Feb-10)

CEDC's proposed WACC of 14.5% is lower compared with the approved WACC for the National Transmission Corporation (TRANSCO) and private utilities which are more than fifteen percent (15%). The WACC of these regulated entities were analyzed and established in accordance with economic parameters applicable to the electric industry in the Philippines. The Commission believes that CEDC, as a generation business, has a higher risk compared with TRANSCO as a transmission business and private utilities as distribution businesses. For instance, both TRANSCO and private utilities have captive markets while a generation company (merchant plant) may be exposed to competition. As a general rule, the higher the risk, the higher the return should be. Thus, the computed WACC of CEDC may be considered fair and reasonable.

5. Capital Recovery Fee

Plant Capacity and Sales

Gross Unit Capacity	150,000
No. of Units	1
Gross Plant Capacity	150,000
Net Unit Capacity	131,000
Net Plant Capacity	131,000
Availability Factor	80.0%
Load Factor	100.0%
Annual Sales	918,048,000
Monthly Sales	76,504,000
Forex	Php 45.00

Project Cost

EPC	PHP	8,505,000,000
Duties and Taxes	PHP	425,250,000
VAT	PHP	1,020,600,000
IDC and Financing Charges	PHP	1,548,318,912
Other Costs	PHP	4,078,548,663
Site Preparation and Construction	PHP	200,025,000
BOP Facilities	PHP	444,195,000
EPC Facilities, Civil Works, Others	PHP	3,029,903,429
Initial Working Capital	PHP	404,425,234
Total Project Cost	PHP	<u>15,577,717,575</u>

Financing			
Debt	68.00%	Php	10,592,847,951
Equity	32.00%	Php	4,984,869,624
Interest Rate			6.50%

Capital Recovery Fee

Total Project Cost	PHP	15,577,717,575
Less:		
VAT	PHP	<u>1,020,600,000</u>
Cost for Recovery	PHP	<u>14,557,117,575</u>
PV	PHP	(14,557,117,575)
FV		0
n		25
i		14.50%
PMT	Php	2,184,788,968 p.a.
PhP/kW-year		16,678.47

O&M Fees

Gross Unit Capacity	150,000
No. of Units	1
Gross Plant Capacity	150,000
Net Unit Capacity	131,000
Net Plant Capacity	131,000
Availability Factor	80.0%
Load Factor	100.0%
Annual Sales	918,048,000
Monthly Sales	76,504,000

Fuel

Cost of Coal	\$	60.00
Fx	Php	45.00
Monthly Sales		76,504,000
Consumption Rate	kg/kWh	0.68
Fuel Consumption	kg/kWh	52,022,720
	MT	52,022.72
	Php	140,461,344.00

USD OpEx

Insurance			
EPC Contract	\$	192,478,000	
BOP	Php	3,474,098,429	
	\$	77,202,187	
Sum Insured	\$	269,680,187	
Premium		0.50%	
Insurance Cost	\$	1,348,401	p.a.
Maintenance		\$	7,121,686
EPC Contract	\$	192,478,000	
Maintenance Cost		3.70%	
	\$	7,121,686.00	p.a.
	\$	0.0078	p.a.
USD O&M Cost			
Insurance	\$	1,348,400.94	
Maintenancy	\$	7,121,686.00	
	\$	8,470,086.94	p.a.
Annual Fixed O&M Fee (USD) (Insurance)	64.6152	per kW per year	
Variable O&M Fee (USD) (Maintenance)	0.0015	per kW hour	

PHP OpEx

OpEx			Php	242,852,436
Limestone				
Cost	per MT	Php	2,150.00	
Consumption Rate	kg/kWh		0.055	
Consumption	p.a.	Php	108,559,176	
Sand				
Cost	per MT	Php	2,315.00	
Consumption Rate	MT per day		10	
Consumption	p.a.	Php	8,449,750	
PHP O&M				
Operating Costs	p.a.	Php	242,852,436	
Consumables		Php	117,008,926	
	p.a.	Php	359,861,362	

Cost Escalated to
Feb 2016

250,929,957.37

120,900,763.02

371,830,720.39

2,838.40 per kw-year

Offer Summary

Particulars			OFFER	LRAC
Contract Capacity	CC	kW	70,000	70,000
Annual Capital Recovery Fee	ACF	Php/kW-year	12,431.08	16,677.7800
Annual Fixed O&M Fee (PHP)	AFOM _{PHP}	PHP/kW-year	2,821.91	2,838.4024
Annual Fixed O&M Fee (USD)	AFOM _{USD}	US\$/kW-year	28.9021	64.6152
Variable O&M Fee (USD)	VOM	US\$/kW-hour	0.0025	0.0015

The Fuel Procurement Plan for the immediately succeeding year is prepared by the Fuel Management Department ninety (90) days prior the end of the current year which shall indicate, among others, the following:

1. The fuel requirements to include quality and quantity, based on what was forecasted by the Plants. The Plants shall submit to Fuel Management Group fuel forecast requirements for the coming year at least ninety (90) days before current year ends. Said requirements should already consider the minimum inventory stock level that should be maintained by the Plants at any given time.
2. The tentative delivery schedule as provided by the Plants.
3. Packaging of requirements for procurement, contracting mode (spot or long term), mode of procurement (negotiation or open tender).
4. The Procurement Schedule
5. The Estimated Cost based on the approved budget.

Requisition Process/Raising of Purchase Requisition Form (PRF)

1. The Plants shall issue the PRF for their yearly requirements based on the approved Fuel Procurement Plan.
2. The PRF volume shall be determined using the following formula:

	200X Fuel Procurement Plan, Plant Requirements, MT	xxx,xxx	+/-10%
Less	Secured Volume (from existing PO/contract), MT	xx,xxx	+/-10%
	Volume to be covered by the PRF for 200X, MT	xxx,xxx	+/-10%

Secured volume refers to volume from an existing PO or contract that will spill-over to the succeeding year.

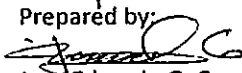
BIDDING PROCEDURE

1. In accordance with the GBPC's Procurement Policies and Procedures, as a rule, all fuel requirements of the Plants or Power Stations are subjected to electronic or sealed tender.
2. Direct negotiations, however, as an alternative procurement mode, are resorted under any of the following circumstances:
 - a) In times of emergency or imminent fuel stock-out/run-out under force majeure conditions or due to circumstances beyond the control of the Plant/s and/or procuring group/officer;
 - b) When the Plant has to maintain a ceiling price (below the market level) which is obviously untenable under a normal open tender process;
 - c) When a specific supplier is the only supplier that can deliver the fuel or perform the required fuel related services necessary to put the Plant in continuous operation;
 - d) When the proposed PO or contract price is justifiably lower than the current market level.

PANAY ENERGY DEVELOPMENT CORPORATION 3

The Coal requirement of PEDC 3 will be fully covered by a 3 to 5 years Coal Supply Agreement with foreign and local coal supplier with an annual quantity of 600,000 MT for the period June 1, 2016 to May 31, 2019/May 31, 2021 supplemented by supramax size vessel during the same period.

Prepared by:



Jose Eduardo G. Co
Sr. Manager, Fuel Management



Write-up on PEDC's Related Agreements

The Wheeling Contract is not applicable because PEDC's Plant is not an embedded plant.

The Transmission Contract requires final testing and this Unit is still under commissioning.



Republic of the Philippines
ENERGY REGULATORY COMMISSION
12/F Pacific Center Bldg.
San Miguel Avenue, Pasig City

ANNEX " L "

COC No. _____
Application No. _____
Date Filed _____

APPLICATION NEW/RENEWAL FOR COC

- ☐ IPP
☐ Conventional
☐ RE Plant
☐ FIT Eligible
☐ SGF
☐ Others

1. INFORMATION ON THE APPLICANT:

Name of Owner: **PANAY ENERGY DEVELOPMENT CORPORATION**
Name of Operator (if applicable): _____
Name of IPPA (if applicable): _____

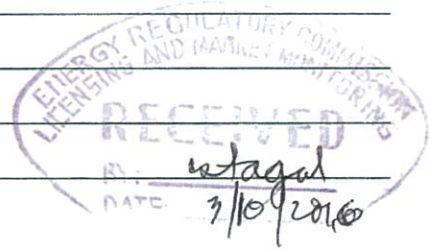
1.1 Business Name: **PANAY ENERGY DEVELOPMENT CORPORATION**
Type of Organization: **Power Generation**
Business Address: **Brgy. Ingore, La Paz**
Number & Street: _____ **City/Town:** **Iloilo City**
Province & Zip Code: **Iloilo 5000**
Website (if available): **www.gbpc.com.ph**
E-mail Address: **Petronilo.Madrid@globalpower.com.ph**
Tel. No. : **(033) 333-2002**
Fax No. : **(033) 333-2010**

1.2. Chief Executive Officer of the Company:

Name: **ROLANDO T. BACANI (President)**
Tel. No.: **(02) 464-1600** **Fax No.:** **(02) 464-1600**
E-mail: **Rolando.Bacani@globalpower.com.ph** **Cellphone No.:** _____

1.3 Authorized Representative to ERC:

Name and Title: **ATTY. AMANDA ROSELLE ABRERA-BENGSON**
Address: **22F, GT Tower International, 6813 Ayala Ave. cor. Dela Costa St., Salcedo Village, Makati City 1227**
Telephone: **(02) 818-5931**
Fax No.: **(02) 818-5931 local 1147**
E-mail Address: **Amanda.Bengson@globalpower.com.ph**
Cellphone No. : _____



APPLICATION NEW/ RENEWAL FOR COC OF COAL FIRED POWER PLANTS

Name of Generation Company/Facility: **Panay Energy Development Corporation (1x150 MW CFB Power Plant)**

2. GENERATING FACILITIES OWNED: Number of Unit(s) 1**2.1 EXISTING FACILITIES**

UNIT NO. <u>1</u>	
Exact Location	Brgy. Ingore, La Paz, Iloilo City
Installation Date	August 1, 2014 – July 31, 2016
Commissioning Date	January 1, 2016 – July 31, 2016
Target Date of Commercial Operations	July 26, 2016
Economic Life	25 years
Generator	
Manufacturer	Mitsubishi Electric Corporation
Serial No.	14 MNDLOI
Speed	3,600 rpm
Voltage	18,000 V
Frequency	60 Hz
Power Factor	85% lag / 90% lead
Rated Capacity	150 MW
Dependable Capacity (Net)	131 MW
Pmin	60 MW
Pmax	150 MW
Ramp Up Rate	1.5 MW/min
Ramp Down Rate	1.5 MW/min
Turbine	
Manufacturer	Kawasaki Heavy Industries, Ltd.
Serial No.	3183Y88
Speed	3600 rpm
Type	T2DC – 1600
Rated Capacity	150 MW
Fuel	Coal
Plant Heat Rate (Gross)	2,315 kcal/kWH

Name of person who provided the above information: **PETRONILO R. MADRID**
 Signature: _____ Date Accomplished: **February , 2016**
 Res. Cert. No. / Passport No. (if Foreigner): **27788446**
 Date Issued: **January 13, 2016** Place Issued: **Iloilo City**



Republic of the Philippines
SANGGUNIANG PANLUNGSOD
City Government of Pasig

ANNEX " M "

ACKNOWLEDGMENT

This is to acknowledge the receipt of a copy of Manila Electric Company (MERALCO) and Panay Energy Development Corporation's (PEDC) verified Joint Application entitled "IN THE MATTER OF THE APPLICATION FOR THE APPROVAL OF THE POWER SUPPLY AGREEMENT (PSA) BETWEEN MANILA ELECTRIC COMPANY (MERALCO) AND PANAY ENERGY DEVELOPMENT CORPORATION (PEDC)," *with attached Annexes*, 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 29th day of April 2016 at Pasig City.


LOIDA U. VILLANUEVA
Acting City Council Secretary

AFFIDAVIT OF PUBLICATION

REMATE

Name of Publication

Republic of the Philippines)
City of Manila)

I, JORRELYN A. MIRADOR, of legal age with office address at National Press Club Building, Magallanes Drive, Intramuros, Manila, Philippines, after being duly sworn in accordance with law, depose and say that:

1. I am the Advertising Staff of REMATE, a newspaper of general circulation with office address stated above;

2. On April 29, 2016, our newspaper published the following:

JOINT APPLICATION docketed as ERC Case No. 2016-__RC by the Energy Regulatory Commission, San Miguel Avenue, Pasig City
MANILA ELECTRIC COMPANY (MERALCO) AND PANAY ENERGY DEVELOPMENT CORPORATION (PEDC), applicant.

3. Printed copies of the said documents are hereto attached and made integral parts hereof.

J. Mirador
JORRELYN A. MIRADOR
Affiant

SUBSCRIBED AND SWORN TO BEFORE ME **APR 29 2016**

at Manila, Philippines, affiant exhibiting to me her SSS No. 33-2971941-9 issued at SSS Diliman, QC.

Doc. No. 178;
Page No. 34;
Book No. 17;
Series of 2016.

ATTY. PEDRO D. GENATO
NOTARY PUBLIC
Notary Public Until Dec. 31, 2017
Notarial Commission No. 2016-011 Mla.
IBP# 1009339 Pasig 09-24-15 until 2017
PTR# 4930029 Mla: 1-4-2016
Roll# 12088, TIN# 132-436-687
MCLE Compl. No. V-0005232 until 4-14-19

AMOUNT (PHP)	CAR	PTR No.	IBP No.	MCLE Compl.
570,175,845.00				
93,206,382.29				
197,533,469.00				
607,801,780.31				
56,500,248.00				
0.00				
0.00				
1,825,217,724.60				
3.7207				
0.2438				
3.9645				
5.1977				
(1.2332)				
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(604,959,040.06)				
(0.0188)				
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REPUBLIC OF THE PHILIPPINES)
CITY OF PASIG)

VERIFICATION
AND CERTIFICATION OF NON-FORM SH

RESULTA
SA LOTTO
ABRIL 28, 2016

6/42 18 07 08 17 32 16

PGSO LOTTO

JACKPOT PRIZE: P22,963,588.00

6/49 17 19 14 47 46 16

SUPER LOTTO

JACKPOT PRIZE: P16,633,496.00

6-DIGITS 9 0 0 5 5 7

8 6 6

11 A.M. SUERTRES 21 03 11 A.M. EZ-2

5 2 4

4 P.M. SUERTRES 13 18 4 P.M. EZ-2

8 3 9

9 P.M. SUERTRES 05 21 9 P.M. EZ-2

ANNEX "

REMATE

ANG DIARYO NG MASA

BIYERNES, ABRIL 29, 2016

P10.00

TAON 24 • ISYU 330

Gastos na P273M sa ad- saan galing? P.2

LENI BIGGEST ADS SPENDER

Sa isyu ng pagtatakwil
ng asawa bilang Kano

GRACE POE SINUNGALING

DANIEL PAHINA 6

GUSTO NANG

MAGKAANAK,

KATHRYN

DELIKADO

'BUNTIS FOR LENI' P.2

INILUNSAD SA LEYTE

GF NA GURO PINATAY SAKA NAG-SUICIDE PAGE 3

MARTIN PINALAKAS P.2 NG MEGA URBAN POOR GROUP

CARLA AT TOM

P.6 7 TAON NANG

MAG-ON, KASAL

'DI PINAG-UUSAPAN

P.6 MAINE NILAMAS

SA KALYE, ALDEN

UMUSOK ANG ILONG

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SABENA AYAW

PAHINA 6 TIGASAN

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TABING

KINATAY

Prayoridad ni Echiverri sa Caloocan

MASIGLANG KABUHAYAN PAHINA 2

IN THE MATTER OF THE APPLICATION FOR THE
APPROVAL OF THE POWER SUPPLY
AGREEMENT (PSA) BETWEEN MANILA
ELECTRIC COMPANY (MERALCO) AND PANAY
ENERGY DEVELOPMENT CORPORATION
(PEDC),

MANILA ELECTRIC COMPANY (MERALCO)
AND PANAY ENERGY DEVELOPMENT
CORPORATION (PEDC),

ERC CASE NO. 2016-__ RC

Applicants.

JOINT APPLICATION

Applicants MANILA ELECTRIC COMPANY ("MERALCO") and PANAY ENERGY DEVELOPMENT CORPORATION (PEDC), 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 PEDC is a corporation duly organized and existing under the laws of the Republic of the Philippines, with its principal place of business at Brgy. Ingore, La Paz, Iloilo City. It may be served with notices and other processes of this Honorable Commission through its counsel at the address indicated herein.
4. PEDC owns and operates a 2x82 MW and a 1x150 MW (gross) coal-fired power generating facility in Brgy. Ingore, La Paz, Iloilo (the "Plant"), on the island of Panay in the Philippines. Said Plant is scheduled to become operational by 26 August 2016.
5. Based on MERALCO's Distribution Development Plan, "from 2015 to 2024, energy sales is forecasted to grow by a compounded average growth rate of 3.7%."
6. In order to ensure continuous and reliable electricity for MERALCO's customers with the expected continuous increase in demand and load growth, and mitigate exposure to the Wholesale Electricity Spot Market ("WESM"), there is a need for MERALCO to source additional capacity through 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, following extensive negotiations, on 27 April 2016, MERALCO executed a Power Supply Agreement ("PSA") with PEDC, for the purchase of up to 70 MW contract capacity and associated energy from the generating unit of the Plant ("Unit").
9. The PSA, a copy of which is attached as ANNEX "A" and made an integral part hereof, contains the following salient features:
 - 2.2 Term of Agreement
 - 2.2.1 Subject to Article 3, this Agreement shall become effective on the Effective Date.
 - 2.2.1.1 The term of this Agreement (the "Term") shall commence on the Operations Effective Date and shall expire on the date falling twenty (20) years after the Operations Effective Date xxx
- 3.1 Effective Date
- 3.1.1 The Effective Date shall be the date the conditions precedent in Section 3.2 have been satisfied or waived by the relevant Party (the "Effective Date").
- 3.3 Commencement Date
- 3.3.1 The "Commencement Date" shall occur upon the satisfaction of the conditions below:
 - (a) The conditions set out in Section 3.2 have been fulfilled;
 - (b) Each Party has delivered to the other Party a certification dated no earlier than two (2) Days prior to the proposed Commencement Date to the effect that its representations and warranties contained herein shall be true and correct in all material respects on and as of the Commencement Date; and
 - (c) On or before the Longstop Date, (i) the ERC shall have approved this Agreement, including the pricing structure as set out herein (or as otherwise acceptable to Power Supplier), in the ERC Provisional Approval or ERC Final Approval.
- 3.3.2 Within seven (7) Days after the satisfaction of the conditions referred to in this Section 3.3, Meralco and Power Supplier shall issue a joint certification confirming that the Commencement Date has occurred.
- 3.4 Operations Effective Date
- 3.4.1 Power Supplier covenants that Operations Effective Date shall occur on August 26, 2016 (the "Operations Effective Date").
- 3.4.2 Following the Operations Effective Date, the obligations of Power Supplier and Meralco under this Agreement with respect to sale and purchase of Contract Capacity and Associated Energy, and Replacement Energy, shall become effective.
- 3.5 Commercial Operations Date
- 3.5.1 The Unit shall achieve Commercial Operations Date upon delivery by Power Supplier of the documents enumerated below, in form and substance satisfactory to Meralco:
 - (a) Capacity Test Certificate xxx;
 - (b) a Net Plant Heat Rate Test Certificate xxx;
 - (c) certified true copy of the certificate of compliance of the Power Supplier as a generation company issued by the ERC, its registration as a member of the WESM and evidence of its execution of a Market Participation Agreement with the Philippine Electricity Market Corporation; and a certification that all relevant permits, licenses, authorizations and other approvals from all Government Authorities and third parties needed for the operation of the Unit and the supply of electricity by the Power Supplier to Meralco have been obtained by Power Supplier;
 - (d) a Commercial Operations Date Certificate; and
 - (e) Power Supplier certification that the insurances required under this Agreement xxx have been obtained xxx.
- 5.1 Supply of Power
- 5.1.1 Subject to the terms and conditions of this Agreement:
 - (a) From the Operations Effective Date until the expiration of the Term or earlier termination of this Agreement, Power Supplier shall:
 - (i) make available to Meralco, and Meralco shall purchase from Power Supplier, at the Price determined in accordance with Appendix D, the Contract Capacity of the Unit; and
 - (ii) sell to Meralco, and Meralco shall purchase from Power Supplier, at the Price determined in accordance with Appendix D, the Associated Energy, to the extent of Meralco's relevant day-ahead nominations.
 - (b) The Dispatch of Contract Capacity and Associated Energy shall meet the requirements set out in Appendix B (Technical Limits).
- 5.1.2 Unless otherwise expressly permitted by this Agreement, Power Supplier shall not, without Meralco's prior written consent, sell, divert, grant, transfer, dedicate, reserve or assign all or any portion of the Contract Capacity and Associated Energy to any Person other than Meralco.
- 5.1.3 Power Supplier shall source its supply for Meralco only from the Plant except during: (i) the period from Operations Effective Date until Commercial Operations Date; (ii) Scheduled Outages and Forced Outages; and (iii) any Curtailment due to Dispatch Instructions.
- 5.1.4 The supply of the Contract Capacity and Associated Energy by Power Supplier to Meralco shall be in accordance with WESM Rules. Moreover, each Party shall, during the Term, always keep and maintain its registration as bona fide trading member of the WESM.
- 6.1 Outage Allowances and Replacement Energy

- 8.1.1 After Commercial Operations Date, Power Supplier shall be allowed Scheduled Outages of thirty (30) Days ("Full Load Equivalent Scheduled Outage Allowance Days") and Forced Outages of fifteen (15) Days ("Full Load Equivalent Forced Outage Allowance Days") each Contract Year, provided that a Forced Outage may only be counted towards the Full Load Equivalent Forced Outage Allowance Days upon provision to Meralco of a copy of the certification from the System Operator that a Forced Outage has occurred. During these times, Meralco shall procure Replacement Energy from the WESM and Power Supplier shall not bill Meralco for these quantities.
- 8.1.2 During Outages beyond the Full Load Equivalent Scheduled Outage Allowance Days and/or Full Load Equivalent Forced Outage Allowance Days, Power Supplier shall purchase Replacement Energy, which shall be declared as BCO and paid by Meralco at the Price. The supply by Power Supplier of Replacement Energy under this Section 8.1.2 shall be deemed fulfillment of Power Suppliers obligation to make available the Contract Capacity and to deliver the Associated Energy during such period.
- 8.1.3 During any period in which an Event of Force Majeure affects Power Supplier or Meralco, Meralco shall procure Replacement Energy from the WESM to the extent supply or offtake is so affected.
- 9.1 Assignment or Transfer of Contract Capacity Due to RCOA
- 9.1.1 In connection with the implementation by the ERC of RCOA, Meralco shall also be entitled to assign, transfer, designate, delegate or allocate (collectively in this context, "Transfer") its rights and obligations to purchase a portion of Contract Capacity and Associated Energy that is no longer required by Meralco as a result of RCOA (i) to any of its wholly-owned Distribution Utility or Supplier Affiliates (in each case, a direct WESM member) or business segments, to the extent allowed by Law, without the prior consent of the Power Supplier, or (ii) to any other Person subject to the consent of Power Supplier, which consent shall not be unreasonably withheld.
- 9.2 Reduction in Contract Capacity and Associated Energy
- 9.2.1 Subject to the provisions of Section 9.3.2 below, Meralco shall, from time to time, be entitled to a reduction in the Contract Capacity and Associated Energy (the "Reduction in Contract Capacity and Associated Energy") equivalent to the reduction in the demand of its captive customers by reason of the enforcement of RCOA and the Renewable Energy Law.
- 9.2.2 Similarly, Power Supplier may request for a Reduction in Contract Capacity and Associated Energy, subject to mutual agreement of the Parties.
- 10.2 Payments
- 10.2.1 Meralco shall pay the entire amount indicated in the Final Invoice (subject to Appendix G) when due and payable, provided that Meralco shall not be required to make payment on any invoice that is manifestly in error, apparently invalid or not in the form or substance contemplated by this Agreement until the same has been corrected following prompt notice by Meralco to Power Supplier of such error, invalidity or absence of proper form or substance.
- 11.2 Charges Due to Change in Circumstances
- 11.2.1 (a) If as a result of a Change in Circumstances, Meralco becomes liable to pay any new charges, fees, taxes, duties, assessments or other similar amounts ("New Charges"), or any increase in existing charges, fees, taxes, duties, assessments or other similar amounts ("Increased Charges") become payable with respect to this Agreement, the New Charges or Increased Charges shall form part of the price that Meralco will charge to its customers.
- 11.2.2 (b) If as a result of a Change in Circumstances affecting Power Supplier, Power Supplier becomes liable to pay any New Charges or any Increased Charges or a Change in Circumstances materially and adversely affects the ability of Power Supplier to perform or materially increases the operating costs or capital expenditures associated with the Plant or materially and adversely affects its performance of its obligations under this Agreement, adversely affects the sale by Power Supplier of Contract Capacity and Associated Energy in accordance with this Agreement, makes the Power Suppliers administration or operational aspects of such performance materially more burdensome (whether made at the direction of any Governmental Instrumentality or otherwise) or causes serious damage to, or materially and adversely affects the financial condition of Power Supplier, Power Supplier shall send a notice to Meralco of the occurrence of such Change in Circumstances ("Notice of Change in Circumstances") together with an analysis of the cost impact of such Change in Circumstances. Within thirty (30) Days of such Notice of Change in Circumstances, Meralco and Power Supplier shall meet to discuss, in good faith, remedial measures to mitigate the impact of such Change in Circumstances. Each Party shall cooperate in good faith to secure any Governmental Authorizations to implement any agreed remedial measures. If the Parties fail to reach a mutually satisfactory resolution within sixty (60) Days from the commencement of negotiations, the Power Supplier shall be entitled to terminate this Agreement in accordance with the provisions of Section 17.6.7(a).
- 11.2.3 (c) In the event that, as a result of a Change in Circumstances and pursuant to a corresponding order of the ERC or any other Governmental Instrumentality:
 - (a) Meralco is prevented from making a pass through to its customers of any charges under this Agreement (as approved by the ERC in the ERC ERC Provisional Approval or ERC Final Approval, as accepted by Power Supplier); or
 - (b) any portion of the Price that has been paid to Power Supplier is required to be refunded to Meralco or Meralco's customers in connection with the ERC Application or any petition, claim, case, proceeding or other action involving any of the Parties brought before any judicial, administrative or quasi-judicial body,the Parties shall enter into good faith negotiations to agree on a satisfactory solution regarding the amendment of this Agreement to restore Meralco's commercial position prior to such Change in Circumstances, including an adjustment of the Price. If the Parties fail to reach a mutually satisfactory resolution within sixty (60) Days from the commencement of negotiations, the provisions of Section 17.6.7(b) will apply.
- 13.2 ERC Approval
- 13.2.1 Upon receipt of the ERC Final Approval, Meralco shall provide a copy of such ERC Final Approval to Power Supplier. Power Supplier shall have ten (10) Business Days from the date of receipt from MERALCO of such ERC Final Approval to notify Meralco in writing that (i) it accepts such ERC Final Approval or (ii) it does not accept the ERC Final Approval, stating the grounds for non-acceptance.
- 13.2.2 In case of Power Supplier's non-acceptance, Power Supplier shall be free to: (i) file with the ERC a motion for reconsideration or (ii) terminate this Agreement upon sixty (60) days prior written notice to Meralco; provided that, any order on a motion for reconsideration shall be treated as an ERC Final Approval for purposes of the processes under this Section 13.2; provided further that, if the motion for reconsideration is denied by the ERC, or provided by the ERC but still with any material term or condition that is not acceptable to Power Supplier, Power Supplier may terminate this agreement upon sixty (60) days prior written notice to Meralco.
- 16.5 Effect of Extended Force Majeure
- 16.5.1 If any Event of Force Majeure prevents Power Supplier from making available the Contract Capacity or Associated Energy or Meralco from accepting Contract Capacity or Associated Energy, in each case for a continuous period of more than one hundred eighty (180) Days, then either Party may upon written notice, require the other Party to meet as soon as practicable to reasonably discuss any modification, change or amendment of this Agreement under such reasonable terms, to the extent necessary to resolve the issues arising from the Event of Force Majeure and maintain, to the extent feasible, the rights and obligations of the Parties under this Agreement.
- 16.5.2 If the Parties do not reach such satisfactory solution prior to the end of such one hundred eighty (180) Day period, or such other time as may be agreed upon, either Party may terminate this Agreement in accordance with Section 17.6.6.
10. The Payment Structure, as provided in Appendix D of the PSA shall be as follows:
 2. PAYMENT UPON OPERATIONS EFFECTIVE DATE
- 10.1 The payment to be made in each Billing Period during the Term for Contract Capacity and Associated Energy shall consist of a Capacity Payment and Energy Payment. The Capacity Payment consists of Component A (MCP), and Component B (MFOM), and the Energy Payments consists of Component C (MFP), and Component D (MFOM). Other payment consist of Component E (REP), Component F (LR) and Component G (WAT). Thus, the Monthly Power Bill ("MPB") payment for Contract Capacity and Associated Energy for each Billing Period shall be equal to:
$$MPB = MCP + MFOM + MFP + MVOM + REP + LR + WAT$$
- 10.2 Given the foregoing, a sample calculation of the base contract price under the PSA, given a certain set of assumptions, results in an annual effective rate of PhP3,7207 per kWh (at plant gate), as shown in the sample calculation below:

BILLING COMPONENT	UNIT	BASE RATE ^[a]	CPI Adj Factor ^[b]	BILLING DETERMINANT ^[c]		AMOUNT (PHP)
A. Capacity Payment (MCP) Peso Portion	(Php/kW-yr) ^[b]	12,431.0835		70,000	(kW)	870,175,845.00
B. Fixed O&M Payment (MFOM) US Dollar Portion Escalating	(USD/kW-yr) ^[b]	28.9021	1.000000	70,000	(kW)	93,206,382.29
Peso Portion Escalating	(Php/kW-yr) ^[b]	2,821.9067	1.000000	70,000	(kW)	197,533,469.00
C. Fuel Payment (MFP) US Dollar Portion	(USD/kWh) ^[c]	0.0269		490,560,000	(kWh)	607,801,780.31
D. Variable O&M Payment (MVOM) US Dollar Portion	(USD/kWh)	0.0025	1.000000	490,560,000	(kWh)	56,500,248.00
E. Replacement Energy (REP) Peso Portion	(Php/kWh)	-		-	(kWh)	0.00
F. Line Rental Adjustment (LR) ^[d] Peso Portion	(Php/kWh)	-		-	(kWh)	0.00
TOTAL PAYMENT						
Effective Rate at Plant Gate	(Php)					1,825,217,724.60
	(Php/kWh)					3.7207
WESM Line Rental Rate ^[e]	(Php/kWh)					0.2438
Delivered Rate	(Php/kWh)					3.9645
Effective Cost at WESM Price ^[f]	(Php/kWh)					5.1977
Increase / (Decrease) over WESM Price	(Php/kWh)					(1.2332)
Meralco Captive Energy Demand ^[g]	(kWh)					32,232,597,988
Increase / (Decrease) in Generation Cost	(Php)					(604,959,040.06)
Increase / (Decrease) in Generation Cost	(Php/kWh)					(0.0188)

NOTE:

- ^[a] Base Rates as set forth in Schedule 1 of Appendix D of the PSA
- ^[b] Annual Capacity Rate and Annual Fixed O&M is converted into monthly rates by applying the formulas shown in Appendix D of the PSA
- ^[c] Fuel Payment calculated based on Consumption Rate at 91.25% plant load factor, Newcastle index = USD 50.38/MT, Freight Price = USD 5.90/MT, and Forex rate at Php 46.07/USD (current prices as of Mar 2016)
- ^[d] LR shall cover the cost of Line Rental Adjustment for the Billing Period
- ^[e] Assumed estimated PEDC line rental rate
- ^[f] Cost if equivalent volume of PEDC was sourced from the WESM based on forecast average Jan - Dec 2017 hourly prices
- ^[g] Meralco Captive Energy Demand based on 2017 forecast
- ^[h] Assumed no CPI escalation
- ^[i] Energy Payments based on 80.00% plant capacity factor

Prepared by: Ryan S. Morales

Reviewed by: Ciprinilo C. Meneses

ANNEX " p "

The Certification by NPC regarding availability of Transition Supply Capacity (TSC) is **NOT APPLICABLE**.



PROJECT BRIEF

ANNEX " Q "

Panay Energy Development Corporation (PEDC) is one of the subsidiaries of Global Business Power Corporation (GBPC), a leading independent power provider in the Visayas region. PEDC currently operates a 2x82 MW CFB-Clean Coal Fired Power Plant situated in Barangay Ingore, La Paz, Iloilo City and currently expanding its 1x150 MW CFB Coal-Fired Power Plant.

150MW Project Description

Project Name	PEDC 1x150MW Unit 3 Power Plant Expansion Project
Project Location	Barangay Ingore, La Paz, Iloilo City
Total Project Land Area	Approx. 9 ha
Name of Proponent	Panay Energy Development Corporation
Technical Specification	
• Boiler	Circulating fluidized bed, single drum, natural circulation, water cooled furnace, steam cooling backpass with horizontal coil superheater and economizer, balanced draft, top supported and outdoor type. Capacity at maximum 520 T/H x 126.5 bar (g) x 541 +/- 5°C. Normal stable load range, 40~ 100% MCR
• Steam turbine	Single casing, multi-stage, impulse type, non-reheat, full-condensing. Live steam condition 520 T/H x 122.5 bar(g) x 538°C
• Generator	Total enclosure air cooled type, 0.85 lagging power factor, 3600 rpm rated speed, 60Hz, rated capacity 150MW (gross), 13.8kV terminal voltage and class F insulation.
• Cooling System	Seawater cooling system
• Boiler Feedwater	De-salinated, demineralized water system
• Coal Handling	Closed conveyor transport, closed coal yard
• Emission	(based on 6% O ₂ in dry exhaust gas at stack inlet) Particulate Matter ~ 50 mg/Nm ³ , NO _x ~ 312 mg/Nm ³ (150 ppm), SO _x ~ 285 mg/Nm ³ (100 ppm), CO~ 500 mg/Nm ³ , Opacity~ 15%
• Main Transformer	The generated voltage of 13.8 KV is stepped up and fed to the 138 KV by a step-up transformer. The transformer is rated as follows: 180 MVA, Two windings, three phase 60 Hz, ONAN/ONFA cooling method, 138 KV, star connected (neutral brought out), 13.8 KV, delta connected, Outdoor type
• Plant net capacity	131 MW
• Equipment Supplier and EPC Contractor	FHI Corporation

Enlightening Lives. Empowering Progress.

CORPORATE OFFICE

22nd Floor, GT Tower International, 6813 Ayala Avenue corner H.V. Dela Costa St., Salcedo Village 1227 Makati City Philippines
Tel: (632) 818-5931 to 35 | Fax: (632) 818-5931 loc. 147

150MW CFB Operations description

The combustion of fuel in a Circulating Fluid Bed (CFB) Boiler takes place in the furnace. The furnace is a vertical chamber composed of fin welded waterwall tubes in which the CFB process occurs. This includes the fluidization of the furnace bed material which is composed of the following material: ash, fuel, sorbent and sand (if required). Properly sized fuel is fed into the furnace and burned at a relatively low combustion temperature. Fine grain sorbent that is introduced into the furnace is calcined and oxidized enabling the product to react with the sulfur dioxide formed during the combustion of sulfur-containing fuels. The product of this reaction is calcium sulfate (gypsum), a solid, which adds to the bed inventory and is easily removed with the ash which is formed during the combustion process.

The bed material is fluidized with a combination of primary air, secondary air, and combustion gases. The primary air is introduced to the furnace through fluidizing air nozzles which are located at the grate of the furnace. The introduction of this primary air initiates fluidization of the bed material. The subsequent formation of combustion gases along with the introduction of secondary air in the furnace produces sufficient upward velocity of gas to cause the bed material to form a gradient of suspended solids throughout the height of the furnace. This column of suspended solids is in constant motion in which particles either exit the furnace with the combustion gases or reflux back down the column towards the furnace grate.

The solids which are conveyed out of the furnace are separated from the combustion gas in a particle separator (cyclone) and are continuously returned to the lower portion of the furnace by a recycle loop. The very high internal and external circulating rates of the solids, characteristic of the circulating fluid bed results in consistently uniform combustion temperatures throughout the furnace.

Solids residence time in the furnace can be on the order of minutes for each cycle of the solids circulation. This is due to the high slip velocity between the combustion gases and solids, which causes the solids to proceed through the furnace at a much lower velocity than the combustion gases. The long residence time of the solids and the constant solid circulation produces high combustion efficiency and high heat transfer rates to the furnace waterwall tubes.

The combustion of the fuel occurs in two zones: a primary reducing zone in the lower section of the furnace and the final combustion zone located above the upper level of secondary air inlets to the furnace. The primary combustion zone is located between the primary fluidizing air nozzles and the upper secondary air inlets. One level of secondary air inlets is located between the primary air nozzles and the upper secondary air inlets where the combustion process is staged at substoichiometric air requirements. Final combustion using excess air takes place in the upper region of the furnace, above the upper secondary air inlets. This staged combustion process, at controlled low temperatures, effectively suppresses NO_x formation.

The combustion of the fuel produces two material streams: combustion gases and ash. All of the combustion gases exits the furnace via outlets located in the upper region of the furnace. Carried along with this gas are any solids that may have been entrained in the gas stream. This stream of material enters the particle separator which removes a majority of the solids from the combustion gases. The gases exit the top of the cyclone particle separator and are then ducted to the convective section of the boiler.

The solids separated from the gas stream in the cyclone particle separator are returned to the furnace via the seal pot located at the end of each stand pipe of each particle separator. The inventory of solids in the

CFB is controlled by the discharge of ash from the circulating loop (Primary Loop) of solids. Ash leaves this loop through two streams: solids entrained in the combustion gas at the particle separator outlet and solids discharged from the furnace through the bed drains. Ash which passes over to the convective pass with the gas stream is collected and removed from system at two locations: From the backpass pass and air preheater ash hoppers and from the electrostatic precipitator or baghouse ash hoppers.

The ash discharged from the furnace is cooled in water cooled ash screw coolers which also control the rate of discharge of the ash from the system. A low pressure and temperature water source is required for proper operation.

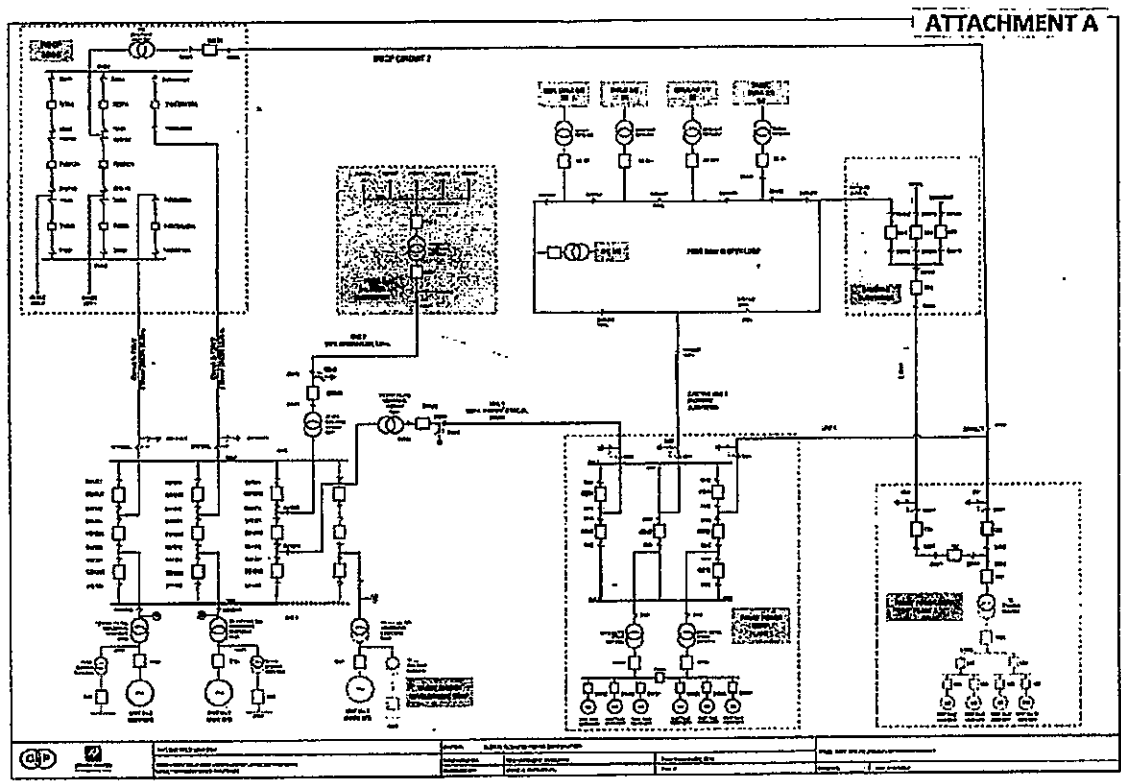
150MW CFB operation mode

Three distinct modes of boiler operation can be defined: full load operation, partial load operation, and start-up & shutdown. The basic requirements of each of these operating conditions are summarized as follows.

1. Full load operation, Full load operation consists of operation at maximum continuous rating (MCR). Under full load operation, the boiler responds automatically to variations in steam demand through signals from the plant master control.
2. Partial load operation, Partial load is defined as any continuous operating condition at which steam generation is less than MCR steam generation.
 - a. Combustion system, At part load it is assumed that the fuel and sorbent flows are in direct proportion to the required load. The excess air level and the ratio between primary and secondary air will be varied as required.
 - b. Steam system, All of the heat transfer surfaces were determined based on full load conditions. At part load, the heat transfer to the tube walls in the upper part of the furnace and convective pass will decrease.
3. Start-up and Shutdown, Start-up and shutdown procedures differ, depending on whether a hot restart is done, or whether the CFB system is cold or has been cooled down for maintenance or inspection.

Transmission Line/Grid Connection Projects

Based on the single line diagram (below) the 150MW CFB expansion project proposed to connect its facility to the existing 2x82MW PEDC substation. The substation is connected to the grid of NGCP thru Sta. Barbara station, the lines connecting PEDC and NGCP Sta. Barbara are N-1 compliant each set of circuit is capable of carrying 400MW capacity.



Annex R: Write up on the cost analysis related to the generation in support
of the proposed pricing provisions of the PSA

This can be found in the Executive Summary.

PROCUREMENT PROCESS
LEADING TO THE EXECUTION OF THE POWER SUPPLY AGREEMENT (PSA)
BETWEEN MANILA ELECTRIC COMPANY (MERALCO)
AND PANAY ENERGY DEVELOPMENT CORPORATION (PEDC)

ANNEX " 9 "

In a letter dated May 21, 2014, Panay Energy Development Corporation (PEDC) submitted its proposed term sheet to Manila Electric Company (MERALCO) for the execution of a Power Supply Agreement (PSA).

Thereafter, a series of meetings transpired between the Parties as they negotiated the terms and conditions of the PSA, including the contract price.

Following extensive negotiations, on April 26, 2016, the Parties executed the PSA for the purchase of Contract Capacity and Associated Energy from the 1x150 generating unit of the coal-fired Power Plant located in Barangay Ingore, La Paz, Iloilo City, which PEDC owns and operates.

Annex T: Write up on the details regarding the transmission projects or grid connection projects

The write up on the details regarding the transmission projects or grid connection projects are not applicable because PEDC Unit 3 shares Unit 1 & 2 switchyard which is connected to the transmission assets constructed for Units 1 & 2.

Annex X : Write up on other documentation that may be needed by the ERC in the course of the evaluation, such as, but not limited to the following:

Latest Audited Financial Statements of PEDC

This Latest Audited Financial Statements of PEDC was already submitted to MERALCO

Bank Certification of Long-term Loans

The Bank Certification of Long-term Loans was already submitted to MERALCO via email on April 28.

Operating Expenses

The Operating Expenses was already submitted to MERALCO as indicated in AFS.

Sworn Statement detailing how the fuel was competitively procured etc.

This was already sent in the initial documents during the negotiations.

Certification on the net heat rate

This was sent by email. We would like to note to MER that we are using consumption rate instead of heat rate in the PSA.

Simulation of the no. of operating units necessary to meet the MEOT and/or additional energy/demand requirements of the DU.

This is not applicable for the PEDC Contract has no MEOT because it's purchased on an annual contracted capacity of up to 70MW, which means to say that there is no minimum contracted energy and paid on a capacity basis.

Potential Cost of Ancillary Services

The Potential Cost of Ancillary Services is not applicable because PEDC has no ASPA with NGCP.



Republic of the Philippines
DEPARTMENT OF ENERGY

ANNEX " U "

CERTIFICATE OF ENDORSEMENT

TO WHOM IT MAY CONCERN:

This is to certify that **Panay Energy Development Corporation** with office at Barangay Ingore, La Paz, Iloilo City will construct the **PEDC UNIT 3: 1 X 150 MW CFB Coal-Fired Power Plant** in Barangay Ingore, La Paz, Iloilo City.

The PhP 15.6 billion project is in line with the Department of Energy's (DOE) policy to encourage private sector investments in power generation utilizing clean and environmentally-friendly technologies. The project is included in DOE's Power Development Plan. The Department favorably endorses this project to the Board of Investments for possible incentives availment.

This endorsement is being issued in connection with Panay Energy Development Corporation application for registration with the Board of Investments.

Done in Taguig City, Philippines this DEC 05 2013.

CARLOS JERICHO L. PETILLA
Secretary



Republic of the Philippines
DEPARTMENT OF ENERGY

IN REPLYING PLS CITE:

SOE-JLP-13006779



1. Name of Utility in Full	MANILA ELECTRIC COMPANY, MERALCO	
2. ERC/NEA Authority/License No./R.A.#	Various Resolutions	
3. Brief Description of Franchise Area: (Province/s and Municipality/ies covered; Area in Sq. Km.)	Covers the whole of Metro Manila; the whole province of Bulacan, Cavite, and Rizal; and portions of the provinces of Laguna, Batangas, Quezon, and Pampanga.	
Province/s and Municipality/ies Covered	Laguna: Alaminos, Bay, Biñan, Cabuyao, Calamba, Calauan, Liliw, Los Baños, Luisiana, Magdalena, Majayjay, Nagcarlan, Pila, Rizal, San Pablo City, San Pedro, Sta. Cruz, Sta. Rosa, Victoria Batangas: Batangas City, San Pascual, Sto. Tomas Quezon: Candelaria, Dolores, Lucban, Lucena City, Mauban, Pagbilao, Sampaloc, San Antonio, Sariaya, Tayabas, Tiaong Pampanga: barangays of Apalit, Candaba, San Simon	
Area in Sq. Km	9,337.5 sq. km.	
Franchise Population	27,339,156	
4. Grid	MERALCO Connection Points: Amadeo, Araneta, Balintawak, Batangas, Biñan, Botocan, Calauan, Caliraya, CND, Dasmariñas, Dolores, Duhat, Makban, Malaya, Malolos, Paco, Pagbilao, San Jose, Sta. Rosa, Sucat, Tayabas, Zapote	
5a. Brief description of methodology used in load forecasting and supply expansion plan:	1. Load Forecasting Model using Econometric method. 2. Supply Expansion Plan: Supply Capacity = Forecast Peak Load - DSM impact + 15% Capacity Margin	
5b. Brief description and sources of assumptions:	Population: National Statistics Office CPI, GDP growth: Economist Intelligence Unit (EIU) Appendix I	

Forecast/Planning Results

	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047	2048	2049	2050	2051	2052	2053	2054	2055	2056	2057	2058	2059	2060	2061	2062	2063	2064	2065	2066	2067	2068	2069	2070	2071	2072	2073	2074	2075	2076	2077	2078	2079	2080	2081	2082	2083	2084	2085	2086	2087	2088	2089	2090	2091	2092	2093	2094	2095	2096	2097	2098	2099	2100	2101	2102	2103	2104	2105	2106	2107	2108	2109	2110	2111	2112	2113	2114	2115	2116	2117	2118	2119	2120	2121	2122	2123	2124	2125	2126	2127	2128	2129	2130	2131	2132	2133	2134	2135	2136	2137	2138	2139	2140	2141	2142	2143	2144	2145	2146	2147	2148	2149	2150	2151	2152	2153	2154	2155	2156	2157	2158	2159	2160	2161	2162	2163	2164	2165	2166	2167	2168	2169	2170	2171	2172	2173	2174	2175	2176	2177	2178	2179	2180	2181	2182	2183	2184	2185	2186	2187	2188	2189	2190	2191	2192	2193	2194	2195	2196	2197	2198	2199	2200	2201	2202	2203	2204	2205	2206	2207	2208	2209	2210	2211	2212	2213	2214	2215	2216	2217	2218	2219	2220	2221	2222	2223	2224	2225	2226	2227	2228	2229	2230	2231	2232	2233	2234	2235	2236	2237	2238	2239	2240	2241	2242	2243	2244	2245	2246	2247	2248	2249	2250	2251	2252	2253	2254	2255	2256	2257	2258	2259	2260	2261	2262	2263	2264	2265	2266	2267	2268	2269	2270	2271	2272	2273	2274	2275	2276	2277	2278	2279	2280	2281	2282	2283	2284	2285	2286	2287	2288	2289	2290	2291	2292	2293	2294	2295	2296	2297	2298	2299	2300	2301	2302	2303	2304	2305	2306	2307	2308	2309	2310	2311	2312	2313	2314	2315	2316	2317	2318	2319	2320	2321	2322	2323	2324	2325	2326	2327	2328	2329	2330	2331	2332	2333	2334	2335	2336	2337	2338	2339	2340	2341	2342	2343	2344	2345	2346	2347	2348	2349	2350	2351	2352	2353	2354	2355	2356	2357	2358	2359	2360	2361	2362	2363	2364	2365	2366	2367	2368	2369	2370	2371	2372	2373	2374	2375	2376	2377	2378	2379	2380	2381	2382	2383	2384	2385	2386	2387	2388	2389	2390	2391	2392	2393	2394	2395	2396	2397	2398	2399	2400	2401	2402	2403	2404	2405	2406	2407	2408	2409	2410	2411	2412	2413	2414	2415	2416	2417	2418	2419	2420	2421	2422	2423	2424	2425	2426	2427	2428	2429	2430	2431	2432	2433	2434	2435	2436	2437	2438	2439	2440	2441	2442	2443	2444	2445	2446	2447	2448	2449	2450	2451	2452	2453	2454	2455	2456	2457	2458	2459	2460	2461	2462	2463	2464	2465	2466	2467	2468	2469	2470	2471	2472	2473	2474	2475	2476	2477	2478	2479	2480	2481	2482	2483	2484	2485	2486	2487	2488	2489	2490	2491	2492	2493	2494	2495	2496	2497	2498	2499	2500	2501	2502	2503	2504	2505	2506	2507	2508	2509	2510	2511	2512	2513	2514	2515	2516	2517	2518	2519	2520	2521	2522	2523	2524	2525	2526	2527	2528	2529	2530	2531	2532	2533	2534	2535	2536	2537	2538	2539	2540	2541	2542	2543	2544	2545	2546	2547	2548	2549	2550	2551	2552	2553	2554	2555	2556	2557	2558	2559	2560	2561	2562	2563	2564	2565	2566	2567	2568	2569	2570	2571	2572	2573	2574	2575	2576	2577	2578	2579	2580	2581	2582	2583	2584	2585	2586	2587	2588	2589	2590	2591	2592	2593	2594	2595	2596	2597	2598	2599	2600	2601	2602	2603	2604	2605	2606	2607	2608	2609	2610	2611	2612	2613	2614	2615	2616	2617	2618	2619	2620	2621	2622	2623	2624	2625	2626	2627	2628	2629	2630	2631	2632	2633	2634	2635	2636	2637	2638	2639	2640	2641	2642	2643	2644	2645	2646	2647	2648	2649	2650	2651	2652	2653	2654	2655	2656	2657	2658	2659	2660	2661	2662	2663	2664	2665	2666	2667	2668	2669	2670	2671	2672	2673	2674	2675	2676	2677	2678	2679	2680	2681	2682	2683	2684	2685	2686	2687	2688	2689	2690	2691	2692	2693	2694	2695	2696	2697	2698	2699	2700	2701	2702	2703	2704	2705	2706	2707	2708	2709	2710	2711	2712	2713	2714	2715	2716	2717	2718	2719	2720	2721	2722	2723	2724	2725	2726	2727	2728	2729	2730	2731	2732	2733	2734	2735	2736	2737	2738	2739	2740	2741	2742	2743	2744	2745	2746	2747	2748	2749	2750	2751	2752	2753	2754	2755	2756	2757	2758	2759	2760	2761	2762	2763	2764	2765	2766	2767	2768	2769	2770	2771	2772	2773	2774	2775	2776	2777	2778	2779	2780	2781	2782	2783	2784	2785	2786	2787	2788	2789	2790	2791	2792	2793	2794	2795	2796	2797	2798	2799	2800	2801	2802	2803	2804	2805	2806	2807	2808	2809	2810	2811	2812	2813	2814	2815	2816	2817	2818	2819	2820	2821	2822	2823	2824	2825	2826	2827	2828	2829	2830	2831	2832	2833	2834	2835	2836	2837	2838	2839	2840	2841	2842	2843	2844	2845	2846	2847	2848	2849	2850	2851	2852	2853	2854	2855	2856	2857	2858	2859	2860	2861	2862	2863	2864	2865	2866	2867	2868	2869	2870	2871	2872	2873	2874	2875	2876	2877	2878	2879	2880	2881	2882	2883	2884	2885	2886	2887	2888	2889	2890	2891	2892	2893	2894	2895	2896	2897	2898	2899	2900	2901	2902	2903	2904	2905	2906	2907	2908	2909	2910	2911	2912	2913	2914	2915	2916	2917	2918	2919	2920	2921	2922	2923	2924	2925	2926	2927	2928	2929	2930	2931	2932	2933	2934	2935	2936	2937	2938	2939	2940	2941	2942	2943	2944	2945	2946	2947	2948	2949	2950	2951	2952	2953	2954	2955	2956	2957	2958	2959	2960	2961	2962	2963	2964	2965	2966	2967	2968	2969	2970	2971	2972	2973	2974	2975	2976	2977	2978	2979	2980	2981	2982	2983	2984	2985	2986	2987	2988	2989	2990	2991	2992	2993	2994	2995	2996	2997	2998	2999	3000	3001	3002	3003	3004	3005	3006	3007	3008	3009	3010	3011	3012	3013	3014	3015	3016	3017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Forecast																
Forecast/Planning Results																
Units																
201020112012201320142015201620172018201920202021202220232024																
10. ENERGY REQUIREMENT																
10a. Electricity Consumption (On-grid)																
Direct Sales To Customers																
Residential	MWh	9,535,342	9,340,088	9,774,589	10,231,421	10,360,482	10,637,717	10,896,033	11,172,197	11,440,582	11,714,937	12,043,013	12,360,319	12,687,928	13,026,167	13,375,400
Commercial	MWh	11,682,531	11,886,362	12,601,798	13,147,743	13,645,610	14,233,670	14,900,218	15,485,357	16,138,719	16,821,259	17,566,372	18,347,600	19,175,598	20,053,283	20,984,186
Industrial	MWh	8,616,118	8,947,369	9,864,361	10,196,554	10,513,134	10,916,182	11,316,163	11,717,305	12,152,956	12,612,958	13,133,853	13,673,034	14,250,995	14,869,851	15,531,435
Others	MWh	142,173	140,111	130,363	128,312	130,211	131,228	132,759	134,249	135,948	137,848	140,097	142,492	145,094	147,908	150,943
Public Bldgs	MWh															
Street Lights	MWh	142,173	140,111	130,363	128,312	130,211	131,228	132,759	134,249	135,948	137,848	140,097	142,492	145,094	147,908	150,943
Company Use: Company/Office/ Housing	MWh															
Company Use: Utility's Station use	MWh															
Others (Direct sale or Large Load)	MWh															
On-Grid: Direct Sales to Customers	MWh	29,976,164	30,313,930	32,471,112	33,704,030	34,649,437	35,938,797	37,245,194	38,509,108	39,868,205	41,287,002	42,883,337	44,523,445	46,259,614	48,097,210	50,041,964
10b. Electricity Consumption (Off-Grid)																
Direct Sales To Customers																
Residential	MWh															
Commercial	MWh															
Industrial	MWh															
Others	MWh															
Public Bldgs	MWh															
Street Lights	MWh															
Company Use: Company/Office/ Housing	MWh															
Company Use: Utility's Station use	MWh															
Others (Direct sale or Large Load)	MWh															
Off-grid: Direct Sales to Customers	MWh															
10c. Electricity Consumption (Franchise)																
Direct Sales To Customers																
Residential	MWh	9,535,342	9,340,088	9,774,589	10,231,421	10,360,482	10,637,717	10,896,033	11,172,197	11,440,582	11,714,937	12,043,013	12,360,319	12,687,928	13,026,167	13,375,400
Commercial	MWh	11,682,531	11,886,362	12,601,798	13,147,743	13,645,610	14,233,670	14,900,218	15,485,357	16,138,719	16,821,259	17,566,372	18,347,600	19,175,598	20,053,283	20,984,186
Industrial	MWh	8,616,118	8,947,369	9,864,361	10,196,554	10,513,134	10,916,182	11,316,163	11,717,305	12,152,956	12,612,958	13,133,853	13,673,034	14,250,995	14,869,851	15,531,435
Others	MWh	142,173	140,111	130,363	128,312	130,211	131,228	132,759	134,249	135,948	137,848	140,097	142,492	145,094	147,908	150,943
Public Bldgs	MWh															
Street Lights	MWh	142,173	140,111	130,363	128,312	130,211	131,228	132,759	134,249	135,948	137,848	140,097	142,492	145,094	147,908	150,943
Company Use: Company/Office/ Housing	MWh															
Company Use: Utility's Station use	MWh															
Others (Direct sale or Large Load)	MWh															
Total: Direct Sales to Customers	MWh	29,976,164	30,313,930	32,471,112	33,704,030	34,649,437	35,938,797	37,245,194	38,509,108	39,868,205	41,287,002	42,883,337	44,523,445	46,259,614	48,097,210	50,041,964
10d. Utility's Energy Consumption																
Company/Office/Housing																
On-grid	MWh															
Off-grid	MWh															
Pumped Storage Requirement	MWh															
On-grid	MWh															
Off-grid	MWh															
Utility's Station use: Distribution	MWh															
On-grid	MWh	74,517	66,078	57,532	57,661	58,696	62,258	64,522	66,711	69,062	71,523	74,289	77,130	80,138	83,321	86,690
Off-grid	MWh															
Utility's System Losses	MWh															
On-grid	MWh	2,575,935	2,410,042	2,463,681	2,508,944	2,407,812	2,502,747	2,593,724	2,681,741	2,776,338	2,875,192	2,986,359	3,100,575	3,221,480	3,349,449	3,484,180
Off-grid	MWh															
Subtotal: Utility's Energy Consumption	MWh															

Forecast/Planning Results											
	Units	Year									
		2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
10c. Total Electricity Purchased or Generated Supplied by Utility Owned Generator											
On-grid	MWh										
Off-grid	MWh										
Electricity Purchased	MWh	32,626,635	32,790,030	34,992,326	36,270,635	37,113,945	38,503,803	39,903,439	41,257,561	42,713,638	44,233,717
On-grid	MWh	32,626,635	32,790,030	34,992,326	36,270,635	37,113,945	38,503,803	39,903,439	41,257,561	42,713,638	44,233,717
Off-grid	MWh										
Local Private Supply	MWh										
On-grid	MWh										
Off-grid	MWh										
TOTAL Electricity Purchased or Generated	MWh	32,626,635	32,790,030	34,992,326	36,270,635	37,113,945	38,503,803	39,903,439	41,257,561	42,713,638	44,233,717
Note: (1) plus (2) must equal to (3)											
Total	MWh	0.00%	0	0	0	0	0	0	0	0	0
Total	%	7.90%	7.35%	7.04%	6.92%	6.49%	6.50%	6.50%	6.50%	6.50%	6.50%
10f. Percent System Loss											

11. PEAK DEMAND REQUIREMENT											
11a. Peak Demand (On-Grid)											
Customers Demand Requirement	kW										
Residential	kW										
Commercial	kW										
Industrial	kW										
Others	kW										
Public Bldgs	kW										
Street Lights	kW										
Company Use: Company/Office/ Housing	kW										
Company Use: Utility's Station use	kW										
Others (Direct sale or Large Load)	kW										
On-Grid: Demand Requirement	kW										

11b. Peak Demand (Off-Grid)											
Customers Demand Requirement	kW										
Residential	kW										
Industrial	kW										
Commercial	kW										
Others	kW										
Public Bldgs	kW										
Street Lights	kW										
Company Use: Company/Office/ Housing	kW										
Company Use: Utility's Station use	kW										
Others (Direct sale or Large Load)	kW										
Off-Grid: Demand Requirement	kW										

11c. Peak Demand (Franchise)											
Customers Demand Requirement	kW										
Residential	kW										
Commercial	kW										
Industrial	kW										

Forecast/Planning Results											
Others	Public Bldgs	Street Lights	Company Use	Company/Office/Housing	Company Use: Utility's Station use	Others (Direct sale or Large Load)	Total: Customers Demand Requirement	Units	2006		
									2006	2007	2008
									2009	2010	2011
									2012	2013	2014
									2015	2016	2017
									2018	2019	2020
									2021	2022	2023
									2024	2025	2026
									2027	2028	2029
									2030	2031	2032
									2033	2034	2035
									2036	2037	2038
									2039	2040	2041
									2042	2043	2044
									2045	2046	2047
									2048	2049	2050
									2051	2052	2053
									2054	2055	2056
									2057	2058	2059
									2060	2061	2062
									2063	2064	2065
									2066	2067	2068
									2069	2070	2071
									2072	2073	2074
									2075	2076	2077
									2078	2079	2080
									2081	2082	2083
									2084	2085	2086
									2087	2088	2089
									2090	2091	2092
									2093	2094	2095
									2096	2097	2098
									2099	2100	2101
									2102	2103	2104
									2105	2106	2107
									2108	2109	2110
									2111	2112	2113
									2114	2115	2116
									2117	2118	2119
									2120	2121	2122
									2123	2124	2125
									2126	2127	2128
									2129	2130	2131
									2132	2133	2134
									2135	2136	2137
									2138	2139	2140
									2141	2142	2143
									2144	2145	2146
									2147	2148	2149
									2150	2151	2152
									2153	2154	2155
									2156	2157	2158
									2159	2160	2161
									2162	2163	2164
									2165	2166	2167
									2168	2169	2170
									2171	2172	2173
									2174	2175	2176
									2177	2178	2179
									2180	2181	2182
									2183	2184	2185
									2186	2187	2188
									2189	2190	2191
									2192	2193	2194
									2195	2196	2197
									2198	2199	2200
									2201	2202	2203
									2204	2205	2206
									2207	2208	2209
									2210	2211	2212
									2213	2214	2215
									2216	2217	2218
									2219	2220	2221
									2222	2223	2224
									2225	2226	2227
									2228	2229	2230
									2231	2232	2233
									2234	2235	2236
									2237	2238	2239
									2240	2241	2242
									2243	2244	2245
									2246	2247	2248
									2249	2250	2251
									2252	2253	2254
									2255	2256	2257
									2258	2259	2260
									2261	2262	2263
									2264	2265	2266
									2267	2268	2269
									2270	2271	2272
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									2297	2298	2299
									2300	2301	2302
									2303	2304	2305
									2306	2307	2308
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									2468	2469	2470
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									2474	2475	2476
									2477	2478	2479
									2480	2481	2482
									2483	2484	2485
									2486	2487	2488
									2489	2490	2491
									2492	2493	2494
									2495	2496	2497
									2498	2499	2500
									2501	2502	2503
									2504	2505	2506
									2507	2508	2509
									2510	2511	2512
									2513	2514	2515
									2516	2517	2518
									2519	2520	2521
									2522	2523	2524
									2525	2526	2527
									2528	2529	2530
									2531		

13. MONTHLY LOAD DATA

13a. Actual Monthly Load 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		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Utility's Actual Monthly Energy Consumption	MWh	2,707,693	2,898,287	2,761,773	3,180,837	3,371,501	3,444,100,634	3,007,888	3,200,783	3,205,510	3,145,424	3,206,092	2,993,928
Utility's Monthly Contracted Energy from Power Suppliers:	MWh	2,134,988	2,278,820	2,176,367	2,560,039	2,703,078	2,762,802	2,397,062	2,526,838	2,519,054	2,488,636	2,515,553	2,340,700
Quezon Power Philippines Ltd.	MWh	194,059	139,074	273,203	297,624	291,167	280,826.3	248,677	282,015	281,715	280,493	262,996	219,873
First Gas Power, Sta. Rita	MWh	533,336	533,888	417,430	450,480	503,136	539,290	445,618	606,510	562,485	570,671	565,479	569,311
First Gas Power, San Lorenzo	MWh	278,097	297,917	294,838	282,982	315,304	324,092	272,010	291,546	304,901	305,782	250,724	264,994
SEM-CALACA Power Corporation	MWh	94,677	83,792	59,845	142,226	193,874	200,880	166,884	194,919	184,383	179,845	185,642	176,005
AES Corp. (Masinloc Power Partners Co., Ltd.)	MWh	120,109	183,968	171,680	200,371	194,400	200,766	194,400	176,267	177,359	175,425	167,481	152,993
Therma Luzon Inc.-Pagbilao Plant	MWh	158,787	161,845	161,343	180,092	151,812	84,546,809	11,033	163,878	174,720	173,837	176,063	155,397
San Miguel Energy Corp.-Sual Plant	MWh	194,966	190,812	210,668	223,214	214,836	188,877	211,748	176,767	203,548	7,522	184,023	168,994
South Premiere Power Corp.-Ilijan Plant	MWh	548,551	582,139	482,761	618,352	659,119	660,123.21	577,934	596,174	575,625	643,876	621,834	555,214
Therma Mobile Inc.	MWh	3,943	1,921	25,897	57,610	51,732	56,401,861	70,465	14,147	21,191	15,868	7,387	3,349
Global Business Power Corp. - Panay Plant*	MWh				3,159	7,695	6966	5,751	0	0	0	0	0
Global Business Power Corp. - Toledo Plant*	MWh				4,699	10,770	8076	6,359	0	0	0	0	0
1590 Energy Corp. -Bauang Plant*	MWh					13,625	3,103,1994	34,110	2,623	8,445	9,208	1,400	0
Embedded Generation**	MWh	3,028	2,604	2,322	2,709	2,561	3,179,832	2,236	2,224	2,041	1,792	1,891	1,843
Wholesale Electricity Spot Market	MWh	25,436	100,860	76,360	96,522	93,046	177,745,281	149,837	19,768	22,642	124,318	90,633	72,728
Utility's Actual Monthly Energy Withdrawn from Power Suppliers:	MWh	2,134,988	2,278,820	2,176,367	2,560,039	2,703,078	2,762,802	2,397,062	2,526,838	2,519,054	2,488,636	2,515,553	2,340,700
Quezon Power Philippines Ltd.	MWh	194,059	139,074	273,203	297,624	291,167	280,826.3	248,677	282,015	281,715	280,493	262,996	219,873
First Gas Power, Sta. Rita	MWh	533,336	533,888	417,430	450,480	503,136	539,290	445,618	606,510	562,485	570,671	565,479	569,311
First Gas Power, San Lorenzo	MWh	278,097	297,917	294,838	282,982	315,304	324,092	272,010	291,546	304,901	305,782	250,724	264,994
SEM-CALACA Power Corporation	MWh	94,677	83,792	59,845	142,226	193,874	200,880	166,884	194,919	184,383	179,845	185,642	176,005
AES Corp. (Masinloc Power Partners Co., Ltd.)	MWh	120,109	183,968	171,680	200,371	194,400	200,766	194,400	176,267	177,359	175,425	167,481	152,993
Therma Luzon Inc.-Pagbilao Plant	MWh	138,787	161,845	161,343	180,092	151,812	84,546,809	11,033	163,878	174,720	173,837	176,063	155,397
San Miguel Energy Corp.-Sual Plant	MWh	194,966	190,812	210,668	223,214	214,836	188,877	211,748	176,767	203,548	7,522	184,023	168,994
South Premiere Power Corp.-Ilijan Plant	MWh	548,551	582,139	482,761	618,352	659,119	660,123.21	577,934	596,174	575,625	643,876	621,834	555,214
Therma Mobile Inc.	MWh	3,943	1,921	25,897	57,610	51,732	56,401,861	70,465	14,147	21,191	15,868	7,387	3,349
Global Business Power Corp. - Panay Plant*	MWh				3,159	7,695	6966	5,751	0	0	0	0	0
Global Business Power Corp. - Toledo Plant*	MWh				4,699	10,770	8076	6,359	0	0	0	0	0
1590 Energy Corp. -Bauang Plant*	MWh					13,625	3,103,1994	34,110	2,623	8,445	9,208	1,400	0
Embedded Generation**	MWh	3,028	2,604	2,322	2,709	2,561	3,179,832	2,236	2,224	2,041	1,792	1,891	1,843
Wholesale Electricity Spot Market	MWh	25,436	100,860	76,360	96,522	93,046	177,745,281	149,837	19,768	22,642	124,318	90,633	72,728
Variance (Excess/Deficit)	MWh												
Utility Load Factor	%												

13b. Projected Monthly Load Data											
2015											
Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov
Utility's Projected Monthly Coincident Peak Demand	5,248,800	5,297,400	5,356,747	6,216,293	6,337,442	6,264,733,915	6,172,728	6,077,101	6,120,812	6,068,671	6,026,269
Utility's Monthly Contracted Demand	4,600,000	4,600,000	4,600,000	4,600,000	4,600,000	4,600,000	4,600,000	4,600,000	4,600,000	4,600,000	4,600,000
from Power Suppliers:											
Quezon Power Philippines Ltd.	460,000	460,000	460,000	460,000	460,000	460,000	460,000	460,000	460,000	460,000	460,000
First Gas Power, Sta. Rita	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
First Gas Power, San Lorenzo	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000
SEM-CALACA Power Corporation	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000
AES Corp. (Masinloc Power Partners Co., Ltd.)	230,000	230,000	230,000	230,000	230,000	230,000	230,000	230,000	230,000	230,000	230,000
Therma Luzon Inc.-Pagbilao Plant	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000
San Miguel Energy Corp.-Sual Plant	330,000	330,000	330,000	330,000	330,000	330,000	330,000	330,000	330,000	330,000	330,000
South Premiere Power Corp.-Ilijan Plant	1,065,000	1,065,000	1,065,000	1,065,000	1,065,000	1,065,000	1,065,000	1,065,000	1,065,000	1,065,000	1,065,000
Therma Mobile Inc.	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000
1590 Energy Corp. -Bauang Plant*	140,000	140,000	140,000	140,000	140,000	140,000	140,000	140,000	140,000	140,000	140,000
Embedded Generation**	14,890	6,562	6,562	6,562	6,562	6,562	6,562	6,562	6,562	6,562	6,562
Utility's Projected Monthly Energy Consumption	2,715,852	3,001,937	2,849,564	3,271,986	3,391,732	3,432,832	3,328,043	3,364,399	3,339,556	3,284,927	3,202,651
Utility's Monthly Contracted Energy from	2,105,186	2,262,854	2,170,343	2,537,992	2,665,985	2,666,401	2,566,512	2,572,634	2,536,128	2,495,144	2,375,232
Power Suppliers:											
Quezon Power Philippines Ltd.	161,632	0	231,231	264,307	266,635	289,059,623	264,654	263,551	259,989	270,352	252,076
First Gas Power, Sta. Rita	543,235	633,867	518,941	644,162	603,818	628,679,7531	561,270	588,159	617,280	577,418	599,449
First Gas Power, San Lorenzo	289,295	298,067	262,184	328,709	317,352	311,994,7953	311,721	293,327	319,896	267,240	316,983
SEM-CALACA Power Corporation	136,477	184,764	154,909	161,495	158,933	165,127,5	160,138	152,901	82,493	133,496	132,949
AES Corp. (Masinloc Power Partners Co., Ltd.)	129,987	163,188	143,055	157,637	161,631	166,725,5364	160,231	160,849	164,751	160,842	150,866
Therma Luzon Inc.-Pagbilao Plant	147,472	144,645	152,582	169,186	170,478	231,388,88475	151,142	165,960	170,805	168,613	153,618
San Miguel Energy Corp.-Sual Plant	172,494	203,675	185,321	214,941	215,632	234,731,2942	213,735	210,297	205,391	118,036	89,616
South Premiere Power Corp.-Ilijan Plant	423,862	533,667	417,159	374,669	608,597	663,519,7363	609,144	608,831	611,016	618,198	595,056
Therma Mobile Inc.	13,704	23,841	21,000	30,124	38,585	41,887,87676	13,528	25,068	29,198	29,520	25,170
1590 Energy Corp. -Bauang Plant*	3,772	18,012	19,940	35,613	28,704	35,226,31627	28,014				
Embedded Generation**	1,971				95,619	106,348,8439	92,936	103,691	75,309	151,428	59,449
Wholesale Electricity Spot Market	81,298	59,128	64,023	157,149	171,936	172,478	172,478	74,416	73,336	72,756	71,436
Utility Load Factor	69.55%	76.17%	71.50%	70.73%	71.93%	73.85%	72.47%	74.16%	73.33%	72.75%	71.43%

* Interim Power Supply Agreement

** Embedded Generation consists of supply from Montalban Methane, Bacavalley, Pangea and Philipdeco. (Montalban Methane terminated on Jan 26, 2015)

Note: NSI used for System Loss computation includes energy purchased by customers directly from suppliers.

Supply Extension Plan									
14a. Utility-Owned Power generating Facilities									
Name	Status	Year	2010	2011	2012	2013	2014	2015	2016
Fuel Requirement (liters, tons, etc.)									
Installed Capacity									
Net Dependable Capacity									
Net Production									
Sub Total (Utility-Owned RE-based Generating Facility only)									
Installed Capacity									
Net Dependable Capacity									
Net Production									
Total (Utility-Owned Power Generating Facilities)									
Installed Capacity									
Net Dependable Capacity									
Net Production									
14b. Supply from NPC:									
NPC-CCP									
Name of Plant									
Contracted Demand									
Load Factor									
Contracted Energy									
NPC-Ezozone									
Name of Plant									
Contracted Demand									
Load Factor									
Contracted Energy									
NPC-Sunpower									
Name of Plant									
Contracted Demand									
Load Factor									
Contracted Energy									
NPC-CCP (RE-based)									
Name of Plant									
Contracted Demand									
Load Factor									
Contracted Energy									
NPC-Ezozone (RE-based)									
Name of Plant									
Contracted Demand									
Load Factor									
Contracted Energy									
Total (NPC):									
Contracted Demand									
Load Factor									
Contracted Energy									

Supply Expansion Plan:									
14c. Supply from NPC's Transition Supply Contract									
NPC - TSC									
Name of Plant	KW	2,421,677	2,351,203	1,851,065	253,400				
Contracted Capacity	%	17%	41%	61%					
Load Factor	MW	7,812,990	8,138,733	10,104,664	887,039				
Contracted Energy									
NPC - TSC (RP-based)									
Name of Plant	KW	173,321	247,021	11,915					
Contracted Demand	%	17%	41%	61%					
Load Factor	MW	535,710	897,149	77,573					
Contracted Energy									
Total (NPC TSC):	KW	2,595,000	2,598,224	1,863,000	253,400				
Contracted Demand	%	17%	41%	61%					
Load Factor	MW	7,812,990	8,138,733	10,104,664	887,039				
Contracted Energy									
Quezon Power Philippines Ltd									
Name of Supplier	KW	460,000	460,000	460,000	460,000	460,000	460,000	460,000	460,000
Installed Capacity	%	460,000	460,000	460,000	460,000	460,000	460,000	460,000	460,000
Contracted Demand	MW	1,384,022	1,384,022	1,384,022	1,384,022	1,384,022	1,384,022	1,384,022	1,384,022
Contracted Energy									
First Gas Power Corp. (Sta Rita)									
Name of Supplier	KW	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Installed Capacity	%	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Contracted Demand	MW	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000
Contracted Energy									
FGP Corp. (San Lorenzo)									
Name of Supplier	KW	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000
Installed Capacity	%	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000
Contracted Demand	MW	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000
Contracted Energy									
SEM Calaca Power Corp.									
Name of Supplier	KW	210,000	210,000	210,000	210,000	210,000	210,000	210,000	210,000
Installed Capacity	%	210,000	210,000	210,000	210,000	210,000	210,000	210,000	210,000
Contracted Demand	MW	630,000	630,000	630,000	630,000	630,000	630,000	630,000	630,000
Contracted Energy									
Masinloc Power Partners Co. Ltd									
Name of Supplier	KW	400,000	400,000	400,000	400,000	400,000	400,000	400,000	400,000
Installed Capacity	%	400,000	400,000	400,000	400,000	400,000	400,000	400,000	400,000
Contracted Demand	MW	1,200,000	1,200,000	1,200,000	1,200,000	1,200,000	1,200,000	1,200,000	1,200,000
Contracted Energy									
Thermal Luzon Inc.									
Name of Supplier	KW	735,000	735,000	735,000	735,000	735,000	735,000	735,000	735,000
Installed Capacity	%	735,000	735,000	735,000	735,000	735,000	735,000	735,000	735,000
Contracted Demand	MW	2,100,000	2,100,000	2,100,000	2,100,000	2,100,000	2,100,000	2,100,000	2,100,000
Contracted Energy									
San Miguel Energy Corp.									
Name of Supplier	KW	1,218,000	1,218,000	1,218,000	1,218,000	1,218,000	1,218,000	1,218,000	1,218,000
Installed Capacity	%	1,218,000	1,218,000	1,218,000	1,218,000	1,218,000	1,218,000	1,218,000	1,218,000
Contracted Demand	MW	3,654,000	3,654,000	3,654,000	3,654,000	3,654,000	3,654,000	3,654,000	3,654,000
Contracted Energy									

Generation Supply									
	2011	2012	2013	2014	2015	2016	2017	2018	2019
Supply Expansion Plan:									
Sub Total (Embedded RE-based generating facility)									
Installed Capacity	KW	13,687	14,411	14,881	15,366	15,852	16,337	16,822	17,307
Firm Contract Capacity	KW	13,687	14,411	14,881	15,366	15,852	16,337	16,822	17,307
Energy Supply	MWH	30,503	30,503	30,503	30,503	30,503	30,503	30,503	30,503
Total (All Embedded)									
Installed Capacity	KW	13,687	14,411	14,881	15,366	15,852	16,337	16,822	17,307
Firm Contract Capacity	KW	13,687	14,411	14,881	15,366	15,852	16,337	16,822	17,307
Energy Supply	MWH	30,503	30,503	30,503	30,503	30,503	30,503	30,503	30,503
14i. TOTAL SUPPLY									
Total Supply from RE-Based Generation Facilities only									
Capacity	KW	13,687	14,411	14,881	15,366	15,852	16,337	16,822	17,307
Energy	MWH	30,503	30,503	30,503	30,503	30,503	30,503	30,503	30,503
Total Supply from All Generation Facilities									
Capacity	KW	13,687	14,411	14,881	15,366	15,852	16,337	16,822	17,307
Energy	MWH	30,503	30,503	30,503	30,503	30,503	30,503	30,503	30,503
14g. Supply-Demand Surplus/(Deficit)									
Capacity	KW	13,687	14,411	14,881	15,366	15,852	16,337	16,822	17,307
Capacity Margin	%	100	100	100	100	100	100	100	100
Energy	MWH	30,503	30,503	30,503	30,503	30,503	30,503	30,503	30,503

14h. Owned Production Facilities (See Item 14a.)						
Plant Name	Operator	Plant Type	Year Installed	Fuel Type	Contract Effectivity	Contract Expiration
1.						
2.						
3.						
14i. Supply from other sources (See Item 14d. and 14e.)						
Plant Name	Operator	Plant Type	Year Installed	Fuel Type	Contract Effectivity	Contract Expiration
1. Quizon Power Philippines Ltd				Coal	May 2000	May 2025
2. First Gas Power, Sta. Rita				Natural Gas	October 2002	October 2027
3. First Gas Power, San Lorenzo				Natural Gas	August 2009	August 2027
4. SEM-CALACA Power Corporation				Coal	December 2011	December 2018
5. AES Corp. (Masinloc Power Partners Co., Ltd.)				Coal	December 2012	December 2019
6. Thermo Luzon Inc.-Paghilo Plant				Coal	December 2012	December 2019
7. San Miguel Energy Corp.-Suat Plant				Coal	December 2012	December 2019
8. South Premiere Power Corp.-Ilijan Plant				Natural Gas	December 2012	December 2019
9. Therna Mobile Inc.				Diesel	November 2013	June 25, 2017
10. Global Business Power Corp. - Panay Plant				Bunker Oil	November 14, 2014	July 25, 2015
11. Global Business Power Corp. - Toledo Plant				Bunker Oil	November 14, 2014	July 25, 2015
12. 1590 Energy Corp. -Baining Plant				Diesel	May 12, 2014	July 25, 2015
13. Philipico				Hydro	May 16, 2014	May 16, 2019
14. Montaban Methane*				Biomass	June 2009	September 2016
15. Bacavalley				Biomass	March 16, 2013	March 16, 2018
16. Pangcah				Biomass	March 15, 2013	February 29, 2018

14i. Do you wheel power for other users/producers? (YES/NO)

14k. If yes in Item (above question), please answer the following, else go to Item (next).

Name of Customer

Complete Address of Customer

Capacity to be wheeled

Energy to be wheeled

Contract Term in years

*Note: Contract terminated on January 26, 2015

Supply Expansion Plan:									
Name of Supplier		2016	2017	2018	2019	2020	2021	2022	2023
South Premier Power Corp.									
Installed Capacity	KW	1,278,000	1,278,000	1,278,000	1,278,000	1,278,000	1,278,000	1,278,000	1,278,000
Contracted Capacity	KW	1,180,000	1,080,000	1,065,000	1,065,000	930,000	930,000	930,000	930,000
Contracted Demand	MW	6,889,749	7,121,701.58	6,604,700	5,763,932	6,038,576	4,199,249	3,602,664	
Contracted Energy	MWh								
Therma Mobile Inc.									
Installed Capacity	KW	234,000	242,000.00	242,000	242,000	242,000	242,000	242,000	242,000
Contracted Capacity	KW	100,000	200,000.00	200,000	200,000	200,000	200,000	200,000	200,000
Contracted Demand	MW	54,351	329,911.03	292,137	245,076	176,296			
Contracted Energy	MWh								
Global Business Power Corp. (Pansy)									
Installed Capacity	KW		72,000.00						
Contracted Capacity	KW		22,000.00						
Contracted Demand	MW		23,571.00						
Contracted Energy	MWh								
Global Business Power Corp. (Toledo)									
Installed Capacity	KW		40,000.00						
Contracted Capacity	KW		37,000.00						
Contracted Demand	MW		29,904.00						
Contracted Energy	MWh								
1500 Energy Corp.									
Installed Capacity	KW		235,200.00	235,200					
Contracted Capacity	KW		140,000.00	140,000					
Contracted Demand	MW		100,442.49	169.28					
Contracted Energy	MWh								
Sao Buenaventura Power Ltd.									
Installed Capacity	KW					455,000	455,000	455,000	455,000
Contracted Capacity	KW					455,000	455,000	455,000	455,000
Contracted Demand	MW					3,680,654	3,379,361	3,786,742	3,833,392
Contracted Energy	MWh								3,577,093
Total (RE-based generating facility)									
Installed Capacity	KW								
Contracted Capacity	KW								
Contracted Demand	MW								
Contracted Energy	MWh								
Total (Utility Firm Contract Supply)									
Installed Capacity	KW	1,560,000	1,560,000	1,560,000	1,560,000	1,560,000	1,560,000	1,560,000	1,560,000
Contracted Capacity	KW	1,560,000	1,560,000	1,560,000	1,560,000	1,560,000	1,560,000	1,560,000	1,560,000
Contracted Demand	MW	14,747,912	31,495,496	28,016,033	28,099,225	27,266,171	22,897,814	22,601,472	21,603,536
Contracted Energy	MWh								
* PSA Capacity starting June 26, 2013 (start of initial OARC) net of assigned capacity to Merabio Local RES									
14c. Local Private Supply (Embedded Generation)									
Philippines									
Installed Capacity	KW	1,150	1,150	1,150	1,150	1,150	1,150	1,150	1,150
Contracted Capacity	KW								
Contracted Demand	MW	3,159	3,651	3,087	2,367.00	1,908	1,908	1,908	1,908
Contracted Energy	MWh								
Nonurban Methane									
Installed Capacity	KW	8,190	8,325	8,325	8,325	8,325	8,325	8,325	8,325
Contracted Capacity	KW								
Contracted Demand	MW	13,119	31,844	20,568	14,642	19,148.06			
Contracted Energy	MWh								
Bacoville									
Installed Capacity	KW	4,212	4,212	4,212	4,212	4,212	4,212	4,212	4,212
Contracted Capacity	KW								
Contracted Demand	MW	8,354	6,284	4,389	2,082.28	6,988	6,988	6,988	6,988
Contracted Energy	MWh								
Pangas									
Installed Capacity	KW					1,200	1,200	1,200	1,200
Contracted Capacity	KW								
Contracted Demand	MW					4,032	4,641.72	1,991	
Contracted Energy	MWh								

Supply Expansion Plan				Supply Forecast									
				2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
13a. Utility Owned Power generating Facilities													
Name:													
Status:													
Fuel Requirement (liters, tons, etc.)													
Installed Capacity				KW									
Net Dependable Capacity				KW									
Net Production				MWH									
Sub Total (Utility-Owned RE-based Generating Facility only)													
Installed Capacity				KW									
Net Dependable Capacity				KW									
Net Production				MWH									
Total (Utility Owned Power Generating Facilities)													
Installed Capacity				KW									
Net Dependable Capacity				KW									
Net Production				MWH									
13b. Supply from NPC:													
Name of Plant													
Contracted Demand				KW									
Load Factor				%									
Contracted Energy				MWH									
Total (NPC):													
Contracted Demand				KW									
Load Factor				%									
Contracted Energy				MWH									
13c. Supply from NPC's Transition Supply Contract													
Name of Plant													
Contracted Demand				KW									
Load Factor				%									
Contracted Energy				MWH									
Total (NPC's TSC):													
Contracted Demand				KW									
Load Factor				%									
Contracted Energy				MWH									

Supply Expansion Plan		Supply Forecast									
		2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
13d. Utility Firm Contract Supply from others. (Pls. use additional sheet for other power suppliers.)											
Power Supply Agreement Extensions											
Name of Supplier	KW										
Installed Capacity	KW										
Contracted Demand	MWH										
Contracted Energy											
New Power Supply Agreements											
Name of Supplier	KW										
Installed Capacity	KW										
Contracted Demand	MWH										
Contracted Energy											
Sub Total (RE-based generating facility)											
Installed Capacity	KW										
Contracted Demand	MWH										
Contracted Energy											
Total											
Installed Capacity	KW										
Contracted Demand	MWH										
Contracted Energy											
13e. Local Private Supply (Embedded Generation)											
Name of Supplier											
Installed Capacity	KW										
Capacity Used for Own Load	MWH										
Energy Used for Own Load	KW										
Contracted Demand	MWH										
Contracted Energy (Surplus of embedded Generators)											
Sub Total (Embedded RE-based generating facility)											
Installed Capacity	KW										
Firm Contracted Capacity	MWH										
Energy Supply											
Total (All Embedded)											
Installed Capacity	KW										
Firm Contracted Capacity	MWH										
Energy Supply											

Supply Expansion Plan

Supply Forecast

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
13f. TOTAL SUPPLY										
Total Supply from RE-Based Generation Facilities only										
Capacity										
Energy										
Total Supply from All Generation Facilities										
Capacity										
Energy										
13g. Supply-Demand Surplus/(Deficit)										
Capacity										
Capacity Margin										
Energy										
	KW	(6,277,871)	(6,056,076)	(6,176,859)	(6,414,269)	(5,060,960)	(5,047,457)	(5,200,735)	(5,221,731)	(5,311,445)
	%	-100%	-93%	-92%	-92%	-68%	-65%	-64%	-62%	-61%
	MWH	(38,503,803)	(39,248,540)	(40,438,937)	(40,510,110)	(39,338,403)	(39,679,515)	(35,929,700)	(37,212,743)	(38,665,772)

13h. Owned Production Facilities (See Item 13a.)

Plant Name	Operator	Plant Type	Year Installed	Fuel Type
1.				
2.				
3.				

13i. Supply from other sources (See Item 13d. and 13e)

Plant Name	Operator	Plant Type	Year Installed	Fuel Type
1.				
2.				
3.				

13j. Do you wheel power for other users/producers? (YES/NO)

13k. If yes in Item (above question), please answer the following, else go to Item (next).

Name of Customer	
Complete Address of Customer	
Capacity to be wheeled	KW
Energy to be wheeled	MWH
Contract Terms in years	

Forecast/Planning Results		Forecast														
	Units	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Subtransmission Facilities: (Acquisition and Expansion)		(ANNUAL)														
15a. Subtransmission lines																
Voltage, 230kV	ckt-km	2,700	2,700													
Voltage, 138kV and less than 230kV	ckt-km	717,887	728,955	786,310	791,251	793,040	34,700	60,508	42,600	18,700	47,000	49,400	16,000	21,400	50,900	48,500
Voltage, 115kV and less than 138kV	ckt-km	92,299	92,299	50,846	105,294	106,169	25,200	9,500	2,000	0,300	2,000	0,000	0,000	5,000	0,000	0,000
Voltage, 69kV and less than 115kV	ckt-km	813	824	837	897	899	60	70	45	19	49	49	16	26	51	49
(CUMULATIVE TOTAL)																
15b. Subtransmission lines																
Voltage, 230kV	ckt-km															
Voltage, 138kV and less than 230kV	ckt-km	717,900	723,900	725,300	735,600	755,000	21,810	19,000	14,500	46,600	8,700	34,900	16,300	26,400	28,800	2,500
Voltage, 115kV and less than 138kV	ckt-km	92,300	92,800	92,900	94,500	96,300	1,800	1,000	1,100	1,400	4,800	2,000	2,100	2,300	2,500	16
Voltage, 69kV and less than 115kV	ckt-km	810	817	818	830	851	24	20	16	48	14	37	18	29	31	
(CUMULATIVE TOTAL)																
Distribution Facilities: (Acquisition and Expansion)		(ANNUAL)														
15c. Distribution lines																
Voltage, 34.5kV and less than 69kV	ckt-km	11,144.40	11,576.68	12,079.99	12,255.66	12,507.72	222.40	161.05	203.77	260.50	248.84	252.24	283.48	116.70	92.40	46.30
Voltage, 13.8kV and less than 34.5kV	ckt-km	3,535.01	3,615.27	3,593.47	3,583.65	3,601.79	-20.15	-19.30	-62.00	-101.90	-86.50	-105.60	-168.10	-32.10	8.10	0.00
Voltage, 6.2kV and less than 13.8kV (3 Phase)	ckt-km	544.36	504.72	490.40	438.58	400.43	-45.85	-50.77	-46.99	-52.06	-86.40	-50.24	-29.28	-28.90	0.00	-6.10
(V Phase)	ckt-km															
(1 Phase)	ckt-km	15,224	15,697	16,164	16,278	16,510	156	91	95	107	76	96	86	56	101	40
(CUMULATIVE TOTAL)																
Distribution Facilities: (Replacement and Rehabilitation)		(ANNUAL)														
15d. Distribution lines																
Voltage, 34.5kV and less than 69kV	ckt-km	2,293.00	2,438.22	2,606.24	2,847.95	3,116.17	270.86	607.18	760.73	927.88	1,000.23	713.38	801.88	840.82	856.84	842.63
Voltage, 13.8kV and less than 34.5kV	ckt-km	903.00	926.29	960.50	1,014.43	1,065.52	77.27	173.83	217.53	265.17	285.86	203.93	229.26	240.35	244.91	240.86
Voltage, 6.2kV and less than 13.8kV (3 Phase)	ckt-km	217.00	220.36	234.12	243.40	252.19										
(V Phase)	ckt-km															
(1 Phase)	ckt-km	3,413	3,585	3,801	4,106	4,434	348	781	978	1,193	1,286	917	1,031	1,081	1,102	1,083

Forecast/Planning Results				Units		Historical																		
						2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024				
16a. Substation Capacity, MVA (Additional)						(CUMULATIVE TOTAL)																		
Transformer Capacity, 100 and up				MVA	196.97	200.00	212.12	215.94	215.94	215.94	83.00	300.00	300.00	300.00	83.00	300.00	250.00	83.00	150.00	300.00	300.00			
No. of Units					22	21	22	23	23	23	8	3	3	3	83.00	2	3	2	2	4	2			
Transformer Capacity, 50 and less than 100				MVA	82.68	82.40	82.16	82.20	82.20	82.49	83.00	83.00	83.00	83.00	83.00	83.00	83.00	83.00	83.00	83.00	83.00			
No. of Units					103	108	114	118	120	120	8	4	4	4	4	4	7	6	5	5	6			
Transformer Capacity, 25 and less than 50				MVA	33.33	33.26	33.26	33.19	33.26	33.26	33.00	33.00	33.00	33.00	33.00	33.00	33.00	33.00	33.00	33.00	33.00			
No. of Units					18	18	18	19	19	19	1	1	1	1	1	2	1	1	1	1	1			
Transformer Capacity, 10 and less than 25				MVA	15.38	15.35	15.35	15.47	15.56	15.56														
No. of Units					61	56	56	50	51	51														
Transformer Capacity, less than 10				MVA	5.29	5.29	4.99	3.99	3.99	3.99														
No. of Units					17	17	14	10	10	10														
Total Capacity				MVA	14,478	14,647	15,561	16,110	16,331	16,331	664	1,265	1,265	1,265	365	998	1,331	498	748	1,648	1,648			
16b. Substation Capacity, MVA (Uprating)				(CUMULATIVE TOTAL)																				
Transformer Capacity, 100 and up				MVA																				
No. of Units																								
Transformer Capacity, 50 and less than 100				MVA	66.67	83.33	83.33	83.33	83.33	50.00						83.00								
No. of Units					2	1	1	1	1	1						1								
Transformer Capacity, 25 and less than 50				MVA								33.00								33.00				
No. of Units												1							1					
Transformer Capacity, 10 and less than 25				MVA						20.00														
No. of Units									1															
Transformer Capacity, less than 10				MVA																				
No. of Units																								
Total Uprating				MVA	133	83	115	103	50	33	0	33	0	0	0	83	0	0	0	33	0			
16c. Substation Capacity, MVA (Retirement/Stanby)				(CUMULATIVE TOTAL)																				
Transformer Capacity, 100 and up				MVA	133.33	133.33	133.33	150.00																
No. of Units					1	1	1	1																
Transformer Capacity, 50 and less than 100				MVA		83.33	83.33	83.33	83.33															
No. of Units					2	2	3	3	1															
Transformer Capacity, 25 and less than 50				MVA	32.00	33.33	33.33		32.00							33.00	33.00							
No. of Units					1	1	1	1	1						1	1								
Transformer Capacity, 10 and less than 25				MVA	12.50	15.80		14.31			15.63	12.50	16.50		12.50	12.50	16.17	15.80	16.25					
No. of Units					2	5	5	6			8	1	6		2	2	9	5	8					
Transformer Capacity, less than 10				MVA	0.83			6.46		0.83							5.00	7.00						
No. of Units					3		3	4		1						1	2							
Total Retirement				MVA	39	125	125	125	125	125	125	125	125	125	125	125	125	125	125	125	125			

[illegible]

Forecast/Planning Results	Units	Historical											Forecast			
		2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
		(CUMULATIVE TOTAL)											(ANNUAL)			
18. Capital Expenditures:																
18a. Network Projects																
Subtransmission (Acquisition/Expansion)	Peso						692.61	1,670.23	700.94	795.30	1,495.91	617.67	624.67	515.22	515.22	1,042.55
Local (in Million)	Peso						692.61	1,670.23	700.94	795.30	1,495.91	617.67	624.67	515.22	515.22	1,042.55
Foreign (in Million)	Peso															
Subtransmission (Rehabilitation/Upgrading)	Peso						74.67	234.01	102.87	508.29	37.43	487.73	85.42	313.60	341.37	79.62
Local (in Million)	Peso						74.67	234.01	102.87	508.29	37.43	487.73	85.42	313.60	341.37	79.62
Foreign (in Million)	Peso															
Distribution (Expansion)	Peso						4,239.27	4,898.10	4,723.65	4,372.28	4,391.20	4,097.77	4,158.61	3,999.71	3,838.21	3,828.04
Local (in Million)	Peso						4,239.27	4,898.10	4,723.65	4,372.28	4,391.20	4,097.77	4,158.61	3,999.71	3,838.21	3,828.04
Foreign (in Million)	Peso															
Distribution (Rehabilitation/Upgrading)	Peso						2,794.99	6,449.22	4,849.07	5,230.87	5,537.49	4,313.31	4,673.14	4,838.61	4,850.98	4,811.30
Local (in Million)	Peso						2,794.99	6,449.22	4,849.07	5,230.87	5,537.49	4,313.31	4,673.14	4,838.61	4,850.98	4,811.30
Foreign (in Million)	Peso															
Substation (Additional)	Peso						3,222.88	2,909.54	2,889.07	1,480.52	2,221.81	4,297.37	2,082.58	2,224.39	4,575.67	2,410.53
Local (in Million)	Peso						3,222.88	2,909.54	2,889.07	1,480.52	2,221.81	4,297.37	2,082.58	2,224.39	4,575.67	2,410.53
Foreign (in Million)	Peso															
Substation (Upgrading)	Peso						191.52	191.52	77.41	77.41	248.99				64.23	
Local (in Million)	Peso						191.52	191.52	77.41	77.41	248.99				64.23	
Foreign (in Million)	Peso															
Substation (Retirement/Stanby)	Peso						46.44	46.44	46.44							
Local (in Million)	Peso						46.44	46.44	46.44							
Foreign (in Million)	Peso															
Electrification	Peso															
Local (in Million)	Peso															
Foreign (in Million)	Peso															
Other Network Assets	Peso						1,566.45	2,839.31	2,650.40	1,748.81	2,211.43	1,799.00	1,634.57	1,476.91	1,572.28	1,769.78
Local (in Million)	Peso						1,566.45	2,839.31	2,650.40	1,748.81	2,211.43	1,799.00	1,634.57	1,476.91	1,572.28	1,769.78
Foreign (in Million)	Peso															
18b. Non-network Projects																
Property/Equipment/Others	Peso						2,360.72	4,249.37	3,561.97	3,312.11	4,075.28	4,119.85	3,770.26	4,102.37	4,353.77	3,513.35
Local (in Million)	Peso						2,360.72	4,249.37	3,561.97	3,312.11	4,075.28	4,119.85	3,770.26	4,102.37	4,353.77	3,513.35
Foreign (in Million)	Peso															
Grand Total: (18a+18b)	Peso						9,263.66	8,078.27	8,352.17	8,316.58	6,791.47	14,951.60	23,487.74	19,477.97	17,470.82	20,111.74
Local (in Million)	Peso						9,263.66	8,078.27	8,352.17	8,316.58	6,791.47	14,951.60	23,487.74	19,477.97	17,470.82	20,111.74
Foreign (in Million)	Peso															

Note: Breakdown of 2014 CAPEX per RDWR Asset Category can be found in Appendix 2.

19. Information on Distribution Impact Study Made

Therma Mobile, Inc. (TMO) - 242 MW Diesel Power Plant - Jan 2012 - Navotas Fish Port Complex, North Harbor, Navotas, Metro Manila
Maibara Geothermal, Inc. (MGI) - 40 MW Steam Turbine - Sep 2012 - Brgy. San Rafael, Sto. Tomas, Batangas
Alternergy Wind One Corporation (AWOC) - 67.5 MW Wind Turbine - Aug 2011 - Sitio Bugarin, Brgy. Halayhayin, Pililla, Rizal
Calamba Aero Power Corporation (CAPC) - 172 MW Diesel Power Plant - July 2011 - Carmelray Industrial Park II (CIP II), Brgy. Punta, Calamba, Laguna
United Pulp and Paper Co., Inc. (UPPC) - 30 MW Combined Heat & Power PP - April 2011 - km 48 Iba Este, Calumpit, Bulacan
JG Sunmit Petrochemical Corporation (JGSPC) - 81.75 MW Diesel Power Plant - May 2013 - Brgy. Simlong, Batangas City, Batangas
Nestlé Cabuyao - 15.34 MW - April 2013 - Brgy. Niugan, Cabuyao, Calamba, Laguna
San Miguel Yamamura Asia Corp. - 8.2 MW - Oct 2012 - km 27 Aguinaldo Highway, Anabu II, Imus, Cavite
Air Liquide Pipeline Utilities Services, Inc. - 13 MW - May 2012 - Calamba Premiere Industrial Park (CPIP), Calamba, Laguna
Pag-Asa Steel Works, Inc. - 22 MW - March 2012 - Sandoval Ave., Nagpayong, Brgy. Pinagbuhatan, Pasig City
Trusty Steel Plant - 55 MW - Feb 2012 - Mountview Industrial Complex, Carmona, Cavite
Midland Steel Corporation - 20.3 MW - Dec 2012 - St. Anthony Subdivision, Brgy. San Juan, Cainta, Rizal
Metrodragon Steel Corporation - 40 MW - Dec 2011 - MGM Industrial Compound, Caloocan City
Solid Cement - 15.9 MW - Jun 2013 - Teresa, Rizal
Eagle Cement (Part 1) - 6.1 MW - Jul 2013 - Brgy. Akle, San Ildefonso, Bulacan
Eagle Cement (Part 2) - 60 MW - Nov 2013 - Brgy. Akle, San Ildefonso, Bulacan
Pilipinas Shell Petroleum Corporation - 44.3 MW Diesel Power Plant - Dec 2013 - Ambulong, Tabangao, Batangas City, Batangas
LNG Batangas Early Power - 120 MW - Feb 2014 - Bgy. Tabangao, Batangas City, Batangas
Altenergy Sembrano Wind Corporation - 72 MW - May 2014 - Bgy. Niogan, Pililla, Rizal
Metrodragon Steel Corporation (MSC) and ANK Steel Corporation - 60 MW - May 2014 - Sitio Gitna, Kaybiga, Caloocan City
LNG Batangas Early Power (Addendum) - 72 MW - Sep 2014 - Bgy. Tabangao, Batangas City, Batangas
Calamba Aero Power Corporation (CAPC) (Re-study) - 144 MW Diesel Power Plant - Oct 2014 - Carmelray Industrial Park II (CIP II), Brgy. Punta, Calamba, Laguna
Millennium Energy, Inc. - 310 MW Diesel Power Plant - Nov 2014 - Navotas Fishport Complex
Solar Philippines Commercial Rooftop Projects, Inc. - 21 MW Solar Power Plant - Nov 2014 - Asia Brewery, Cabuyao, Laguna
Asia Brewery, Inc. - 24 MW Diesel Power Plant - Dec 2014 - Asia Brewery, Cabuyao, Laguna
Daekyung Enertech, Inc. - 125 MW Combined Heat Power Plant - Feb 2015 - San Pascual, Batangas
Montalban Methane Power Corporation - Montalban Methane Recovery and Electricity Generation CDM Project - May 21, 2007 - Rodriguez, Rizal
FR Cement Corporation - Synchronization of Priority Loads
CIP II Power Corporation - 21 MW Diesel Power Plant - June 23, 2009
Bacavalley Energy Inc. - 4 MW San Pedro Landfill Methane Recovery and Electricity Generation Project - April 7, 2010 - Brgy. San Antonio, San Pedro, Laguna
Transnational Renewable Energy Corporation - 200 kW NYK - TDG Maritime Academy Solar Power Plant - October 25, 2011 - Canlubang, Calamba City, Laguna
First Philec Solar Solutions - 2 MW PV Power Plant (PV Depot) - August 1, 2011 - Brgy. Maguyam, Silang, Cavite
Pangea Green Energy - 1 MW Waste-to-Energy Power Plant - January 24, 2012 - Brgy. Payatas, Quezon City
First Philec Solar Solutions - 3 MW PV System in First Philec Solar Corp. - August 1, 2012
Solid Cement Corporation - 34.5 kW Interconnection Parallel Operation of a 6MW Waste Heat Recovery System - January 29, 2014 - Sitio, Tagbak, Brgy. San Jose, Antipolo City Rizal
ATN Philippines Solar Energy Group Inc. (ATN) - 34.5 kW Interconnection 30 MW Solar PV Project - December 26, 2013 - Barangay Macabud, Rodriguez, Rizal
Solar Philippines Commercial Rooftop Projects, Inc. - 700.47 kW Central Mall Bifan (Load Displacement) Solar Generator Project - July 1, 2014 - Malvar St., Corner National Highway, Bifan City, Laguna
Solar Philippines Commercial Rooftop Projects, Inc. - 1.22 MW SM North EDSA Solar Project - July 14, 2014 - SM City North EDSA, Quezon City
Solar Philippines Commercial Rooftop Projects, Inc. - 205 kW Solar PV Project (Load Displacement) - October 2014 - Star Avenue, Laguna International Industrial Park, Mamplasan, Bifan City, Laguna
Royal Cargo Combined Logistics, Inc. - 800 kW SM Dasmariñas Solar Generator Project - December 3, 2014 - SM Dasmariñas, Cavite

Solar Philippines Commercial Rooftop Projects, Inc. - 9,720 kW Asia Brewery Inc. Solar Project - February 5, 2015 - Km 43 National Highway, Brgy. Sala, Cabuyao, Laguna
Solar Philippines Commercial Rooftop Projects, Inc. - 6,080 kW Yazaki-Torres Manufacturing Inc. Solar Project - March 4, 2015 - Brgy. Makiling, Calamba, Laguna
Solar Philippines Commercial Rooftop Projects, Inc. - 2,215 kW SM Mall of Asia Solar Project - March 4, 2015 - March 4, 2015 - SM Mall of Asia, Pasay City
Majayjay Hydropower Company, Inc. - 2,760 kW Majayjay Hydropower Project - March 16, 2015 - Brgy. Ilayang Banga, Majayjay, Laguna

20. Supply Demand Highlights

Total energy sales for 2014 reached 33,649 GWh, 2.8% higher than 2013 levels. The main growth driver was the commercial segment. Consumption growth was hampered by lower average temperature in the first quarter of the year, and the weather disturbances that affected the franchise area, specially typhoon Glenda in July. The said typhoon destroyed distribution and transmission facilities that led to extended period of load dropping. The number of Meralco customers increased by 3.9% in 2014. With regards to forecasted sales, average growth rate from 2015 to 2024 is projected at 3.7%, while customers count is forecasted to increase at an average of 3.0%. The supply outlook for MERALCO during the long-term 2015-2024 is the result of its franchise demand growth rate, load contestability implementation by ERC and expiration of its existing PSAs and PPAs power supply contracts. Reduction in MERALCO's contracted capacities starts at around 2017 when its PSA with TMO expires, followed by the termination of its PSA with SEM-Calaca by end of 2018. The remaining PSAs with AES-Masinloc, SMEC-Sual, SPPC-Ilijan and TLI-Pagbilao will all expire by end of 2019, while its PPAs with FGPC-Sta Rita and QPPL will terminate on 2025 and that with FGP-San Lorenzo on 2027. Note that the said PSAs may be extended up to additional term of 3 years upon mutual agreement by parties, otherwise, the supply requirement of MERALCO is expected to increase starting 2017.

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ANNEX 1: CAPEX PROJECTS

MERALCO

YEAR 2015 - 2024

PROJECT			PROJECT DESCRIPTION		COMPLETION DATE	TOTAL PROJECT COST	TIMELINE									
							2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
PROJECT TYPE	PROJECT CATEGORY	NAME	DESCRIPTION		START DATE	COMPLETION DATE										
Capacity	Substation (Additional)	Expansion of Tuburan 115 kV - 34.5 kV GIS Substation (3rd Bank)	Installation of 1-83 MVA power transformer with associated SCADA and protective equipment as well as appurtenant distribution lines.			2015	257,132,874									
Capacity	Substation (Additional)	Development of Dila 115 kV - 34.5 kV Substation	Installation of 1-83 MVA power transformer with associated SCADA, communication and protective equipment as well as appurtenant subtransmission and distribution lines.			2015	316,910,884									
Capacity	Substation (Additional)	Development of PAGOOR-1 115 kV - 34.5 kV GIS Substation (1st and 2nd bank)	Installation of 2-83 MVA power transformer with associated SCADA, communication and protective equipment as well as appurtenant subtransmission and distribution lines.			2015	1,156,903,717									
Capacity	Substation (Additional)	Expansion of PAGOOR-1 115 kV - 34.5 kV GIS Substation (2nd Bank)	Installation of 1-83 MVA power transformer with associated SCADA and protective equipment as well as appurtenant subtransmission and distribution lines.			2015	253,529,269									
Capacity	Substation (Additional)	Development of Banaue 115 kV - 34.5 kV GIS Substation	Installation of 1-83 MVA power transformer with associated SCADA, communication and protective equipment as well as appurtenant subtransmission and distribution lines.			2015	577,155,420									
Capacity	Substation (Additional)	Installation of 34.5 kV Metal-enclosed Switchgear at Dasmariñas 230 MVA Transformer owned by Meralco	Installation of 34.5 kV metal-enclosed switchgear, 7.2 MVAR capacitor bank with associated SCADA and protective equipment as well as construction of two (2) additional feeders.			2015	68,161,065									
Capacity	Substation (Additional)	Installation of 34.5 kV Metal-enclosed Switchgear at LIP 3rd BSWA Power Transformer	Installation of 34.5 kV metal-enclosed switchgear, 7.2 MVAR capacitor bank with associated SCADA and protective equipment as well as construction of two (2) additional feeders.			2015	48,085,691									
Capacity	Substation (Additional)	Expansion of Masnag 115 kV - 34.5 kV Substation (2nd Bank)	Installation of 1-83 MVA power transformer with associated SCADA and protective equipment as well as appurtenant distribution lines.			2015	214,620,971									
Capacity	Substation (Additional)	Development of Sison Oline 115 kV Switching Station	Installation of 115 kV subtransmission lines with associated SCADA and protective equipment.			2015	154,091,344									
Capacity	Substation (Additional)	Development of Malabang 115 kV - 34.5 kV GIS Substation	Installation of 1-83 MVA power transformer with associated SCADA, communication and protective equipment as well as appurtenant subtransmission and distribution lines.			2016	435,788,536									
Capacity	Substation (Additional)	Installation of 34.5 kV Metal-enclosed Switchgear at NGCP-San Jose BSWA Power Transformer	Installation of 34.5 kV metal-enclosed switchgear, 7.2 MVAR capacitor bank with associated SCADA and protective equipment as well as construction of two (2) additional feeders.			2016	63,122,508									
Capacity	Substation (Additional)	Expansion of Tabang 69 kV - 13.8 kV Substation (2nd Bank)	Installation of 1-33 MVA power transformer with associated SCADA and protective equipment as well as appurtenant distribution lines.			2016	162,082,848									
Capacity	Substation (Additional)	Development of Lucena 115 kV - 34.5 kV Substation	Installation of 1-83 MVA power transformer with associated SCADA, communication and protective equipment as well as appurtenant subtransmission and distribution lines.			2016	476,911,544									
Capacity	Substation (Upgrading)	Upgrading of San Miguel 20 MVA Power Transformer Bank no. 1 to 33 MVA Power Transformer	Installation of 1-33 MVA power transformer with associated SCADA and protective equipment.			2016	58,348,603									

Demand-Side Management Plan

submitted to

Energy Regulatory Board

Philippines

by

MERALCO

PASIG CITY, MANILA

with assistance from

Resource Management International

and

SRC International Pty Ltd

December 1997

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EXECUTIVE SUMMARY

5 (i) 3

Introduction

In December 1996, the Energy Regulatory Board (ERB) approved the Framework for Demand Side Management (DSM) in the Philippines, in compliance with Section III of the Department of Energy (DOE) Circular No: 95-08-007 as amended per ERB Case No: 96-25. Under the framework, each distribution utility was required to submit a DSM Plan within one year from the effective date. This DSM Plan by Manila Electric Company (MERALCO) is in compliance with the requirements of the DSM framework.

MERALCO was one of the four utilities selected, under the USAID funded Philippines Demand Side Management Project, for case study DSM Plans with external assistance. This DSM Plan was prepared by MERALCO with assistance from the consultants appointed for the task, SRC International (SRCI) from Melbourne, Australia as sub-consultants to Resource Management International (RMI).

Utility Overview

MERALCO is the largest electricity distribution company in the Philippines. Its sales account for approximately 60% of national electricity consumption. It has a franchise area covering 9 328 km², including 14 cities and 97 municipalities in Metro Manila, Bulacan, Rizal, and Cavite, parts of Laguna, Quezon, and Batangas, and 14 barangays in Pampanga. This franchise area is responsible for 50% of the national Gross Domestic Product (GDP), 30% coming solely from Metro Manila. It has approximately 8 000 employees spread throughout its 35 branches and operating centers.

At present, MERALCO has just over 3 million customers, growing at a compounded annual rate of 6%. The residential sector is by far the largest accounting for 90.5% in 1996. The remaining 10% consists of commercial, industrial and street lighting customers. Of MERALCO's total energy sales, industrial customers, even though small in number, account for one-third of total sales. The remaining two thirds are shared almost equally by commercial and residential customers. Electrification level in the franchise area is 92 percent.

In February, 1995, the Energy Regulatory Board (ERB) authorized the National Power Corporation (NPC) to implement a new power rate schedule in the Luzon grid. This Order also directed all NPC utility customers to restructure their rates based on NPC's approved rate schedule. MERALCO's application for rate restructuring was granted a provisional approval in March, 1997. The subsequent effect on its customers' billings were made starting April 1, 1997. The new rate structure now provides an incentive for more efficient electricity

utilization not only on the bulk sale or generation level but as well as on the retail level.

The new rate structure provides incentives for customers to improve load factor. Only those with demand meters, namely, the Industrial and Non-Industrial customers which accounted for more than 60% of total sales felt the impact of the restructuring. A customer with a load factor higher than 36.6% will experience a decline in the average rate while a customer with a load factor lower than 36.6% will be adversely affected with an increase in its rate. Demand-Side Management programs directed to this group of customers will also help cushion the impact of the restructuring.

DSM Objectives

The proposed Omnibus Electric Industry Bill will create fundamental changes in regulation of electric utilities as well as the industry structure itself. Initially, there will be competition in the wholesale market and will eventually move towards retail competition.

In order to face the challenges and new market conditions, MERALCO will focus on the needs of its customers. Our mission is to serve our customers by providing efficient, adequate and reliable electric service at reasonable cost. Improving customer service is considered to be MERALCO's primary objective of Demand Side Management (DSM).

It has established the "account management" approach and taken more aggressive DSM activities with its customers. It is within this environment that DSM can be offered to customers as a package of services aimed at providing solutions to customers' needs.

MERALCO has undertaken a program of continuous system upgrading to improve the quality and reliability of the electricity delivered to the customers. It believes that through efficiencies and productivity gains, lower price of electricity can also be achieved.

Programs and Activities Selected

A total of eight programs and supporting activities were selected for implementation over the first two years of the Plan. Most programs will be undertaken initially on a pilot scale and cover all the customer sectors. The following programs have been selected:

1. Compact Fluorescent Lighting Program — promotion of CFLs through trade allies and offering incentives for repayment in instalments through electricity bills;
2. Green Buildings Program — pilot energy efficiency project in a shopping mall and an office building using an ESCO;
3. Industrial Efficiency Program — sustained value added services through an ESCO to discourage self investment in

4. Industrial Demonstration Program — demonstration of high efficiency motors, variable speed drives and efficient lighting;
5. Power Factor Correction Program — installation of capacitor banks to improve power factor;
6. Load Factor Improvement Program — promotion of cost-effective opportunities for load management and energy efficiency improvement, regardless of the end use; and
7. Streetlight Conversion Program — replacement of Mercury Vapor (MV) lamps with High Pressure Sodium (HPS) vapour lamps.

In addition, the following supporting activity was selected:

8. Load Research — to develop an end-use load shape database for estimating end-use demand and designing and evaluating DSM programs.

Several programs have already been commenced by MERALCO, namely the Green Buildings, Industrial Efficiency and Street Lighting Programs.

Cost Effectiveness

Proposal for Cost Recovery

Implementation

Considering the available resources, of the eight programs that have initially been identified, MERALCO proposes to undertake seven DSM programs in the first year (1998) and the remaining program will commence in the second year (1999). The second year (1999) would also include continuation of some of the programs undertaken in 1998.

The following programs have been scheduled to be implemented in 1998:-

- Compact Fluorescent Lighting Program
- Green Buildings Program
- Industrial Efficiency Program
- Industrial Demonstration Program
- Power Factor Correction Program
- Load Factor Improvement Program
- Streetlight Conversion Program

The Green Buildings and Industrial Efficiency Programs will be

ESCO has been included in the schedule. The programs will be subject to an evaluation at the end of the year and based on the outcomes, a decision to cease, modify or continue the programs will be made.

In addition to programs from 1998 that continue, the following activities are scheduled to be implemented in 1999 :-

- . Load Research
- . Major Program Review

The major program review would include all nine programs and the outcomes will be included in the revised plan to be filed for 2000 onwards.

Monitoring and Evaluation

All programs will be monitored throughout and evaluated upon completion, except in the case of the CFL Program which would be also evaluated midway when any revisions to program delivery would be made. As required by the DSM Framework the programs will also be subject to an annual evaluation.

The outcome of the major program review will be included in the revised plan for 2000 onwards.

1. UTILITY SITUATION / BACKGROUND

1.1 Overview of the Company

History

The Manila Electric Railroad and Light Company, forming the acronym "MERALCO", was established in 1903. That year, the Municipal Board of Manila granted to Charles M. Swift of Detroit a franchise "to operate an electric street railway service and to furnish electric current for light, heat and power in the city and its suburbs for a period of fifty years." The MERALCO tranvia or electric streetcar was inaugurated in 1905.

Although better known in earlier years for its transportation service, MERALCO also established its electric service. It bought the La Electricista in 1904. In 1919, the Manila Electric Railroad and Light Company and its affiliate, the Manila Electric Suburban Railways Company, merged to form the Manila Electric Company. Although the acronym MECO was more accurate, MERALCO was what the Company was called and continues to be called to this day.

When MERALCO became part of the US-based giant Associated Gas and Electric System in 1925, the Company expanded services to municipalities in Rizal and other parts of Luzon mainly by purchasing the franchises and plants of the small provincial electric companies.

The Botocan hydrostation in Majayjay, Laguna was built by MERALCO and added to the generating system in 1930 to meet the growing demand. It was the country's first hydroelectric plant and was probably the largest construction project in the country of its time. The 55-mile long 115 000-volt transmission line linked the new plant with the equally new substation in Sta. Mesa.

MERALCO's electric service area eventually covered, aside from Manila, 94 municipalities in 13 provinces in Luzon: Rizal, Bulacan, Laguna, Cavite, Tayabas, Pangasinan, Tarlac, Nueva Ecija, La Union, Batangas, Camarines Sur, Albay and Sorsogon. Except for the towns in the first five provinces which were linked to the integrated "Manila system" fed by Blasdel and Botocan stations, the provincial areas were served by separate relatively small diesel plants.

In October 1945, just after the war, the 10 000 kW unit at the Caliraya hydroelectric station was in operation and connected to the Manila system. On November 1, 1945, MERALCO resumed operations after the US Army returned all its property. Over the next few years, the

the provincial areas served by isolated diesel generating plants and concentrating on the integrated Manila system. This system over the next few years included 40 cities and municipalities from as far north as Malolos to as far south as Lucena in Quezon province.

In May 1948, the Company sold its 122 buses to Fortunato Halili. This brought to a close four decades of MERALCO's transportation service.

MERALCO's efforts at rebuilding and expanding its electric system made the country's postwar and post-independence industrialization efforts possible. In 1959, MERALCO was supplying all its customers with more than four times as much electric energy as 1949. Residential and commercial customers were consuming about three times as much, but the industrial sector was consuming about 13 times as much.

During the Martial Law regime, Presidential Decree No. 40 declared it an ultimate objective of the state that the government-owned NPC should own and operate a single integrated system of all generating facilities supplying power to the entire area embraced by any grid set up by NPC. Eventually by 1979, MERALCO sold all its generating plants to NAPOCOR, with the exception of Rockwell Station. From then on, MERALCO became mainly a distributor of electricity purchased in bulk from NAPOCOR. A newly established MERALCO Foundation eventually became the sole owner of MERALCO common stock in 1977.

A revival of the MERALCO tranvia took place in 1984 when Manila's elevated Light Rail Transit (LRT) began plying its first route from Caloocan City to Baclaran.

After the EDSA Revolution, control of the company was regained by the Lopezes. Mr. Manuel Lopez, son of Don Eugenio was appointed president of the company and remains in that position up to the present.

MERALCO Today

Today, MERALCO is the largest electricity distribution company in the Philippines. Its sales account for about 60% of national electricity consumption. It has a franchise area covering 9 328 km², including 14 cities and 97 municipalities in Metro Manila, Bulacan, Rizal, and Cavite, parts of Laguna, Quezon, and Batangas, and 14 barangays in Pampanga. This franchise area is responsible for 50% of the national Gross Domestic Product (GDP), 30% coming solely from Metro Manila.

At present, MERALCO has 3 million customers growing at a compounded rate of 6% annually. About 90% of these customers belongs to the residential sector. The remaining 10% consists of commercial and business establishments, industries, and street-light customers. Of MERALCO's total energy sales, industrial customers, even though small in number, account for one-third of the total sales.

remaining two thirds are shared almost equally by commercial and residential customers. Electrification level in the franchise is 92 percent.

In 1996, MERALCO ranked as the second biggest company in the country, next only to the National Power Corporation, in terms of gross revenues. During this year, it was also awarded as the Best Managed Company in the Philippines by the Asiamoney Magazine.

Through strategic alliances and subsidiaries, the Company has diversified into power generation, business reengineering and information technology consultancy, and real estate development. Its core business, however, remains to be electric distribution. It has approximately 8 000 employees spread throughout its 35 branches and operating centers.

1.2 Overview of Operational Issues

Rate Restructuring

In an order dated February 27, 1995, the Energy Regulatory Board authorized the National Power Corporation to implement a new power rate schedule in the Luzon grid. This Order also directed all NPC utility customers to restructure their rates based on NPC's approved rate schedule.

MERALCO's application for rate restructuring followed NPC's restructuring and was granted a provisional approval in March 26, 1997. The subsequent effect on its customers' billings were made starting April 1, 1997.

Prior to the implementation of the new rate structure, NPC's billing to MERALCO was on a straight energy basis which did not provide any signal on the expensive nature of generation capacity nor any incentive for higher capacity utilization. Consequently, MERALCO's Generation Charge, that component of the bill which recovers purchased power cost, was also purely energy charge. Thus, MERALCO's previous generation charge hardly provided any incentive towards economic efficiency through the promotion of high load factor.

With the rate restructuring, MERALCO's bill also shifted to a simpler format consisting of the following components: Basic Charge, Currency Exchange Rate Adjustment and the Purchased Power Adjustment (PPA). The Basic Charge incorporates the Generation and Distribution Charges, the portion of the bill which recovers MERALCO's cost of operating and maintaining its distribution system. The PPA will capture any change in the purchased power cost incorporated in the basic charge.

The impact of MERALCO's rate restructuring differed depending on the customer's load factor. However, customers with no demand meters were not affected by the restructuring. Only those with demand meters, namely, the Industrial and Non-Industrial customers which accounted for more than 60% of total sales felt the impact of the restructuring. A customer with a load factor higher than 36.6% will experience a decline in his average rate while a customer with a load factor lower than 36.6% will be adversely affected with an increase in its rate.

Taking note of the implication of the restructuring on low load factor customers, the restructuring was undertaken in three steps over a period of 18 months, with the full impact to be felt on April 1, 1998. Demand-Side Management programs directed to these group of customers will also help cushion the impact of the restructuring.

The new rate structure now provides an incentive for more efficient capacity utilization not only on the bulk sale or generation level but as well as on the retail level.

1.3 Customer Mix

In 1996, MERALCO had a total of 2 869 532 consumers. The consumers are categorised into six customer segments, namely, Residential, Commercial, Industrial, Government Hospitals & Metered Streetlighting and Flat Streetlighting Service. The Residential segment is by far the largest segment and account for 90.5% of the total consumers. The Commercial category is the second largest accounting for 8.9% of the total consumers, followed by Industrial consumers (0.5%) and Other (0.1%). Shown below in Table 1 is the actual number of connections per customer classification and its corresponding kWh consumption for 1996.

Customer Classification	No. of Connections	% of Total	MWh Consumption	% of Total
Residential Customer	2 596 687	90.5%	5 975 800	33.6%
Commercial Customer	255 640	8.9%	5 805 100	32.6%
Industrial Customer	13 073	0.5%	5 909 200	33.2%
Others	4 132	0.1%	120 400	0.7%
TOTAL	2 869 532		17 810 400	

Table 1 Customer Numbers and Consumption by Customer Class

1.4 Trends

1.4.1 Customers

The number of MERALCO customers has increased steadily over the past ten years at an averaging rate of 6% per year. This reflects successive franchise acquisitions as well as customer growth in the older franchise areas. Residential customers remained the fastest growing customer type, followed by the commercial segment. In 1996, the present situation

from commercial to industrial service was made, thus the 137.8% increase in industrial customers in that year. Figure 1 below shows the trend in customer numbers since 1987.

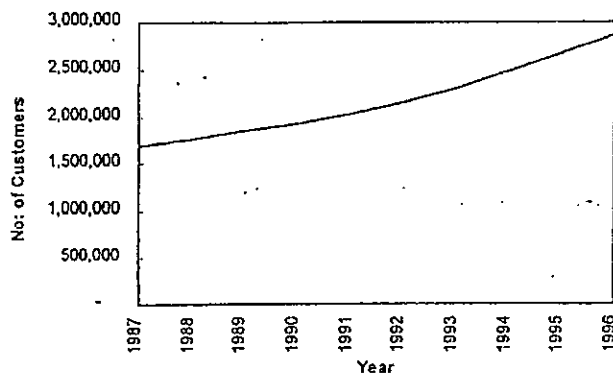


Figure 1 Historical Growth in Customer Numbers

1.4.2 Energy Sales

Energy sales have grown consistently at an average rate of 8.1% per year for the past ten years. However, growth in earlier years was only minimal, and exceptional growth had been registered only during the past three years. In 1994, total sales exhibited a high growth rate of 18.8%, due to recovery from the 1993 power crisis. The trends in historical sales is shown in Figure 2.

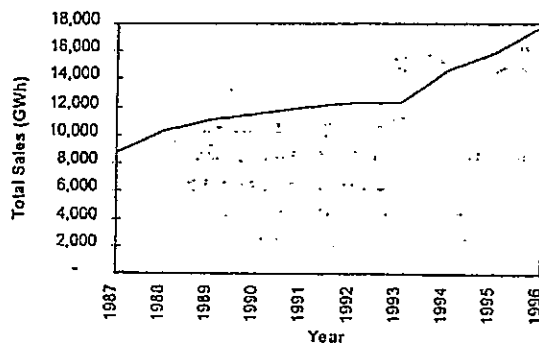


Figure 2 Historical Energy Sales

1.4.3 Peak Load

Peak load grew at an average of 6% every year. However, an exceptional increase of 12.4% was noted in 1994, again, because of the recovery from the power crisis. In 1996, another big increase, this time 10% was noted, reflecting the bullish economy experienced in 1996.

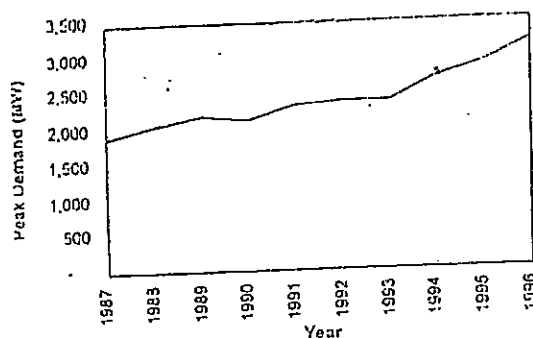


Figure 3 Historical Peak Load

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2. LOAD FORECAST

Number of customers is forecast to increase by 8.3% in 1997, but after this, the customer count will slow down significantly to average about 1.7% per year growth rate. The slump is attributed to the end of the DAEP/REP^a program of the company, which was actually the main source of significant growth rates in customer count in the past years. Consequently, the residential customer class will only grow by around 1.6% after 1997. Commercial customers are projected to show a tapered growth rate averaging 2.6% per year, while industrial customers are expected to increase by 3.9% per year as a result of the intensive campaign to industrial customers. The sales and demand forecasts are based on these customer growth projections.

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2.1 Energy Sales and Demand

Energy sales is forecast to grow at an average of 8.5% every year for the next 15 years. As a consequence of the restructured rates, the industrial customer class is expected to grow faster compared to previous years. Commercial sales is also expected to grow faster at an average of 8.7% per year. In contrast, residential sales will only achieve minimal growth due to the poor incentives accorded by the restructured rates. As a result of these major developments, the share of residential sales to total sales is expected to decline to slightly below 30%, the excess being picked up mostly by industrial sales whose share is expected to increase to close to 40%.

Details of forecast energy sales in each customer class are given in the Appendices (Section S.1) and shown in Figure 4 below

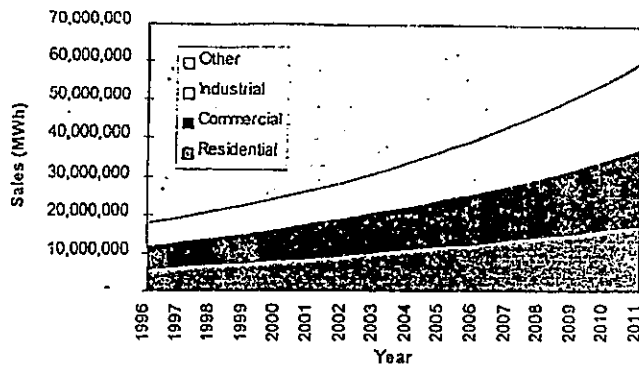


Figure 4 Electricity Sales Forecast (SJW2)

Peak demand is projected to grow by an average of 8.2% per year. Hopefully, with load management efforts, the 10% growth rate in 1997 will slowly taper off to about 8% growth per year. In the year 2011, peak demand is projected to reach 10 554 MW.

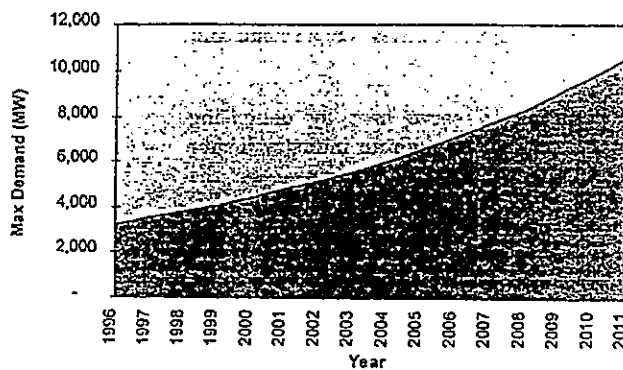


Figure 5 Electricity Demand Forecast

2.2 Overview of Alternative Forecasts_(SJW3)

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This document proposes a set of pilot DSM programs before full-scale implementation, which is consistent with the DSM framework. Future loads which differ from the load forecast will have no effect on the pilot stage of the DSM programs. The main effect of future loads being different from those forecast is in the total magnitude of energy and demand savings available. Provided a DSM program can achieve a high enough level of participation to cover its fixed costs, variation of future loads from those forecast is not likely to be a significant problem. Alternative forecasts have therefore not been considered in this document.

3. OBJECTIVES

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3.1 Corporate Objectives

Company Philosophy

Service With Integrity

Company Vision

MERALCO aims to be a world class electric utility firm by year 2000 and to be among the best, if not the best, in the Asian region.

MERALCO is undergoing a self-initiated complete transformation of business processes, organization, corporate culture, information technology, telecommunications and facilities to be more customer-focused.

For its investors and shareholders, MERALCO will remain a blue-chip company of viable, long term investment. For employees, it will continue to be the best employer where opportunities for personal and professional growth thrive.

For customers, MERALCO is changing to serve best by delighting consumers. For the country, MERALCO will remain an industry leader and a responsible corporate citizen that fuels progress as the Philippines emerges as Asia's newest tiger economy.

Changes in Utility Regulation

The proposed Omnibus Electric Industry Bill pending in both Houses of Congress will create fundamental changes in regulation of electric utilities as well as the industry structure itself. Initially, there will be competition in the wholesale market, meaning competition among various sources of generation. This means distributors will have a choice of where to source their power requirements. The market will eventually move towards retail competition, which basically means that customers will have a choice of which provider they wish to source their power.

The basic directions of tariff regulations will be toward cost-reflective rates which will eliminate cross-subsidies. Charges will be unbundled. Meanwhile, wire charges and other charges for captive customers will continue to be regulated.

Being aware of the challenges and now continuing unfolding in the company's environment, MERALCO is setting itself for competition by focusing on what it considers the most important dimension — the customer.

The focus is evident in the strategies the Company has been taking in all these years. First, is the continuous system upgrading to improve the quality and reliability of the electricity delivered to the customers. It is believed that through efficiencies and productivity gains, lower price of electricity can also be achieved.

The Company has been taking not only a very proactive stance but also a most innovative approach to this emerging market conditions. Aside from the system upgrading, it has established the "account management" approach and taken more aggressive demand-side management activities with its customers. It is within this environment that Demand-Side Management programs can be offered to customers as a package of services aimed at providing solutions to customers' needs. Through these value-added services, MERALCO is moving towards its vision of becoming a electric utility of the future: focused on service rather than the commodity or kWh, solutions-focused and dynamic in the development of new products and services.

Company Mission

Our mission is to serve our customers by providing efficient, adequate and reliable electric service at reasonable cost

Company Objectives

In fulfilment of this mission and guided by the Company philosophy, we shall pursue the following objectives:

1. We shall provide a quality of service within standards acceptable internationally.
2. We shall strive to bring the benefits of electrification to the greatest possible number of people and businesses within our franchise area.
3. We shall strive to seek and adopt a reasonable rate structure that would truly reflect the cost of providing the desired level of electric service.
4. We shall maintain adequate return to ensure our financial viability and standing in the business community.
5. We shall remain steadfast in our commitment to enhance the productivity of our resources.
6. We shall provide our employees with opportunities for professional growth and advancement on the basis of performance, integrity and loyalty to the Company

7. We shall provide our employees with just and reasonable compensation and benefits and attend to their personal well-being.
8. We shall uphold and maintain at all times high standards of business ethics. In our endeavors, we shall be guided primarily by the basic principle that the Company's interests and those of the public are complementary and inseparable.
9. We shall fulfil with dedication and commitment our social responsibilities.
10. We shall undertake, by ourselves and through subsidiaries, activities which support and complement our operations, enhance the use of our resources and contribute to the economic and social development of our country.

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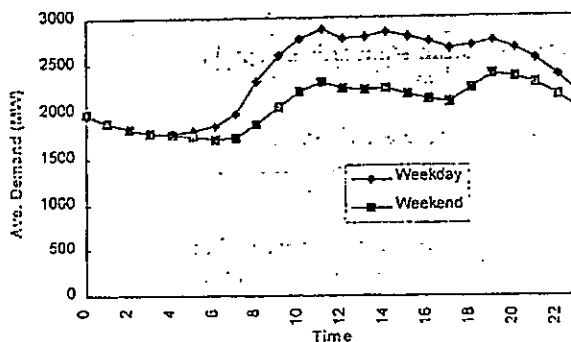
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3.2 DSM Objectives

3.2.1 Load-Shape Related Objectives

Typical system daily load profiles for the year 1996 is shown in Figure 6 below. The profile indicates a base load of around 1 600 MW and a peak period starting around 10 am and extending to around 9 pm.

Figure 6 Typical Daily Load Profiles in 1996



There are several DSM options that address specific load shape objectives. These include:

- peak clipping – the reduction of utility load primarily during periods of peak demand;
- valley-filling – the improvement of system load factor by building load in off peak periods;
- load shifting – the reduction of utility peak demand by shifting peak demand while at the same time increasing off-peak demand.

periods. Load shifting typically does not substantially alter total electricity sales;

- conservation — the reduction of utility loads, more or less equally, during all or most hours of the day;
- load building — the increase of utility loads, more or less equally, during all or most hours of the day; and
- provision of a more flexible utility load shape — programs that set up utility options to alter customer energy consumption on an as-needed basis, as in interruptible / curtailable arrangements.

The DSM load shape objectives that are most appropriate for MERALCO in the short term are peak clipping and strategic conservation. Valley filling, load shifting, and flexible utility load shape may also be applicable to MERALCO as DSM load shape objectives in the medium term.

3.2.2 Non-Load-Shape Related Objectives^[SNV4]

NERALCO's non-load-shape related objectives for DSM are consistent with the general corporate objectives. They include improving customer satisfaction by improving the quality of service to customers and improving the value for money that customers receive from their electricity service. In addition, DSM will help meet the objective of reducing the impact that electricity services have on the environment.

NERALCO's DSM strategies focus on the enhancement of customer service to manifest the Company's concern by providing service beyond the customers' electricity meter. Activities include visits to customers' sites to educate them on basic energy management and energy efficiency. The customer contact is also used to reach out to meet customers' needs and solve their problems. Eventually, DSM can be transformed into the provision of energy services tailored to customers' needs. MERALCO will be able to use Demand-Side Management programs to develop customer loyalty and thereby help the Company retain valuable customers as competition is introduced to the power industry. By showing genuine customer care, the Company is able to foster better relationships and consequently customer loyalty.

As an alternative to supply-side resources, DSM measures promoting energy efficiency have great potential for the reduction of greenhouse gas emissions. By helping customers to be more efficient in their energy use, less power generation is needed, leading to decreased or avoided emissions of carbon dioxide and other environmental externalities. In this way, MERALCO is able to contribute its share to preserving the natural environment and promoting sustainable development.

4. RECOMMENDED DSM OPTIONS, PROGRAMS & PLAN

4.1 Options / Technologies

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The system load profile indicates three peaks - two during daytime (11am and 2pm) caused by industrial / commercial sector activity and an evening peak with the residential sector being the main contributor. The daytime peak could be attributed primarily to the air conditioning load while the evening peak primarily due to lighting.

4.2 Rationale for selection of customer groups targeted

In order to achieve the DSM objectives, programs in all customer segments have to be targeted as their contribution to the system peak are at different periods. At present, there is only about 5% difference between the two peaks with the daytime peak being the greater in the weekdays and the evening peak being greater in the weekends. The large industrial customers appear to be the major contributors to the system base load considering their relatively flat load profile and 24 hour operation. Programs in this sector, primarily in efficient end use technologies, would also make a major contribution towards achieving the DSM objectives.

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4.3 Programs

4.3.1 Overview

The following programs and activities have been selected and included in the Plan:

1. Compact Fluorescent Lighting Program
2. Green Buildings Program
3. Industrial Efficiency Program
4. Industrial Demonstration Program
5. Power Factor Correction Program
6. Load Factor Improvement Program
7. Streetlight Conversion Program
8. Load Research

Overview of Load Shape Objectives

The load shape objective/s of each of the proposed programs are outlined in Table 2. The detailed program descriptions in subsequent sections

Program	Load Shape Objective/s	Comments
Compact Fluorescent Lighting Program	Peak Clipping	The residential lighting end use load shape is highly coincident with the utility system peak, so improving the efficiency of this particular end use tends to reduce the system peak
Green Buildings Program	Peak Clipping & Strategic Conservation	Most commercial end uses are highly coincident with the daytime peak, so improving the efficiency of primarily air conditioning and lighting tends to reduce the system peak
Industrial Efficiency Program	Peak Clipping, Load Shifting & Strategic Conservation	Most Industrial customers operate 2 or 3 shifts and are major contributors to the system base load. Improving the efficiency of end uses primarily motors and drives, and load management will assist in reducing system peak.
Industrial Demonstration Program	Peak Clipping & Strategic Conservation	The end uses demonstrated are motors and lighting which contribute to the system peak
Power Factor Correction Program	Peak Clipping (kVA)	This program reduces apparent power (kVA) therefore reducing transformer capacity requirements and hence network capital costs for the same real power (kW) and therefore level of energy service.
Load Factor Improvement Program	Peak Clipping and Load Shifting	The introduction of more cost-reflective pricing will provide customers with low load factors to improve them. This program will help provide those customers with ways to respond to the price signal by decreasing their peak demand or increasing loads at other times or both.
Streetlight Conversion Program	Strategic Conservation	The street lighting end use load shape is highly coincident with the utility system peak, so improving the efficiency of this particular end use tends to reduce the system peak

Table 2 Customer Segments Targeted by the Programs

Overview of End Use Technologies

The end use technologies promoted by the programs are outlined in Table 3.

Program	End Use	"Base" Technology	"DSM" Technology	Table 3 Customer Segments Targeted by the Programs
Compact Fluorescent Lighting Program	Lighting	incandescent lamp	compact fluorescent lamp	
Green Buildings Program	All considered — site specific	Standard technologies and practices	Energy efficient technologies and improved practices	
Industrial Efficiency Program	All considered — site specific	Standard technologies and practices	Energy efficient technologies and improved practices	
Industrial Demonstration Program	Motors and lighting	Standard motors and Mercury Vapor lamps	High efficiency motors, variable speed drives and HP Sodium lamps	
Power Factor Correction Program	All	Financial penalties for low power factor	Capacitor banks to improve power factor	
Load Factor Improvement Program	All considered — site specific	Standard operation practices	Improved operation practices	
Streetlight Conversion Program	Lighting	High Pressure Mercury lamps	High Pressure Sodium lamps	

Overview of Customer Segments

The programs apply to the customer segments as indicated in Table 4.

Program	Residential	Commercial	Industrial	Other	Table 4 Customer Segments Targeted by the Programs
Compact Fluorescent Lighting Program	✓				
Green Buildings Program		✓			
Industrial Efficiency Program			✓		
Industrial Demonstration Program			✓		
Power Factor Correction Program		✓	✓		
Load Factor Improvement Program		✓	✓		
Streetlight Conversion Program				✓	
Load Research	✓	✓	✓		

4.3.2 Compact Fluorescent Lighting Program

Customer Segment Targeted

This program will be offered to residential and commercial customers

End Use and Technology

This program targets the lighting end use, which is a significant contributor to the MERALCO system peak during the evening. Compact Fluorescent lamps (CFLs) are able to provide the same light output as an incandescent lamp with considerably less energy input.

Key Barrier/s

In the medium term the energy savings from using a CFL in place of an incandescent lamp are greater than the higher cost of the incandescent lamp. However, not all residential customers who could use CFLs in place of incandescent lamps do so. Perhaps the main barrier to the use of CFLs is their high cost compared with the cost of a standard incandescent lamp. Other barriers may include:

- lack of customer awareness of the energy- and money-saving potential of CFLs;
- mistrust of the energy-saving and extended life information on the lamp packaging; and
- not "getting around to" purchasing a lamp.

Program Objective

This program aims to encourage customers to install compact fluorescent lamps (CFLs) to replace existing incandescent lamps, by providing customers with the lamp(s) and the opportunity to pay in instalments. One of the main barriers to the installation of CFLs is their high cost, compared with the cost of a standard incandescent lamp. Allowing customers to pay for the lamp in instalments, will help to overcome this barrier.

Program Description

A CFL uses approximately one-quarter the energy of a standard incandescent lamp, while providing equivalent lighting output. In addition, the life expectancy of a CFL is about eight times as that of a standard incandescent lamp. CFLs come in two types of ballasts - electro-magnetic and electronic. The electro-magnetic lamps are heavier but more robust and can withstand voltage fluctuations than the electronic lamps. This is an important consideration in the Philippines where power quality is an issue in most utilities.

There are several brands of electro-magnetic CFLs available in the Philippines, the most common being the Philips SL2000 series (13 W, 15 W, 21 W and 25 W) which are manufactured locally. In fact, the 21 W lamp is designed for a wide voltage tolerance (180 V to 260 V).

This program has been modelled on the basis that the customer purchases the CFLs from approved retailers and pay for the lamp in instalments.

a period of 18 months. MERALCO will reimburse the retailers at regular intervals.

The main features of the program are as follows:

- Lamp manufacturers will be requested to provide details of their range of CFLs - technical specifications, program price and warranty periods.
- MERALCO will prepare a list of CFLs that they wish to promote - based on power factor, suitability under supply conditions, cost and warranty provided. The warranty period need to be at least the duration of the repayment period.
- MERALCO will call for registration of interest from retailers wishing to participate in the program and select the retailers. Advice from the lamp manufacturers will be sought during this process.
- Agreement is reached with the retailers on the selling price of the selected CFLs - the aim will be to have the same selling price for all the CFLs under the program. The selling price would include MERALCO's administration and finance costs.
- The participating retailers will be briefed on the program elements - responsibilities, program duration, reimbursement procedures etc.
- Program details will be publicised in the media and formally launched. Co-financing of advertising by the lamp manufacturers will be considered.
- Customers will purchase CFLs from the approved retailers and sign an agreement to pay in instalments. Customers will be required to produce a copy of their electricity bill at the time of purchase for verification and inclusion of account details in the agreement. There will be a limit of 3 lamps per customer.
- The retailers will send the details of sales and copies of the customer agreements to MERALCO at regular intervals (once a month) for processing.
- MERALCO will send a letter of confirmation to the customer of the purchase and the date of inclusion of the first instalment in the customer's electricity bill.
- MERALCO will reimburse the retailers on the conditions specified under the MERALCO Retailer Agreement.

- The program will initially run for a period of 3 months and evaluated. The program will then continue for another 3 months following any revisions to the original approach.

The costs associated with this program include:

- Set-Up Costs - Financing costs, Billing system modifications, retail staff training.
- Advertising - posters, media advertising
- Administration - coordination with lamp manufacturers and retailers, processing payments, monitoring, evaluation

4.3.3 Green Buildings Program

Customer Segment Targeted

This program targets large commercial buildings, including office buildings, retail shopping malls, hotels, hospitals and university campuses.

End Use and Technology

The program is aimed at all cost-effective opportunities for energy efficiency improvement, regardless of the end use.

Key Barrier/s

Opportunities for energy efficiency improvement exist because:

- customers are not aware of the opportunities;
- customers are too busy with the day-to-day business to make changes;
- customers do not have available capital for non-core business investments;
- customers do not have the resources to project manage energy efficiency improvement projects through the long process from the identification of opportunities through obtaining finance to installing the equipment and measuring the results; and
- customers are not prepared to take the risk of savings not eventuating.

ESCO services are designed to overcome all of these barriers to energy efficiency improvements by providing a full service from identification of opportunities to arranging off-balance sheet financing, managing the installation of equipment and bearing the risk by a performance guarantee on the savings.

Program Objective

The objective of this program is to implement energy efficiency

called Green Malls, will involve a shopping mall and is aimed at demonstrating high efficiency, mainly lighting and air conditioning, technologies in the shopping malls of Metro Manila

Program Description

In 1996, the commercial sector accounted for 33% of the total sales and offer significant potential for cost effective energy conservation. Shopping Malls because of its sheer size are one of the most energy intensive segments in the commercial sector. Since 1985 the power demand of the shopping malls sub-sector in Metro Manila alone has increased by 15% per year and accounted for 7.5% of the entire commercial sector's consumption in 1996. It was on this basis that a shopping mall was selected for the first pilot project.

The pilot project (Green Malls) will be implemented in association with the International Institute for Energy Conservation (IIEC). Preparatory work on this project commenced in April 1997 and the following milestones have been achieved to date:

- Completion of preliminary energy surveys in three shopping malls
- A five day Green Malls Seminar conducted for shopping mall management/ owners.
- Selection of the site for the pilot project and a letter of intent for participation obtained from the owners.

The next step would be the selection of an ESCO to undertake the implementation of the project and finalising the financing and implementation agreements. Upon finalization of this project it is proposed to implement a similar project in an office building for evaluation. The MERALCO Headquarters building has been earmarked for this project.

Following the completion of the two pilot projects and upon establishment of a credible ESCO(s), the program will be promoted on a large scale (Green Buildings Program) to the relevant segments in the commercial sector.

4.3.4 Industrial Efficiency Program

Customer Segment Targeted

This program targets large industrial customers of more than 1 MW peak demand.

End Use and Technology

The program is aimed at all cost-effective opportunities for energy conservation in the industrial sector.

Key Barriers

In the industrial sector it is normal to focus efficiency gains on process related improvements rather than energy. In most cases, the cost of energy is only a minor component of the overall costs. As a result there is a tendency to divert scarce capital resources towards process improvements rather than on energy.

In addition, most industries have limited technical resources who are normally preoccupied in plant operation and maintenance that they have little time spend on improvements outside the core business.

Program Objective

The objective of this program is to provide value added services to large industrial and commercial customers to ensure that they are operating at maximum cost-effective efficiency levels. The main objective is to minimize electricity costs. However, opportunities to improve quality and reliability of supply will also be considered. The value added services would include load management, energy audits, power quality / reliability audits and assistance with implementation through ESCOs.

Program Description

This program aims to increase the level of services to MERALCO's customers. A recent survey amongst the large industrial and commercial customers has identified several key areas where the service could be improved. The three main areas were :

- . electricity costs;
- . reliability.

MERALCO proposes to take a customized approach with its customers in addressing these issues because the priorities and requirements vary from one customer to another.

MERALCO proposes to conduct load management studies and energy audits in order to minimize the customer's energy costs through the implementation of energy efficiency measures. In addition, it is proposed to conduct interviews with selected customers to determine their level of satisfaction with MERALCO's service and identify areas where they think the service could be improved. This would be followed up with an in depth technical evaluation to determine the causes, the solutions and costs to rectify any service problems such as power quality and reliability.

It is proposed that the improvements be made under an EAM arrangement which would address the key barriers - lack of man, and internal staff resources to undertake projects outside of company's core

4.3.5 Industrial Demonstration Program

Customer Segment Targeted

This program is focused on four customers in the Industrial sector

End Use and Technology

The end uses are motor drives and lighting. The technologies to be demonstrated are High Efficiency Motors (HEM), Variable Speed Drives (VSD) and High Pressure Sodium (HPS) lamps.

Key Barrier/s

The hardware is funded by the Philippines DSM Project and it is the responsibility of the Companies to meet the installation costs. The only barrier appears to be the agreement by the recipients to meet the installation costs.

Program Objective

Under the Philippine Demand Side Management Project, several demonstration projects have been identified for implementation in 1998. The objective of this program is to monitor the performance of the technologies following implementation. The results of this program will be used in the promotion of HEMs and VSDs in 1999 / 2000.

Program Description

The following projects have been identified in MERALCO's service territory:

1. Vitarich Corporation : Installation of Variable Speed Drives in the hammer mill and the pellet mill to regulate the speed of a 125 hp and 220 hp motors respectively. In addition, the installation of a central air plant with station control to operate 3 base load units, 1 swing load and 1 stand-by unit during periods of high load.
2. AZKON Group of Companies : Replacement of an existing rewound motor with an high efficiency motor; installation of pressure control device in the air compressor plant to provide effective load control and discharge pressure; an retrofit of the hot face of an electric oven with ceramic fiber blanket to reduce heat-up time.
3. Filtex Manufacturing Corporation : Installation of a Variable Speed Drive for a circulation pump and also replace the 40 hp motor with a high efficiency motor of a water supply system. and installation of an Ogden pump for efficient conveyance of

4. Continental Steel Corporation : Replacement of existing Mercury Vapour (MV) lamps with High Pressure Sodium (HPS) lamps.

MERALCO is intending to install equipment for pre installation monitoring. The monitoring will be continued for at least six months after installation prior to evaluating the results.

The costs associated with this program are as follows:

- . Equipment - monitoring equipment
- . Administration - co-ordination, monitoring and evaluation

4.3.6 Power Factor Correction Program

Customer Segment Targeted

This program is focused on MERALCO's large industrial and commercial customers

End Use and Technology

Power factor is improved through the installation of capacitor banks at customer's load sides.

Key Barrier

Although MERALCO is initially intending to meet the up front costs of 20 pilot projects which would be repaid by the customer by twelve monthly instalments, there is still likely to be customer doubt if savings can be realized. The other barriers include:

- . Lack of technical information
- . Lack of customer resources to undertake or manage installation.

Program Objective

The program objectives are:

- . to improve the average power factor of Industrial Service (IS) and Non-Industrial Service (NIS) accounts to 96%;
- . provide for a rapid implementation of the capacitor installation program to reduce MERALCO's capital requirement in the upgrading of its distribution facilities; and
- . to improve customer service and customer relations through better utility-facility owners co-operation.

Program Description

The program is directed at power factor metered customers whose billing demand is in excess of 100 kW. In August 1997, 1353 customers registered power factors of less than 85%. MERALCO's tariff structure levies a surcharge on accounts with registered average monthly power factors of less than 85% while discounts are given to those accounts with registered demands of more than 85%.

The regional Sales offices of MERALCO are already advising customers of the merits of improving their power factors to more than 85%. In 1996, out of a total of 924 accounts that were advised only 16% of the accounts were convinced to install capacitors on their load sides. The installation was carried out by contractors on a performance contract for improvement of power factor to 96%.

The program will be implemented in two phases. Phase 1 will be a pilot program which would include two seminars for representatives of 200 accounts. The participants for the seminars will be selected on the basis of the lowest power factor but with high registered demands. Twenty participating companies will be selected for a pilot capacitor installation program. The supply and installation will be carried out by performance contractors who will be compensated on the basis of the measured results. The customers will pay for the installations in twelve monthly instalments through their electricity bills.

Phase 2 will be a full scale program based on the results of the pilot program and will cover the rest of the targeted customers.

4.3.7 Load Factor Improvement Program

Customer Segment Targeted

Industrial and commercial customer segments — particularly those with load factors less than 37% who will experience a bill increase under the restructured rates explained below if they do not improve their load factor — are targeted in this program.

End Use and Technology

The program is aimed at all cost-effective opportunities for load management and energy efficiency improvement, regardless of the end use.

Key Barriers

The main barrier appears to be the capital costs associated with any recommended energy efficiency improvements. In the industrial sector, it is normal to focus efficiency gains on process related issues rather than energy. In most cases, the cost of energy is a small percentage of the overall cost of production.

scarce capital resources towards process improvements rather than on energy.

In addition, most industries have limited technical resources who are normally preoccupied in plant operation and maintenance that they have little time spend on improvements outside the core business.

Load Management most often involve changes to plant operation procedures that have been used for a long period and convincing the employees requires a lot of effort.

Program Objective

The program is aimed at assisting customers with low load factors to better manage electrical loads to benefit from the rate restructure incentives.

Program Description

Last March 26, 1997, the Energy Regulatory Board (ERB) provisionally approved MERALCO's petition to restructure its rates. MERALCO is restructuring its rates to take into account changes in the National Power Corporation's (NPC) Luzon Grid rate structure. Before April 1995, NPC billings to MERALCO were computed using a straight energy charge of ₱ 1.8435 /kWh. Starting April 1995, the NPC billed MERALCO on a demand and energy rate system, charging ₱ 290.14 /kW of maximum demand and ₱ 1.2829 /kWh of energy consumption. Consequently, the ERB ordered "all NPC utility customers (in Luzon) to cause the restructuring of their rates based on NPC's approved (Luzon Grid) rate structure".

Complying with the ERB order, MERALCO proposed to restructure its Generation Charge, from a straight energy rate of ₱ 2.33 /kWh to a demand and energy rate of ₱ 195.00 /kW and ₱ 1.60 /kWh, respectively.

With ERB's approval, there will be an increase in the demand charge of non-residential customers with monthly demand greater than 5 kW, from the previous ₱ 25.00 /kW in the Distribution Charge to ₱ 220.00 /kW (₱ 25.00 + ₱ 195.00) in the Basic Charge. In turn, there will be a corresponding reduction in the energy charge of these customers. This new rate structure is intended to give customers a better appreciation of the costs associated with providing electrical power for the end-user by providing: (1) a price signal at least partly reflecting the cost of generating capacity, and (2) an incentive to improve their electricity utilization rates, as measured through their load factors.

The rate restructuring will have its impact specifically on MERALCO's Non-Industrial Service (NIS) and Industrial Service (IS) customers. The rate restructuring is designed to be revenue-neutral for the company.

customers. However, depending on their load factors, these customers may be adversely affected by or benefit from the rate restructuring. Load factor refers to the ratio of the average demand within a specific period to the highest demand registered within the same period. Since connection capacity is usually based on the peak demand of a facility, it describes the efficiency of capacity use. If the customers load factor is below 37%, then under the rate restructuring they will experience an increase in average electricity rates (P/kWh). Conversely, if their load factor is above 37%, they will experience a decline in electricity rates.

Because MERALCO recognizes the potentially adverse effect of the rate restructuring on its low load factor NIS and IS customers, MERALCO will phase-in the new rate structure to these customers over a period of twelve months. The first phase began last April 1997, the second on October 1997, and the final phase on April 1998, with the demand charge increasing to 90 P/kW, 155 P/kW, and 220 P/kW, respectively.

Among MERALCO's customers, manufactures of food, beverages, textiles, paper, plastics, cement, glass and electronics; private hospitals and hotels will benefit from the restructuring because of their typically high load factors. On the other hand, low load factor customers will have to manage their electrical consumption to avail themselves of the new incentives [SJWS] that are provided in the restructured rates. For its part, MERALCO will direct Demand Side Management (DSM) programs to these customers to help cushion the impact of the restructuring. With DSM, all customers have the potential to improve their energy efficiencies and bring up their load factors. [SJWS]

The program will initially include a pilot program covering about 40 customers in various industrial and commercial segments with load factors below 37% and would include workshops, seminars, replacement of existing kWh meters with digital meters, walk-through audits and assistance with implementation. A full scale program will be designed based on the lessons learnt from the pilot project.

4.3.8 Streetlight Conversion Program

Customer Segment Targeted

The customer group targeted is local government units.

End Use and Technology

The program would replace existing MERALCO-owned high pressure mercury vapour street lights with high pressure sodium street lights and develop a standard design for street lighting in the franchise area applicable to all existing and new installations.

Key Barrier/s

The street lights are owned by MERALCO. The lighting is paid for by local governments on a flat fee basis. This is known as a "chaufage" arrangement; the customer is buying an energy service from the utility — which provides both the energy and the equipment — rather than buying units of energy. Under this program MERALCO will provide the same (or better) energy service with high capital cost, low energy consumption lamps rather than low capital cost, high energy consumption lamps.

Program Objective

The program aims to:

- optimise the energy efficiency of street lighting;
- to contribute to a reduction of the evening peak;
- to minimise the cost of street lighting inventory and installation costs (via use of a standard design); and
- to provide a standard level of lighting service (via use of a standard design).

Program Description

There are currently around 178 000 high pressure mercury (HPM) street light installations in MERALCO's franchise area. The program proposes to replace these lamps with energy efficient high pressure sodium (HPS) lamps over a 10 year period. For the first seven years of the program priority will be given to streetlights within Metro Manila covering 97 142 installations.

The cost of installation per streetlight varies depending on the road classification, type of construction and lamp wattage. The maintenance costs of the HPS lamps are higher than the existing HPM lamps primarily due to higher costs of some parts of the HPS fixture. The effectiveness of the program will be monitored and evaluated during the program period.

In addition to the demand and energy savings the program offers other non quantifiable benefits to society, primarily in reduction of night time road accidents and crime.

A pilot program was implemented from 1993 to 1995 covering a total of 3 925 70 W HPS fixtures.

MERALCO also intends to standardise the design for street lighting for both existing and new installations.

The costs associated with this program are as follows:

- monitoring and evaluation

4.3.9 Load Research

Customer Segment Targeted

All customer segments will be targeted

End Use and Technology

Most end uses especially lighting, air conditioning and motor drives.

Key Barrier/s

This is not a DSM program as such, it is a research activity to support DSM programs.

Research Objective

To develop an end-use load shape database for estimating end-use demand and designing and evaluating DSM programs.

Research Description

Load research is the measurement and evaluation of the utility's electric load characteristics. Data used to characterize loads can be gathered by metering, conducting energy-use surveys and reviewing billing information. Load research parameters that are determined usually include system peak and average loads, customer's coincident and non-coincident demand and the simultaneous demand of a customer group. Factors that characterize loads can then be derived for a system or specified subsystem.

The main objective of a load research project is to produce cost-effective, statistically sound, detailed databases necessary for resource planning, DSM program design and evaluation, cost allocation and tariff design, and load forecasting. Specifically, from the load research results, load profiles will be created and broken down into identifiable end-uses. This is essential for determining the patterns of energy usage and maximum demand of individual customer groups. Load research data also aid in the development of a daily, weekly or monthly pattern of consumption which will be able to pinpoint how specific end-uses contribute to this pattern. Thus, the vital information collected from load research becomes a valuable input not only in the planning, designing and evaluation of DSM programs but in the forecasting of customer's load as well.

Load research can be a complex and expensive undertaking because of the costly equipment, large sample sizes, extensive data processing, and intense analysis effort it requires. The scope of work may include six major tasks, namely:

- Assessment of data requirements

- preparation of sampling and metering plan;
- field installation and data collection;
- database development and analysis of researched data;
- development of end-use forecasting model/s and
- preparation of demand projections; and documentation.

The methodology may employ a combination of statistical and engineering techniques using customer billing data and the more expensive metered end-use data. Another option is to consider a combination of whole building metering and simple end-use techniques using end-use loggers. This can provide levels of confidence and precision without complicated and intrusive comprehensive end-use metering methods.

Initial activities of MERALCO will be mostly in support of load research efforts of organizations such as the APEC Inter-Utility DSM Liaison Working Group and the National Load Research Association of the Philippines which is being organized under the leadership of National Power Corporation. In the medium-to-long term, MERALCO may consider adopting a phased approach and to hire a competent consulting firm to ensure effective project planning and implementation. Under this approach, load research will be first conducted on a specific customer group. Preliminary results shall serve as reference in proceeding with a class-wide (industrial, commercial, residential classes of customers) to a franchise-wide load research. In essence, experience gained from the initial phase will be leveraged for the succeeding load research activities on the rest of the customers.

4.4 Avoidable Costs and Externalities

Energy and Demand Avoidable Costs

NPC is MERALCO's marginal supplier.[SJW7] This means that if MERALCO's customers reduce energy consumption, then MERALCO reduces its purchases from NPC.

The analysis in this submission uses the NPC contract charges to MERALCO as a proxy for the true total resource or societal avoidable costs of energy and generation capacity. The true values would be the energy and generation costs that would be avoided by NPC due to marginal reductions in energy and demand at the MERALCO bulk supply points. These numbers were not available to MERALCO within the time and resource constraints of this submission.

The "avoidable costs" used in this DSM analysis represent the value of those costs that would be avoided by MERALCO due to energy and demand savings from the equipment and behaviour changes promoted by the proposed DSM programs. Energy and demand savings achieved

MERALCO makes to the National Power Corporation (NPC) under its energy supply contract, provided that those savings do not take MERALCO's total purchases below the take-or-pay "contract demand" threshold for energy and/or demand. The current MERALCO contract with NPC is structured to:[SJW9]

- avoid paying for unused supply via a margin for demand and energy being below what is projected; and to
- avoid penalty maximum demand payments via a margin for maximum demand going above what is projected; as well as to
- provide some flexibility by allowing two alterations to the "contracted demand" level in each calendar year.

The analysis in this document assumes that DSM impacts will not take MERALCO below the take-or-pay contracted threshold. In other words, it is assumed that adjustments to the contract demand could always be made in time to avoid this so the end use savings would always provide bulk supply savings to MERALCO on their monthly NPC bill.

Type	Avoidable Cost	Units
Energy		1.2829 P.kWh ⁻¹
Demand	12 * 290.12 = 3481.68	P.kW ⁻¹ .y ⁻¹

Table 5 MERALCO's NPC Contract Charges used as Avoidable Costs in the Analysis:[SJW9]

Table 3 shows the marginal energy charge from NPC. Note that it is a conservative value, as it does not include the "Fuel and Purchased Power Adjustment" (FPCA) nor does it include the "Foreign Exchange Adjustment" (ForEx).[SJW10]

Network Avoidable Costs

The analysis does not assign any avoidable cost values to the sub-transmission and distribution network. This would require very detailed, time-consuming and costly work treating each small local area separately and is not appropriate for first-time pilot DSM programs as proposed here. Moreover, experience elsewhere suggests that the avoidable costs available in the local network are usually small compared with the avoidable costs of energy and generation capacity.

Avoidable Environmental Externality Costs

This analysis does not use avoidable externality costs. A collaborative process is underway to determine a set of avoidable externality costs for DSM planning in the Philippines, but it has not yet produced a set of numbers for use. The addition of avoidable externality cost data to the analysis would only make the proposed DSM programs more cost-effective under the societal test than they are as presented below

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 6 e (ii) & (iii)

4.5 Technology Cost-Effectiveness

For a DSM program to be cost-effective against the societal test, as required in the Philippines DSM framework, the proposed DSM technology must be cost-effective at the unit technology level. That is, the costs saved by the DSM technology must be greater than the cost of the DSM technology. This comparison is essentially the application of the total resource cost test or (if reduced externality costs are used in the comparison) the societal test at the individual technology or individual market unit level without including program costs.

4.5.1 Compact Fluorescent Lighting Program [SJW11]

Table 6 shows the step-by-step calculation approach to the technology-level cost-effectiveness analysis. For both energy and demand, the process involves subtracting the DSM technology data from the base technology data; allowing for marginal system losses and multiplying by the avoidable costs (from the power purchase contracts). This provides the benefits, which can then be compared with the incremental technology costs to determine the overall cost-effectiveness.

Table 6 shows that the substitution of two 21 W compact fluorescent lamps for two (average) 50 W incandescent lamps that are used for three hours each evening every night of the year will deliver benefits of ₱ xxx[SJW12] to MERALCO and its customers as a whole at an incremental technology cost of ₱ yyy[SJW13] for a net benefit of ₱ zzz[SJW14] at a benefit / cost ratio of BCR[SJW15].

With such a high benefit / cost ratio, the net benefit from the program as a whole should easily be large enough to cover the costs of running the program and still have a pool of benefits significantly larger than the costs.

Table 6 Technology
Cost-Effectiveness of
Compact Fluorescent
Lighting Program

Technology	
Base Technology	2 x 50W Incandescent Lamp
DSM Technology	2 x 21W Compact Fluorescent Lamp
Service Life	6 years
Energy	
Base Annual Energy ¹	kWh
DSM Annual Energy ²	kWh
Delta Annual Energy	kWh
Marginal System Losses ³	kWh
System Annual Energy Impact	P.kWh ⁴
Present Value Avoidable Energy Costs ⁴	P
Present Value Reduced Energy Supply Costs	P
Demand	
Base Peak-Coincident Demand ⁵	kW
DSM Peak-Coincident Demand	kW
Delta Peak-Coincident Demand	kW
System Losses	kW
System Peak-Coincident Demand Impact	P.kW ⁴
Present Value Avoidable Demand Costs ⁴	P
Present Value Reduced Demand Supply Costs	P
Equipment Cost	
DSM Equipment Cost ⁷	P
Base Equipment Cost ⁸	P
Net Participant Costs	P
Total	
Present Value Reduced Supply Costs	P
Present Value Net Participant Costs	P
Present Value Net Benefit	P
Benefit / Cost Ratio	

Notes:

1. Assuming 2 lamps * 0.05 kW * 3 hours * 365 days. [SJW16]
2. Assuming 2 lamps * 0.021 kW * 3 hours * 365 days. [SJW17]
3. The average system energy losses as a percent of consumption are x% [SJW18]. The marginal losses are equal to twice the average losses, and are therefore 2x%. [SJW19]
4. The MERALCO avoidable energy cost is 1.2529 P/kWh. Avoiding 1 kWh for six years (the life of the CFL) delivers MERALCO a stream of savings with a present value P [SJW20] when discounted at the total resource cost discount rate of 4%.
5. The peak-coincident demand figures are calculated as the wattage for two lamps with a 90% coincidence factor (meaning that 0.9 of the lamps are on during the peak). [SJW21]

6. The MERALCO avoidable demand cost is 290.14 P/kW.month or 3 431.68 P.kW⁻¹.y⁻¹. Reducing the system peak by 1 kW throughout the year for six years (the life of the CFL) saves MERALCO P. [SJW22]
7. Based on [SJW23]
8. This assumes the purchase of 6 incandescent lamps at P 15 over a period of 6 years, discounted at 10%pa. [SJW24]

4.5.2 Green Buildings Program

As described above, this program is about ESCO implementation of energy saving measures in commercial buildings. An ESCO will only implement a package of measures that are cost-effective to the building operator. In other words, the value of savings from installing an energy efficiency measure must be sufficiently greater than the cost of the measure to justify the investment.

Now, allowing that the avoidable costs of energy and demand are slightly less than the tariff levels and assuming that the fixed / capacity / energy structure of the avoidable costs is not greatly different from the fixed / demand / energy structure of the tariff; any measure that passes the financial test applied by the ESCO will also pass the societal economic test as required by the Philippine DSM Framework.

4.5.3 Industrial Efficiency Program

This program will be implemented by an ESCO mechanism, so the same logic as to the cost-effectiveness applies as in the case of the Green Buildings Program.

4.5.4 Industrial Demonstration Program

The cost-effectiveness analysis for these demonstration projects has been conducted under the USAID Philippine Demand-Side Management project. The analyses are attached as appendices to this document. [SJW25]

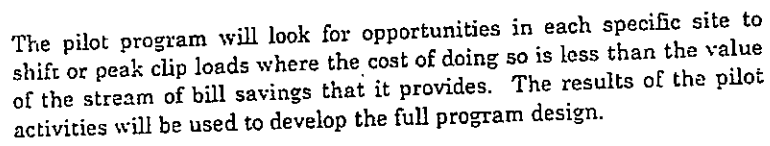
4.5.5 Power Factor Correction Program

Technology cost-effectiveness analysis will be conducted on a site-by-site basis. Power factor correction equipment will only be installed in customers facilities where it avoids greater transformer costs in the MERALCO network. [SJW26]

4.5.6 Load Factor Improvement Program

As noted in the general program description above, in compliance with an order from ERB, MERALCO has restructured its Generation Charge, from a straight energy rate of P 2.33 /kWh to a demand and energy rate of P 1.25 /kW month and P 1.00 /kWh month.

Figure 7 Comparison of New with Old Costs for as a Function of Load Factor

[illegible]

Technology	
Base Technology	
DSM Technology	
Service Life	years

Table 7 Technology Cost-Effectiveness of Street Lighting Program

Energy	
Base Annual Energy ¹	kWh
DSM Annual Energy ²	kWh
Delta Annual Energy	kWh
Marginal System Losses ³	
System Annual Energy Impact	kWh
Present Value Avoidable Energy Costs ⁴	P/kWh ¹
Present Value Reduced Energy Supply Costs	P

Demand	
Base Peak-Coincident Demand ⁵	kW
DSM Peak-Coincident Demand	kW
Delta Peak-Coincident Demand	kW
System Losses	
System Peak-Coincident Demand Impact	kW
Present Value Avoidable Demand Costs	P/kW ¹
Present Value Reduced Demand Supply Costs	P

Equipment Cost	
DSM Equipment Cost ⁶	P
Base Equipment Cost ⁷	P
Net Participant Costs	P

Total	
Present Value Reduced Supply Costs	P
Present Value Net Participant Costs	P
Present Value Net Benefit	P
Benefit / Cost Ratio	

Notes:

1. Assuming kW * hours * 365 days.[SJW28]
2. Assuming kW * hours * 365 days.[SJW29]
3. The average system energy losses as a percent of consumption are x%[SJW30]. The marginal losses are equal to twice the average losses, and are therefore 2x%.[SJW31]
4. The MERALCO avoidable energy cost is 1.2929 P/kWh. Avoiding 1 kWh for x[SJW32] years (the life of the CFL) delivers MERALCO a stream of savings with a present value P [SJW33] when discounted at the total resource cost discount rate of 4%.
5. Street lamps are not coincident with the MERALCO peak, therefore this value is zero.
6. Based on [SJW34]
7. Based on [SJW35]

4.5.8 Load Research

Technology cost-effectiveness analysis does not apply to this particular research activity.

4.6 Market Size and Participation Projections

4.6.1 Compact Fluorescent Lighting Program

[S:W36]

4.6.2 Green Buildings Program

ESCO projects have relatively high transaction costs and therefore require fairly large sites to be viable. As a rough guide, customers spending more than about ₱ 12.5 million per year may be candidates for ESCO projects. There are around 150 MERALCO commercial accounts of this magnitude. They consume in total about 1 500 GWh per year, which is just over one quarter of all commercial consumption.

The pilot program will first demonstrate large building energy efficiency retrofits in the MERALCO head office and will pilot an actual ESCO project in a major shopping mall.

A more detailed market potential assessment study will be conducted prior to the establishment of full-scale commitment to ESCO projects and submitted to ERB at that time.

4.6.3 Industrial Efficiency Program

[S/W37] This program is for the group of industrial customers with greater than 1 MW demand. There are ___ of these customers. The pilot phase of this program aims to implement ___ projects in these large industrial facilities.

4.6.4 Industrial Demonstration Program

Four companies have already been selected for this program. They are:

- Vitarich Corporation;
- AZKON Group of Companies;
- Filtex Manufacturing Corporation;
- Continental Steel Corporation.

4.6.5 Power Factor Correction Program

The pilot phase of this program will target twenty customers. The full market potential will be assessed during this period.

4.6.6 Load Factor Improvement Program

The program will initially include a pilot program covering about 40 customers in various industrial and commercial segments with load factors below 37%. Full scale market potential estimates will be based on the lessons learnt from the pilot project in conjunction with customer data. [SJW:38]

4.6.7 Streetlight Conversion Program

[SJW:39]

4.6.8 Load Research

This is a research activity, rather than a program, so there is no market potential as such. Results from the load research will be used to identify areas of further market potential for DSM.

4.7 Energy and Demand Effects

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6 e (iii)

4.7.1 Compact Fluorescent Lighting Program

Table 8 shows the projected annual energy and demand savings for this program under the following assumptions:

- the program acceptance numbers are as indicated above; and
- the end use energy and demand savings and the utility losses are as described in Table 6.

[SJW:40]

Year	End Use Energy Saving	Peak-Coincident Demand Saving
	kWh	kW
	Pilot	Pilot
1998		
1999		
2000		
2001		
2002		
2003		
2004		
2005		
2006		
2007		
2008		
2009		

Table 8 Projected
Energy and Demand
Savings

4.7.2 Green Buildings Program

The energy and demand results for the full program implementation will be determined using the monitored results from the pilot stage of the program. [S00-41]

4.7.3 Industrial Efficiency Program

(SJW:12)The — industrial customers over 1 MW collectively consume — MWh annually. ESCO efficiency improvements can typically achieve 10% to 20% energy savings. If we assume that 15% savings are actually achievable, then the total potential for energy savings is as shown in Table 9.

Year	Projected Energy Consumption	Estimated Potential Energy Savings (15%)	Target ESCO Energy Savings
	MWh	MWh	MWh
1998		Pilot	Pilot
1999			
2000			
2001			
2002			
2003			
2004			
2005			
2006			
2007			
2008			
2009			

Table 9 Projected Industrial Efficiency Energy and Demand Savings

4.7.4 Industrial Demonstration Program

The projected energy and demand effects for these demonstration projects has been conducted under the USAID Philippine Demand-Side Management project. The analyses are attached as appendices to this document.[SNV-13]

4.7.5 Power Factor Correction Program

This program will not save any energy, nor will it reduce demand measured in kW. This program is designed to reduce apparent power[SNV-14] (measured kVA), therefore reducing transformer capacity requirements and hence network capital costs for the same level of power (kW) and therefore the same level of energy service.

4.7.6 Load Factor Improvement Program

This program is a load shifting and peak clipping program. It is primarily designed to reduce the peak load of customers so that they save on their newly increased demand charges. Customer demand savings that are coincident with the MERALCO peak will save on MERALCO's peak demand. If customers reduce their peak demand by making end-uses that are in operation during their peak more efficient, then some energy savings will result.

The monitored results from the approximately 40 customers that participate in the pilot stage of the program will be used to develop estimates of the energy and demand savings from the full program if it is implemented.

4.7.7 Streetlight Conversion Program

[SJW13]

4.7.8 Load Research

This is a research activity, rather than a program, so there will be no energy and demand effects as a direct result of the load research. Results from the load research will be used to identify areas where DSM can make energy and demand savings.

5 (i) 11 & j
 6 e (iii)

4.8 Externalities

This submission does not place monetary values on reduced external costs, for the reasons discussed under *Avoidable Environmental Externality Costs* on page 28. Nevertheless, Table 10 briefly summarises the externality effects of the proposed programs. Programs that reduce total energy consumption will also reduce those marginal external costs associated with each units of energy generated. The residential compact fluorescent lighting program is indicated as producing "some reduction" in peak demand because the end use is only partly coincident with the MERALCO peak.

Program	Peak Demand	Total Energy	Environmental Costs
Compact Fluorescent Lighting	Some kW Reduction	Reduced	Reduced
Green Buildings	kW Reduced	Reduced	Reduced
Industrial Efficiency	kW Reduced	Reduced	Reduced
Industrial Demonstration	kW Reduced	Reduced	Reduced
Power Factor Correction	kVA Reduced	No change	No change
Load Factor Improvement	kW Reduced	No change	No change
Streetlight Conversion	No change	Reduced	Reduced
Load Research	No change	No change	No change

Table 10 Externality Effects of Proposed Programs

4.9 Expected Costs

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 6 e (ii) & (iii)

The costs outlined in this Section are the estimated costs associated with the implementation of the eight programs over a two year period (1998 and 1999). However, it does not include costs associated with programs that are implemented in 1998, which after initial evaluation, is continued in 1999. These costs will be incorporated in the revised Plan that will be submitted at the end of 1999.

4.9.1 Program Costs

Table 11 summarises the estimates of program costs for each of the programs. A detailed breakdown of the cost estimates is given in Section 8.2.5.

Program \ Cost Type	Staff Time	@ Unit Cost	= Staff Costs	+ Direct Costs	= Total P
CSL Program					
Set up costs	2 345 h	116	272 925	40 720	313 645
Advertise / promote	1 000 h	100	100 000	500 000	600 000
Implementation	33 577 h	24	796 406	396 590	1 192 996
Monitoring	1 050 h	70	74 000	114 659	188 659
Total					2 295 300
Green Buildings Program					
Seminars	1 600 h	38	60 800	200 000	260 800
Promotion	1 743 h	100	174 300	2 645 000	2 819 300
Project Management	2 976 h	100	297 600	622 760	920 360
Total					4 000 460
Industrial Efficiency Program					
Workshops / Seminars				256 625	256 625
Implement	3 200 h	145	464 000	1 020 824	1 484 824
Contingency				87 072	87 072
Total					1 828 521
Industrial Demonstration Program					
Implement	256 h	145	37 120	36 073	73 193
Monitor & Evaluate	96 h	102	9 744	31 398	41 142
Reporting	144 h	121	17 400		17 400
Miscellaneous				5 000	5 000
Contingency				13 673	13 673
Total					150 408
Power Factor Correction Program					
<i>Pilot :</i>					
Implement	1 776 h	97	171 636	7 680	179 316
Monitor & Evaluate	528 h	142	75 000		75 000
Contingency				29 152	29 152
<i>Full Scale :</i>					
Workshops				225 000	225 000
Implement	22 464 h	103	2 315 438	138 240	2 453 679
Monitor & Evaluate	2 376 h	379	900 000		900 000
Contingency				357 363	357 363
Total					4 257 214

Table 11 Estimated Program Costs

4.9.1 Program Costs

Table 11 summarises the estimates of program costs for each of the programs. A detailed breakdown of the cost estimates is given in Section 8.2.5.

Program / Cost Type	Staff Time	@ Unit Cost	= Staff Costs	+ Direct Costs	= Total \$
CFL Program					
Set up costs	2 345 h	116	272 925	40 720	313 645
Advertise / promote	1 000 h	100	100 000	500 000	600 000
Implementation	33 577 h	24	796 408	396 590	1 192 996
Monitoring	1 050 h	70	74 000	114 659	188 659
Total					2 295 300
Green Buildings Program					
Seminars	1 600 h	38	60 800	200 000	260 800
Promotion	1 743 h	100	174 300	2 645 000	2 819 300
Project Management	2 976 h	100	297 600	622 760	920 360
Total					4 000 460
Industrial Efficiency Program					
Workshops / Seminars				256 625	256 625
Implement	3 200 h	145	464 000	1 020 824	1 484 824
Contingency				87 072	87 072
Total					1 828 521
Industrial Demonstration Program					
Monitor & Evaluate	96 h	102	9 744	31 398	41 142
Reporting	144 h	121	17 400		17 400
Miscellaneous				5 000	5 000
Contingency				13 673	13 673
Total					150 408
Power Factor Correction Program					
<i>Pilot :</i>					
Workshops				37 200	37 200
Implement	1 776 h	97	171 636	7 680	179 316
Monitor & Evaluate	528 h	142	75 000		75 000
Contingency				29 152	29 152
<i>Full Scale :</i>					
Workshops				225 000	225 000
Implement	22 464 h	103	2 315 438	138 240	2 453 679
Monitor & Evaluate	2 376 h	379	900 000		900 000
Contingency				357 853	357 853
Total					4 257 214

Table 11 Estimated Program Costs

Lead Factor Improvement Program						
Pilot Program:	7 392	h	109	805 000	953 637	1 758 737
Full Scale						
Key Accounts						
Workshops					259 500	259 500
Implement	11 616	h	95	1 104 000	733 829	1 837 829
Monitor & Evaluate	16	m	25 000	400 000		400 000
Consultant					374 599	374 599
Contingency					249 733	249 733
Other GP						
Brochures	500	h	100	50 000	1 360 000	1 410 000
Workshops					1 357 000	1 357 000
Implement	13 200	h	106	1 395 000	885 724	2 280 724
Monitor & Evaluate	2 640	h	142	375 000		375 000
Consultant		h	142		271 136	271 136
Contingency					271 136	271 136
Total						10 845 295

4.9.2 Other Costs

Aside from the costs directly associated with programs, there are a number of other costs associated with

Program \ Cost Type	Staff Time	Units	Staff Costs P	Direct Costs P	Total P
1997					
DSM Plan Preparation					
Administration					
Erd Use Surveys					
Total					
1998					
Erd Use Surveys					
Analysis					
DSM Training Workshops					
Total					
1999					
Program Evaluation					
Revise DSM Plan					
DSM Training Workshops					
Total					

Table 12 Other (Non-Program-Specific) Costs

4.10 Cost-Effectiveness Test Results

5 (i) 1 h
5.1 2.
5.1

4.11 Bills/Rates

5 (i) 1 k & j
6 e (iii)

Implementation of the compact fluorescent lighting program for five years, with the energy and demand savings described, at the current level of NPC charges to MERALCO, and using a discount rate of 7% would save the utility ₱ xx,[SJW46] but would incur program costs and reduced revenue totaling ₱ yy,[SJW47] resulting in a net loss to MERALCO of ₱ zz.[SJW48] Using a utility discount rate of d%,[SJW49] a once-off residential tariff adjustment of adj ₱/kWh[SJW50] would recover these losses over the life of the projected program effects. This is indicated in Table 13. The effect on the average annual residential bill of imp kWh[SJW51] would be just under ₱ imp[SJW52] per year.

Year	Projected – Calculated = Projected Consumption			Recovered Revenue P
	Consumption MWh	Savings MWh	With Program MWh	
Once-off Tariff Adjustment (P.kWh ⁻¹)				
Recovered Revenue Loss 1998 present value discounted at d%[SJW53]				
1998				
1999				
2000				
2001				
2002				
2003				
2004				
2005				
2006				
2007				
2008				

Table 13 Revenue and Tariff Effects

[SJW54]

- Green Buildings Program
- Industrial Efficiency Program
- Industrial Demonstration Program
- Power Factor Correction Program
- Load Factor Improvement Program
- Streetlight Conversion Program

4.12 Sensitivity Analysis Results

5 (i) 1 m

6 j

The programs proposed will be implemented at a pilot level in 1998. Some are still in the feasibility stage. So detailed sensitivity calculations were not considered appropriate for this submission. Nevertheless, the following observations on the sensitivity of the results to several variables can be made.

4.12.1 Avoidable Costs

As discussed in the section on avoidable costs, the avoidable cost analysis is based on NPC charges to MERALCO. These charges represent the costs in the generation system to the extent that MERALCO's load shape represents the NPC load shape and to the extent that the energy and demand charges represent the NPC avoidable costs of energy and demand. MERALCO loads represent a large portion of all loads in Luzon, so the MERALCO load shape is, in fact, quite coincident with the NPC load shape for the Luzon grid.

The most likely future change in the NPC charges is that the demand charges will increase and the energy charges will decrease. The more closely the NPC charges represent the true NPC avoidable costs the more closely will the results resemble those that would come from an analysis using the actual NPC avoidable costs of energy and demand.

4.12.2 Discount Rates

Adjustment of the discount rates in the program analysis spreadsheet and in SRC/COMPASS[®] show that the results are not particularly sensitive to changes in the discount rates. The spreadsheet and SRC/COMPASS[®] data files are available for examination by ERB upon request.

4.12.3 Participation Rates

On the key cost-effectiveness test — the societal test — the programs are not particularly sensitive to changes in participation levels. This is because the fixed program costs are small relative to the aggregate cost of the DSM equipment, so the results scale quite readily over large ranges in participation level. [SJW33]

5. FINANCIAL PLAN

5.1 Proposal for DSM Financial Incentives

This proposal provides financial incentives to encourage the implementation of DSM programs.

for lamps from retailers and pay them off on their MERALCO electricity bill from the energy savings delivered by the lamps.

The proposed program delivery mechanism for both the green buildings and industrial efficiency programs is an ESCO. ESCOs provide a financial incentive to customers in the form of performance-guaranteed shared-savings.

The industrial demonstration program has third-party incentives from USAID in the form of funding of high efficiency demonstration equipment.

The power factor improvement program will provide financial incentives to customers in the form of a loan to be repaid in instalments on the customers' monthly MERALCO bill.

Financial incentives for the load factor improvement program will be considered in the pilot program indicates that they are required by customers to improve their load factor.

The streetlight conversion program is an internal MERALCO program, so financial incentives are not required. The load research is not a program with customers, so financial incentives are not relevant.

5.2 Proposal for Cost and Revenue Recovery

MERALCO proposes to recover program costs and net revenue losses through small adjustments to the tariff of the customer group to whom the programs are offered. The advantages of this approach are that:

- customers who participate in the program experience significant bill savings offset by an insignificant increase due to the tariff increase; and
- customers who don't participate in the program experience insignificant increases in their bills; and
- if this bothers them, they are free to participate in the program and achieve the savings.

MERALCO proposes a provisional residential automatic tariff adjustment of xx P/kWh[SRW36] to recover net losses over the life of the projected residential CFL program effects with a present value of P 22,350,000 when discounted at d%[SRW36]. This could be reviewed when the program goes into full implementation.

It is proposed that pilot results be used to:

- adjust cost recovery for the pilot and
- determine the final tariff.

for lamps from retailers and pay them off on their MERALCO electricity bill from the energy savings delivered by the lamps.

The proposed program delivery mechanism for both the green buildings and industrial efficiency programs is an ESCO. ESCOs provide a financial incentive to customers in the form of performance-guaranteed shared-savings.

The industrial demonstration program has third-party incentives from USAID in the form of funding of high efficiency demonstration equipment.

The power factor improvement program will provide financial incentives to customers in the form of a loan to be repaid in instalments on the customers' monthly MERALCO bill.

Financial incentives for the load factor improvement program will be considered is the pilot program indicates that they are required by customers to improve their load factor.

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- customers who participate in the program experience significant bill savings offset by an insignificant increase due to the tariff increase; and
- customers who don't participate in the program experience insignificant increases in their bills; and
- if this bothers them, they are free to participate in the program and achieve the savings.

MERALCO proposes a provisional residential automatic tariff adjustment of $xx \text{ P/kWh} (S/\text{rws})$ to recover net losses over the life of the projected residential CFL program effects with a present value of $P \text{ zz} (S/\text{rws})$ when discounted at $d\% (S/\text{rws})$. This could be reviewed when the program goes into full implementation.

It is proposed that pilot results be used to:

- adjust cost recovery for the pilot; and
- adjust the final cost recovery rate.

It is suggested that adjustment of the cost recovery rate be made no more frequently than every six months and no less frequently than every year. More frequent adjustments would be an inefficient use of NERALCO and ERB resources. Less frequent adjustments could cause actual and recovered costs to diverge.

6. IMPLEMENTATION PLAN

6.1 Proposed Implementation Process

Considering the available resources, of the eight programs that have initially been identified, it is proposed to undertake seven DSM programs in the first year (1998) and the remaining program will commence in the second year (1999). The second year (1999) would also include continuation of some of the programs undertaken in 1998. During these two years it is intended to develop a comprehensive customer database which would be used as a resource in designing other programs for future years.

6.1.1 Programs for 1998

The following programs have been scheduled to be implemented in 1998:-

- . Compact Fluorescent Lighting Program
- . Green Buildings Program
- . Industrial Efficiency Program
- . Industrial Demonstration Program
- . Power Factor Correction Program
- . Load Factor Improvement Program
- . Streetlight Conversion Program

The Green Buildings and Industrial Efficiency Programs will be implemented through an ESCO. The steps involved in setting up an ESCO has been included in the schedule. The programs will be subject to an evaluation at the end of the year and based on the outcomes, a decision to cease, modify or continue the programs will be made.

6.1.2 Programs for 1999

In addition to programs from 1998 that continue, the following programs and activities are scheduled to be implemented in 1999:-

- . Load Research
- . Major Program Review

The major program review would include all nine programs and the

6.1.3 Programs for 2000 to 2002

The programs to be undertaken during this period would be dependent on the load shape and corporate objectives achieved during 1998 and 1999. It is likely to include the continuation of all or some of the initial programs. In addition, the following programs will be considered :

- Promotion of efficient air conditioners and other appliances
- Promotion of high efficiency fluorescent lamps
- Promotion of high efficiency motors and variable speed drives.

6.2 Timeline Chart of Activities and Milestones

The Gantt Charts covering tasks and milestones for each of the five programs for 1998 and 1999 are detailed in the following sheets. The schedules are based on obtaining Energy Regulatory Board approval by the end of February 1998.

7. MEASURING DSM PROGRAM RESULTS

5 (i) 1 e & j
6 b

7.1 Monitoring

5 (i) 2 c

The following monitoring procedures will be adopted for each of the programs:

7.1.1 Compact Fluorescent Lighting Program

The procedure to be adopted for this program involves the setting up of a database of relevant information from each of the participating customers. The database would include the following information:

- Customer name, address and electricity account number
- Date and number of CFLs purchased
- Date of first and last payments
- Customer estimate of hours of usage/day per CFL
- Calculation of energy and demand savings
- Details of CFLs returned and reasons

In addition, the database would assist in tracking customers who have purchased the maximum number of lamps.

7.1.2 Green Buildings Program

This program is implemented through ESCOs on performance based contracts. The saving forecasts made in the detailed energy audits for each site will be compared with the actual savings that are achieved after implementation.

7.1.3 Industrial Efficiency Program

The impacts of the program will be measured directly from the billing information of the specific industrial sites where energy saving measures have been implemented. In addition, the load profiles of the sites will be monitored continuously before and after implementation of the measures.

7.1.4 Industrial Demonstration Program

The effectiveness of the energy saving measures undertaken at the three sites will be measured using the monitoring equipment already installed at the sites and the subsequent billing information.

7.1.5 Power Factor Correction Program

This program is implemented through contractors on performance based contracts and will be compensated based on measured results. The saving forecasts made in the assessments for each site will be compared with the actual savings that are achieved after installation of capacitor banks.

7.1.6 Load Factor Improvement Program

The status of the adopted load factor improvement measures will be monitored through regular telephone interviews and site visits of program participants. In addition, monitoring of monthly energy and demand data from meter and billing records will be undertaken. Participants will be requested to submit reports on adopted measures.

7.1.7 Streetlight Conversion Program

This program has already commenced and the number of retrofits undertaken each month will be recorded.

7.1.8 Load Research

In addition to the above, the costs associated with the program will be monitored.

7.2 Evaluation

All proposed programs will be evaluated upon completion, except in the case of the CFL Program which would be also evaluated midway when any revisions to program delivery would be made. As required by the DSM Framework the programs will be subject to an annual evaluation based on the methodology outlined in Section 4.

8. APPENDICES

8.1 Forecast

5 (i) 1 c
5 (i) 2 a & b

8.1.1 Historical and Projected Data

Year	Residential	Commercial	Industrial	Streetlight	Total
1987	1 528 695	159 407	3 972	3 174	1 695 248
1988	1 584 028	169 320	4 003	3 265	1 760 616
1989	1 651 183	180 538	4 390	3 448	1 839 559
1990	1 728 820	185 245	10 439	3 395	1 927 899
1991	1 818 553	192 525	11 144	3 097	2 025 319
1992	1 935 736	201 384	11 099	3 382	2 151 581
1993	2 072 642	209 159	11 719	3 562	2 297 082
1994	2 234 052	226 889	12 246	3 789	2 476 976
1995	2 406 959	237 576	12 936	4 044	2 661 515
1996 (base)	2 596 687	255 640	13 073	4 132	2 869 532
1997	2 822 007	266 849	13 367	4 303	3 106 526
1998	2 877 716	276 228	13 769	4 396	3 172 109
1999	2 932 596	282 201	14 214	4 487	3 233 498
2000	2 987 251	289 150	14 702	4 578	3 295 681
2001	3 040 966	296 253	15 217	4 667	3 357 103
2002	3 093 737	304 191	15 765	4 755	3 418 448
2003	3 145 542	312 310	16 342	4 841	3 479 035
2004	3 196 308	320 675	16 956	4 925	3 538 864
2005	3 246 054	329 313	17 610	5 008	3 597 985
2006	3 294 458	338 225	18 311	5 088	3 656 082
2007	3 342 013	347 476	19 059	5 167	3 713 715
2008	3 388 163	357 055	19 859	5 244	3 770 321
2009	3 432 953	366 998	20 713	5 313	3 825 932
2010	3 476 271	377 332	21 609	5 380	3 880 522
2011	3 518 433	387 898	22 504	5 455	3 931 409
2012	3 559 433	398 698	23 404	5 530	3 983 035
2013	3 600 433	409 698	24 304	5 605	4 035 035
2014	3 641 433	420 698	25 204	5 680	4 087 035
2015	3 682 433	431 698	26 104	5 755	4 139 035
2016	3 723 433	442 698	27 004	5 830	4 191 035
2017	3 764 433	453 698	27 904	5 905	4 243 035
2018	3 805 433	464 698	28 804	5 980	4 295 035
2019	3 846 433	475 698	29 704	6 055	4 347 035
2020	3 887 433	486 698	30 604	6 130	4 399 035
2021	3 928 433	497 698	31 504	6 205	4 451 035
2022	3 969 433	508 698	32 404	6 280	4 503 035
2023	4 010 433	519 698	33 304	6 355	4 555 035
2024	4 051 433	530 698	34 204	6 430	4 607 035
2025	4 092 433	541 698	35 104	6 505	4 659 035
2026	4 133 433	552 698	36 004	6 580	4 711 035
2027	4 174 433	563 698	36 904	6 655	4 763 035
2028	4 215 433	574 698	37 804	6 730	4 815 035
2029	4 256 433	585 698	38 704	6 805	4 867 035
2030	4 297 433	596 698	39 604	6 880	4 919 035
2031	4 338 433	607 698	40 504	6 955	4 971 035
2032	4 379 433	618 698	41 404	7 030	5 023 035
2033	4 420 433	629 698	42 304	7 105	5 075 035
2034	4 461 433	640 698	43 204	7 180	5 127 035
2035	4 502 433	651 698	44 104	7 255	5 179 035
2036	4 543 433	662 698	45 004	7 330	5 231 035
2037	4 584 433	673 698	45 904	7 405	5 283 035
2038	4 625 433	684 698	46 804	7 480	5 335 035
2039	4 666 433	695 698	47 704	7 555	5 387 035
2040	4 707 433	706 698	48 604	7 630	5 439 035
2041	4 748 433	717 698	49 504	7 705	5 491 035
2042	4 789 433	728 698	50 404	7 780	5 543 035
2043	4 830 433	739 698	51 304	7 855	5 595 035
2044	4 871 433	750 698	52 204	7 930	5 647 035
2045	4 912 433	761 698	53 104	8 005	5 699 035
2046	4 953 433	772 698	54 004	8 080	5 751 035
2047	4 994 433	783 698	54 904	8 155	5 803 035
2048	5 035 433	794 698	55 804	8 230	5 855 035
2049	5 076 433	805 698	56 704	8 305	5 907 035
2050	5 117 433	816 698	57 604	8 380	5 959 035
2051	5 158 433	827 698	58 504	8 455	6 011 035
2052	5 199 433	838 698	59 404	8 530	6 063 035
2053	5 240 433	849 698	60 304	8 605	6 115 035
2054	5 281 433	860 698	61 204	8 680	6 167 035
2055	5 322 433	871 698	62 104	8 755	6 219 035
2056	5 363 433	882 698	63 004	8 830	6 271 035
2057	5 404 433	893 698	63 904	8 905	6 323 035
2058	5 445 433	904 698	64 804	8 980	6 375 035
2059	5 486 433	915 698	65 704	9 055	6 427 035
2060	5 527 433	926 698	66 604	9 130	6 479 035
2061	5 568 433	937 698	67 504	9 205	6 531 035
2062	5 609 433	948 698	68 404	9 280	6 583 035
2063	5 650 433	959 698	69 304	9 355	6 635 035
2064	5 691 433	970 698	70 204	9 430	6 687 035
2065	5 732 433	981 698	71 104	9 505	6 739 035
2066	5 773 433	992 698	72 004	9 580	6 791 035
2067	5 814 433	1 003 698	72 904	9 655	6 843 035
2068	5 855 433	1 014 698	73 804	9 730	6 895 035
2069	5 896 433	1 025 698	74 704	9 805	6 947 035
2070	5 937 433	1 036 698	75 604	9 880	7 000 035
2071	5 978 433	1 047 698	76 504	9 955	7 052 035
2072	6 019 433	1 058 698	77 404	10 030	7 104 035
2073	6 060 433	1 069 698	78 304	10 105	7 156 035
2074	6 101 433	1 080 698	79 204	10 180	7 208 035
2075	6 142 433	1 091 698	80 104	10 255	7 260 035
2076	6 183 433	1 102 698	81 004	10 330	7 312 035
2077	6 224 433	1 113 698	81 904	10 405	7 364 035
2078	6 265 433	1 124 698	82 804	10 480	7 416 035
2079	6 306 433	1 135 698	83 704	10 555	7 468 035
2080	6 347 433	1 146 698	84 604	10 630	7 520 035
2081	6 388 433	1 157 698	85 504	10 705	7 572 035
2082	6 429 433	1 168 698	86 404	10 780	7 624 035
2083	6 470 433	1 179 698	87 304	10 855	7 676 035
2084	6 511 433	1 190 698	88 204	10 930	7 728 035
2085	6 552 433	1 201 698	89 104	11 005	7 780 035
2086	6 593 433	1 212 698	90 004	11 080	7 832 035
2087	6 634 433	1 223 698	90 904	11 155	7 884 035
2088	6 675 433	1 234 698	91 804	11 230	7 936 035
2089	6 716 433	1 245 698	92 704	11 305	7 988 035
2090	6 757 433	1 256 698	93 604	11 380	8 040 035
2091	6 798 433	1 267 698	94 504	11 455	8 092 035
2092	6 839 433	1 278 698	95 404	11 530	8 144 035
2093	6 880 433	1 289 698	96 304	11 605	8 196 035
2094	6 921 433	1 300 698	97 204	11 680	8 248 035
2095	6 962 433	1 311 698	98 104	11 755	8 300 035
2096	7 003 433	1 322 698	99 004	11 830	8 352 035
2097	7 044 433	1 333 698	99 904	11 905	8 404 035
2098	7 085 433	1 344 698	100 804	11 980	8 456 035
2099	7 126 433	1 355 698	101 704	12 055	8 508 035
2100	7 167 433	1 366 698	102 604	12 130	8 560 035

Table 14 Historical
and Projected
Customer Counts

Year	Residential	Commercial	Industrial	Streetlight	Total
1987	3 044.9	2 931.8	2 768.6	82.6	8 827.8
1988	3 326.5	3 356.7	3 553.4	85.9	10 322.5
1989	3 415.0	3 658.7	3 890.4	88.0	11 052.1
1990	3 593.1	3 813.3	4 069.0	90.0	11 565.4
1991	3 753.6	3 750.8	4 335.1	91.9	11 931.4
1992	3 940.8	3 815.8	4 430.4	92.4	12 279.4
1993	4 029.1	3 781.8	4 333.0	106.8	12 250.7
1994	4 652.4	4 747.0	5 048.2	107.4	14 555.1
1995	5 293.6	5 140.3	5 327.2	115.3	15 876.4
1996 (base)	5 975.8	5 805.1	5 909.2	120.4	17 810.4
1997	6 484.9	6 335.1	6 179.6	122.8	19 122.4
1998	6 956.7	6 835.4	6 798.2	125.0	20 715.3
1999	7 537.4	7 408.9	7 392.3	127.2	22 465.8
2000	8 188.7	8 058.4	8 026.8	129.4	24 403.3
2001	8 885.7	8 738.4	8 731.7	131.6	26 487.4
2002	9 636.2	9 468.4	9 513.3	133.7	28 751.6
2003	10 330.1	10 240.7	10 521.1	135.7	31 227.6
2004	11 051.2	11 100.5	11 620.9	137.8	33 910.4
2005	11 808.5	12 059.1	12 824.7	139.8	36 832.1
2006	12 611.5	13 113.8	14 146.4	141.7	40 013.4
2007	13 465.1	14 276.8	15 593.0	143.6	43 478.5
2008	14 370.4	15 559.0	17 176.1	145.4	47 250.9
2009	15 330.4	16 972.1	18 908.5	147.2	51 358.2
2010	16 364.0	18 507.7	20 808.9	149.0	55 829.6
2011	17 449.1	20 201.3	22 887.7	150.5	60 688.6

Table 15 Historical and Projected Energy Sales (GWh)

Year	Peak Load (MW)	Growth rate
1987	1 923	
1988	2 072	7.7%
1989	2 225	7.4%
1990	2 159	-3.0%
1991	2 350	8.8%
1992	2 386	1.5%
1993	2 398	0.5%
1994	2 695	12.4%
1995	2 901	7.6%
1996 (base)	3 222	11.1%
1997	3 546	10.1%
1998	3 924	10.7%
1999	4 123	5.1%
2000	4 443	7.8%
2001	4 733	6.5%
2002	5 173	9.3%
2003	5 544	7.2%

Table 16 Historical and Projected Peak Load

2004	6 053	8.3%
2005	6 556	8.3%
2006	7 100	8.3%
2007	7 688	8.3%
2008	8 324	8.3%
2009	9 011	8.3%
2010	9 753	8.3%
2011	10 554	8.2%

Year	Sales Growth Rate by Customer Class (%/yr)				Total Sales	Max Demand (MW)
	Residential	Commercial	Industrial	Other		
1996						
1997	8.5%	9.2%	4.6%	2.0%	7.4%	10.1%
1998	7.3%	7.9%	10.0%	1.8%	8.3%	7.8%
1999	8.3%	8.4%	8.7%	1.8%	8.5%	7.8%
2000	8.6%	8.8%	8.6%	1.7%	8.6%	7.9%
2001	8.5%	8.4%	8.8%	1.7%	8.5%	7.8%
2002	8.4%	8.4%	9.0%	1.6%	8.5%	7.9%
2003	7.2%	8.2%	10.6%	1.5%	8.6%	8.0%
2004	7.0%	8.4%	10.5%	1.5%	8.6%	8.3%
2005	6.9%	8.5%	10.4%	1.5%	8.6%	8.3%
2006	6.8%	8.7%	10.3%	1.4%	8.6%	8.3%
2007	6.8%	8.9%	10.2%	1.3%	8.7%	8.3%
2008	6.7%	9.0%	10.2%	1.3%	8.7%	8.3%
2009	6.7%	9.1%	10.1%	1.2%	8.7%	8.3%
2010	6.7%	9.0%	10.1%	1.2%	8.7%	8.3%
2011	6.6%	9.2%	10.0%	1.0%	8.7%	8.3%

Table 17 - Forecast Sales and Demand Growth Rate

Year	Growth Rate (%)				Total
	Residential	Commercial	Industrial	Other	
1996					
1997	8.7%	4.4%	2.2%	4.1%	8.3%
1998	2.0%	3.5%	3.0%	2.2%	2.1%
1999	1.9%	2.2%	3.2%	2.1%	1.9%
2000	1.9%	2.5%	3.4%	2.0%	1.9%
2001	1.8%	2.5%	3.5%	1.9%	1.9%
2002	1.7%	2.7%	3.6%	1.9%	1.8%
2003	1.7%	2.7%	3.7%	1.8%	1.8%
2004	1.6%	2.7%	3.8%	1.7%	1.7%
2005	1.6%	2.7%	3.9%	1.7%	1.7%
2006	1.5%	2.7%	4.0%	1.3%	1.6%
2007	1.4%	2.7%	4.1%	1.6%	1.6%
2008	1.4%	2.8%	4.2%	1.5%	1.6%
2009	1.3%	2.8%	4.3%	1.4%	1.5%
2010	1.3%	2.8%	4.1%	1.1%	1.4%
2011	1.1%	2.8%	4.5%	1.2%	1.3%

Table 18 - Forecast Customer Growth Rate by Customer Class

8.1.2 Forecast Models

8.1.3 Forecast Methodologies

8.1.4 Forecast Assumptions

8.1.5 Alternative Forecasts

6 d (ii)-(v)

8.2 DSM Options

(SjW39)

8.2.1 Data and Assumptions used in Option Analysis

5 (i) 2 e
6 e (i)-(iii)
6 f

8.2.2 Options rejected

5 (i) 2 d

8.2.3 Model Used in Analysis

5 (i) 2 g
6 g

8.2.4 Optimisation by the Cost Effectiveness Test Perspectives

6 (i)

8.2.5 Breakdown of Program Costs

Page: 2
[SJW1] Perhaps we could use a positive expression here, such as "encourage customer loyalty" rather than the negative expression "discourage self generation".

Page: 7
[SJW2] Include 10 year historical data on the graph to give context. Will energy sales really grow exponentially for ever? I assume that this is the official MERALCO forecast, so use it, but be prepared to defend it under questioning from ERB!

Page: 7
[SJW3] We have used this generic paragraph in all of the four case study submissions. Are you happy with it?

Page: 11
[SJW4] I wrote an introductory paragraph, and edited the text to tighten it up a little bit. Please check over it!

Page: 24
[SJW5] This is perhaps a bit disingenuous! You can think of the new rate structure as providing everyone with "incentives" for a low load factor, but in reality the customers that we are talking about here - whose bills WILL GO UP if they do nothing - will first be trying to avoid a penalty rather than to avail themselves of an incentive!

Page: 24
[SJW6] You have listed the customer groups who do not need the program. It would be a good idea to list those that DO need the program. Put them in priority order starting with the lowest load factor groups.

Page: 27
[SJW7] Do you want to mention the IPP?

Page: 28
[SJW8] Make sure that this is correct!

Page: 28
[SJW9] Check that these NPC avoidable costs are correct.

Page: 28
[SJW10] Make sure that this note is right.

Page: 29
[SJW11] JOSEPH: summarise the results of the SRC/COMPASS* technology analysis here. I have included the numbers from one of the other case study utilities. CHANGE these numebrs to the ones that you are using and CHECK that the result matches the SRC/COMPASS* technology analysis!!

Page: 29
[SJW12] Insert the correct result here.

Page:			29
	[SJW13]	Insert the correct result here.	
Page:			29
	[SJW14]	Insert the correct result here.	
Page:			29
	[SJW15]	Insert the correct result here.	
Page:			30
	[SJW16]	CHECK that these numbers match yours. CHANGE if necessary.	
Page:			30
	[SJW17]	CHECK that these numbers match yours. CHANGE if necessary.	
Page:			30
	[SJW18]	Insert the value here for (MERALCO purchases minus MERALCO consumption) divided by MERALCO consumption.	
Page:			30
	[SJW19]	Insert the value here.	
Page:			30
	[SJW20]	Insert the calculated value here.	
Page:			30
	[SJW21]	CHANGE this if you used a different assumption.	
Page:			31
	[SJW22]	... and here.	
Page:			31
	[SJW23]	Say what the price is based on.	
Page:			31
	[SJW24]	Need to make the discount rates consistent.	
Page:			31
	[SJW25]	Make sure you attach them!	
Page:			31
	[SJW26]	If you have any sort of technology-level cost-effectiveness analysis, include it here. or example, if you have the full installed cost of capacity banks per kW of load, and the savings associated with an increment of improvement in power factor, you may be able to indicate the range of power factors where capacitor banks would be cost-effective.	
Page:			32
	[SJW27]	JOSEPH, ANNIE, can you drop the cost-effectiveness analysis for this program in this form here? Include a summary write-up at the front.	
Page:			32
	[SJW28]	Put the values in here.	

Page: 33
[SJW29] Put the values in here.

Page: 33
[SJW30] Insert the value here for (MERALCO purchases minus MERALCO consumption) divided by MERALCO consumption.

Page: 33
[SJW31] Insert the value here.

Page: 33
[SJW32] Insert the number of years life of the lamps here.

Page: 33
[SJW33] Insert the calculated value here.

Page: 33
[SJW34] Say what the price is based on.

Page: 33
[SJW35] Say what the price is based on.

Page: 34
[SJW36] JOSEPH to find eligible market using residential survey results as discussed.

Page: 34
[SJW37] I have made a start. Can you finish a paragraph about the number of customers in the target group (>1MW) and how many are projected to participate in the pilot (and in the full program if possible).

Page: 35
[SJW38] RON: paste in the table from your document DSM_277:\load_f\olfprog.doc. I don't think that we have an electronic copy of this. Our print out is labelled 11/26/97.

Page: 35
[SJW39] ANNIE I think we have the numbers for this, but I don't think we have them electronically. Could you paste the numbers for total number of street lights to be converted in here please?

Page: 35
[SJW40] JOSEPH, fill in this table with the SRC/COMPASS[®] results.

Page: 36
[SJW41] EARL: is this OK? Or have you developed detailed estimates of participation and energy and demand savings?

Page: 36
[SJW42] EARL: complete the numbers in this paragraph and in the table.

Page: 37
 [SJW43] RON: Perhaps summarize the results here. Is this data included in the RMI / USAID documents? Make sure you attach them!

Page: 37
 [SJW44] Help out a poor mechanical engineer: Is "apparent power" the correct term for the vector sum of active and reactive power, i.e. the hypotenuse of the power triangle?

Page: 38
 [SJW45] ANNIE I think we have the numbers for this, but I don't think we have them electronically. Could you paste the numbers for total energy savings in here please?

Page: 41
 [SJW46] The reduced supply costs value goes here -- it is equal to the present value of the energy and demand savings with the allowance for losses multiplied by the avoidable cost.

Page: 41
 [SJW47] The present value of the gross revenue loss plus the program costs goes here.

Page: 41
 [SJW48] xx minus yy goes here.

Page: 41
 [SJW49] Put the discount rate you are using here.

Page: 41
 [SJW50] Put the SRC/COMPASS® tariff impact here.

Page: 41
 [SJW51] Put the average MERALCO bill in kWh here.

Page: 41
 [SJW52] Multiply the average residential MERALCO bill by the tariff impact and put it here.

Page: 41
 [SJW53] Put the utility discount rate here.

Page: 41
 [SJW54] I think we should say here that these programs are either:

- pilot programs (green buildings, industrial efficiency, industrial demonstration and power factor correction programs) which will have a negligible impact on rates and that the full program impact on rates will be assessed and submitted to ERB using the pilot program results; or
- have a positive effect on bills and rates -- I think that this is this correct for the load factor improvement program because a customer who reduces a MERALCO-peak coincident kW saves P 195 but MERALCO saves P 290 on their NPC bill.

Page:		42
	(SJW53) Joseph, my back-of-the envelope analysis shows this, but we should perhaps check this in SRC/COMPASS*.	
Page:		43
	(SJW56) Put the tariff impact value in here.	
Page:		43
	(SJW57) put the net revenue loss value in here.	
Page:		43
	(SJW58) Put the correct discount rate in here.	
Page:		50
	(SJW59) Put the long list, the screening process and the results here.	

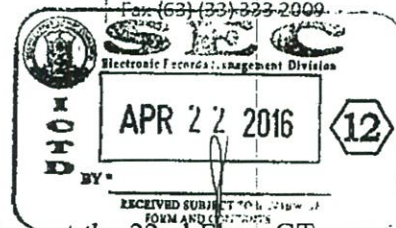


Panay Energy Development Corporation

A **GDO** Company

ANNEX "

Brgy. Incore, La Paz, Iloilo City 6100
Tel. (63) (33) 333 2001
(63) (33) 333 2002
Fax: (63) (33) 333-2009



TREASURER'S CERTIFICATION

I, **Anjanette T. Dy Buncio** of legal age, Filipino and with office address at the 22nd Floor GT Tower International, 6813 Ayala Ave., Cor. HV Dela Costa St., Salcedo Village Makati City after being sworn in accordance with law, hereby certify that:

1. I am the Treasurer of **Panay Energy Development Corporation** (the "Corporation"), a corporation duly organized and existing under and by virtue of the laws of the Republic of the Philippines under SEC Certificate of Registration No. CS200901912 with the principal office address at Brgy. Incore, La Paz, Iloilo City.
2. The Financial Statement ("F/S") disk submitted contains the exact data stated in the hard copies of the F/S of the Corporation.
3. I am executing this certification to attest to the truth of the foregoing and in compliance with the reportorial requirements of the SEC.

WITNESS MY HAND on this APR 12 2016 day of 2016 at City of Makati City.

Anjanette T. Dy Buncio

Treasurer

APR 12 2016

SUBSCRIBED AND SWORN to before me on this day of 2016 at City of Makati, Affiant exhibit to me his Passport with No EB7241397 issued on 25 January 2013 and valid until 24 January 2018 at Manila.

Doc. No. 46
Page No. 18
Book No. 372
Series of 2016.

RUBEN T. M. RAMIRE
NOTARY PUBLIC

UNTIL DEC 31 2018

BP NO. 126355000 2016

ROLL NO. 28947/MCLE-4-NQ.0008324/5/19/12

PTR NO. MKT.5323578-1/4/16 MAKATI CITY

Enlightening Lives. Empowering Progress.

CORPORATE OFFICE

22nd Floor, GT Tower International, 6813 Ayala Avenue corner H.V. Dela Costa St. Salcedo Village 1227 Makati City Philippines
Tel: (632) 464-1600 | Fax: (632) 464-1629



Panay Energy Development Corporation

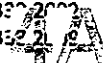
A **GDO** Company

Brgy. Ingore, La Paz, Iloilo City 500

Tel. (63) (33) 333 2001

(63) (33) 333 2002

Fax (63) (33) 333 2003



**STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR FINANCIAL STATEMENTS**

The Management of **Panay Energy Development Corporation** is responsible for the preparation and fair presentation of the financial statements as at December 31, 2015 and 2014, and for the years then ended, including the additional components attached therein:

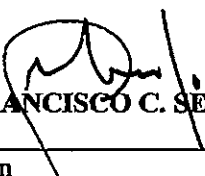
a. Schedule of all the effective standards and interpretations as of reporting date

in accordance with Philippine Financial Reporting Standards. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

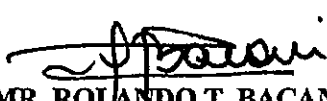
The Board of Directors reviews and approves the financial statements and submits the same to the stockholders.

Sycip Gorres Velayo & Co., the independent auditors, appointed by the stockholders has examined the financial statements of the company in accordance the Philippine Standards on Auditing, and in its report to the stockholders or members, has expressed its opinion on the fairness of presentation upon completion of such examination.

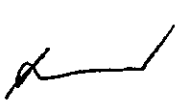
PANAY ENERGY DEVELOPMENT CORPORATION


MR. FRANCISCO C. SEBASTIAN

Chairman


MR. ROLANDO T. BACANI

President


MS. ANJANETTE T. DY BUNCIO

Treasurer

Signed this 17th day of Feb., 2016

Enlightening Lives. Empowering Progress.

CORPORATE OFFICE

22nd Floor, GT Tower International, 6813 Ayala Avenue corner H.V. Dela Costa St. Salcedo Village 1227 Makati City Philippines

Tel: (632) 464-1600 | Fax: (632) 464-1629

COVER SHEET

for

AUDITED FINANCIAL STATEMENTS

SEC Registration Number

C S 2 0 0 9 0 1 9 1 2

COMPANY NAME

PANAY ENERGY DEVELOPMENT CORPORATION
(A WHOLLY OWNED SUBSIDIARY OF PANAY POWER HOLDINGS CO. R.P. CORPORATION)

PRINCIPAL OFFICE (No. / Street / Barangay / City / Town / Province)

BARANGAY INGORE, LA PAZ, ILOILO CITY

Form Type

A A F S

Department requiring the report

S E C

Secondary License Type, If Applicable

N / A

COMPANY INFORMATION

Company's Email Address

N/A

Company's Telephone Number/s

(02) 818-5931

Mobile Number

N/A

No. of Stockholders

6

Annual Meeting (Month/Day)

04/16

Fiscal Year (Month/Day)

12/31

CONTACT PERSON INFORMATION

The designated contact person **MUST** be an Officer of the Corporation

Name of Contact Person

Atty. Amanda R. Abrera-Bengson

Email Address

Amanda.Bengson@globalpower.com.ph

Telephone Number/s

(02) 464-1600

Mobile Number

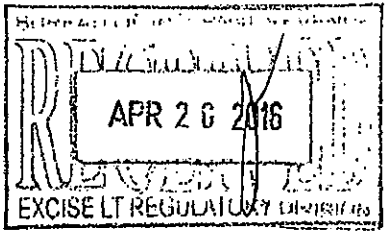
N/A

Contact Person's Address

22nd Floor, GT Tower International 6813 Ayala Avenue corner H.V. Dela Costa St. Makati City

NOTE 1 : In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

2 : All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.



INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
Panay Energy Development Corporation
Barangay Ingore, La Paz
Iloilo City

Report on the Financial Statements

We have audited the accompanying financial statements of Panay Energy Development Corporation (a wholly owned subsidiary of Panay Power Holdings Corporation), which comprise the statements of financial position as at December 31, 2015 and 2014, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

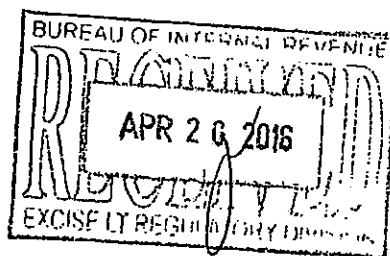
Management is responsible for the preparation and fair presentation of these financial statements in accordance with Philippine Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Philippine Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Panay Energy Development Corporation as at December 31, 2015 and 2014, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards.

Report on the Supplementary Information Required Under Revenue Regulations 15-2010

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Revenue Regulations 15-2010 in Note 24 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management of Panay Energy Development Corporation. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

John T. Villa

John T. Villa

Partner

CPA Certificate No. 94065

SEC Accreditation No. 0783-AR-2 (Group A),

May 1, 2015, valid until April 30, 2018

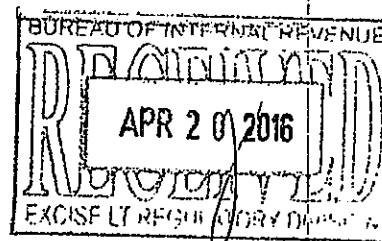
Tax Identification No. 901-617-005

BIR Accreditation No. 08-001998-76-2015,

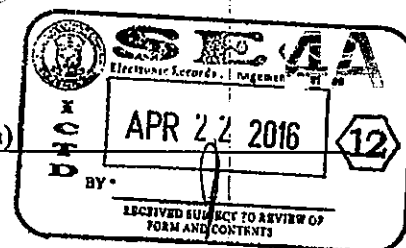
February 27, 2015, valid until February 26, 2018

PTR No. 5321708, January 4, 2016, Makati City

February 17, 2016

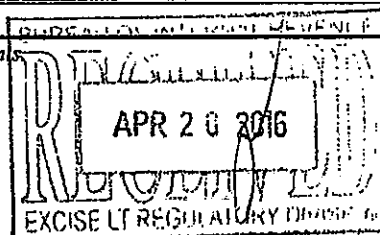


PANAY ENERGY DEVELOPMENT CORPORATION
(A Wholly Owned Subsidiary of Panay Power Holdings Corporation)
STATEMENTS OF FINANCIAL POSITION



	December 31	
	2015	2014
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 4 and 20)	₱7,320,584,356	₱5,213,433,401
Receivables (Notes 5, 17 and 20)	1,440,342,943	1,509,575,773
Inventories (Note 6)	283,310,831	197,126,272
Advances to suppliers and contractors	32,737,511	32,453,026
Prepaid expenses and other current assets (Note 7)	634,716,597	196,155,346
Total Current Assets	9,711,692,238	7,148,743,818
Noncurrent Assets		
Property, plant and equipment (Note 8)	21,120,669,923	14,587,500,277
Deferred income tax assets - net (Note 19)	16,392,660	16,961,059
Other noncurrent assets (Notes 9 and 20)	366,639,609	465,642,661
Total Noncurrent Assets	21,503,702,192	15,070,103,997
TOTAL ASSETS	₱31,215,394,430	₱22,218,847,815
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and accrued expenses (Notes 10 and 20)	₱2,126,595,472	₱1,043,916,518
Dividends payable (Note 18)	1,200,000,000	1,100,000,000
Due to related parties (Notes 17 and 20)	2,249,513	2,762,778
Current portion of long-term loans payable (Notes 11 and 20)	1,053,799,568	1,052,803,759
Total Current Liabilities	4,382,644,553	3,199,483,055
Noncurrent Liabilities		
Long-term loans payable - net (Notes 11 and 20)	15,231,109,679	9,465,950,352
Retirement benefit obligation (Note 14)	95,557,546	117,604,813
Provisions (Note 12)	275,755,715	296,269,590
Total Noncurrent Liabilities	15,602,422,940	9,879,824,755
Total Liabilities	19,985,067,493	13,079,307,810
Equity (Notes 1 and 18)		
Capital stock, ₱100 par value		
Authorized - 15,000,000 shares		
Issued - 15,000,000 shares in 2015		
and 8,129,000 shares in 2014	1,500,000,000	812,900,000
Additional paid-in capital	9,471,100,000	5,187,100,000
Deposits for future stock subscription	—	3,000,000,000
Other comprehensive loss	(2,292,722)	(35,550,369)
Retained earnings	261,519,659	175,090,374
Total Equity	11,230,326,937	9,139,540,005
TOTAL LIABILITIES AND EQUITY	₱31,215,394,430	₱22,218,847,815

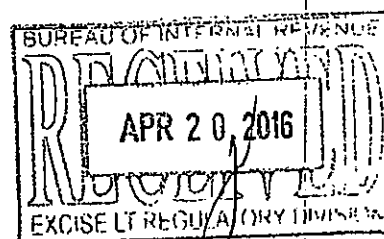
See accompanying Notes to Financial Statements



PANAY ENERGY DEVELOPMENT CORPORATION
(A Wholly Owned Subsidiary of Panay Power Holdings Corporation)
STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31	
	2015	2014
NET FEES (Note 1)	₱6,179,311,106	₱6,427,110,232
COSTS AND EXPENSES		
Power plant operations and maintenance costs (Note 13)	2,483,445,223	2,579,794,509
Depreciation (Note 8)	614,839,758	614,023,503
Taxes and licenses	290,628,011	204,592,678
Outside services	224,409,409	256,074,268
Personnel costs (Note 14)	163,444,536	142,331,081
Provision for other liabilities	68,617,544	64,478,071
Insurance	50,365,324	48,210,315
Provision for doubtful accounts (Notes 5 and 9)	34,365,701	171,230,440
Travel and representation	20,793,672	18,749,695
Professional fees	4,918,227	4,502,400
Telecommunication and postage	3,528,567	3,467,250
Supplies	2,131,659	1,599,410
Rent and utilities	328,850	977,273
Others	44,431,519	34,461,039
	4,006,248,000	4,144,491,932
FINANCE COSTS - net (Note 15)	972,955,347	1,082,329,232
OTHER INCOME - net (Note 16)	72,636,648	8,788,966
INCOME BEFORE INCOME TAX	1,272,744,407	1,209,078,034
PROVISION FOR (BENEFIT FROM) DEFERRED INCOME TAX (Note 19)	(13,684,878)	68,030,592
NET INCOME	1,286,429,285	1,141,047,442
OTHER COMPREHENSIVE INCOME (LOSS)		
<i>Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods:</i>		
Remeasurement income (loss) on retirement benefits, net of deferred income tax (Note 14)	33,257,647	(27,604,199)
TOTAL COMPREHENSIVE INCOME	₱1,319,686,932	₱1,113,443,243

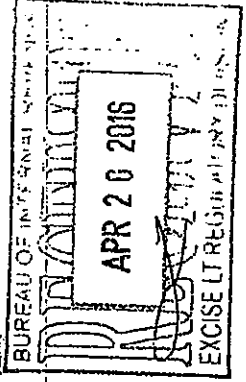
See accompanying Notes to Financial Statements.



PANAY ENERGY DEVELOPMENT CORPORATION
(A Wholly Owned Subsidiary of Panay Power Holdings Corporation)
STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2015 and 2014

	Capital Stock	Additional Paid-in Capital	Deposits for Future Stock Subscriptions	Other Comprehensive Income (Loss)	Retained Earnings	Total
Balances at January 1, 2014	₱554,400,000	₱3,894,600,000	₱1,551,000,000	(₱7,946,170)	₱134,042,932	₱6,126,096,762
Conversion of deposits for future stock subscription (Note 18)	258,500,000	1,292,500,000	(1,551,000,000)	-	-	-
Additional deposits for future stock subscription (Note 18)	-	-	3,000,000,000	-	-	3,000,000,000
Cash dividends declared (Note 18)	-	-	-	-	(1,100,000,000)	(1,100,000,000)
Net income for the year	-	-	-	-	1,141,047,442	1,141,047,442
Other comprehensive loss	-	-	-	(27,604,199)	-	(27,604,199)
Total comprehensive income	-	-	-	(27,604,199)	1,141,047,442	1,113,443,243
Balances at December 31, 2014	812,900,000	5,187,100,000	3,000,000,000	(35,550,369)	175,090,374	9,139,540,005
Additional deposits for future stock subscription (Note 18)	-	-	1,971,100,000	-	-	1,971,100,000
Conversion of deposits for future stock subscription (Note 18)	687,100,000	4,284,000,000	(4,971,100,000)	-	-	-
Cash dividends declared (Note 18)	-	-	-	-	(1,200,000,000)	(1,200,000,000)
Net income for the year	-	-	-	-	1,286,429,285	1,286,429,285
Other comprehensive income	-	-	-	33,257,647	-	33,257,647
Total comprehensive income	-	-	-	33,257,647	1,286,429,285	1,319,686,932
Balances at December 31, 2015	₱1,500,000,000	₱9,471,100,000	₱-	(₱2,292,722)	₱261,519,659	₱11,230,326,937

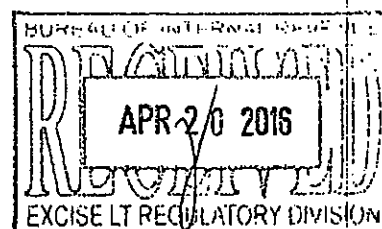
See accompanying Notes to Financial Statements.



PANAY ENERGY DEVELOPMENT CORPORATION
(A Wholly Owned Subsidiary of Panay Power Holdings Corporation)
STATEMENTS OF CASH FLOWS

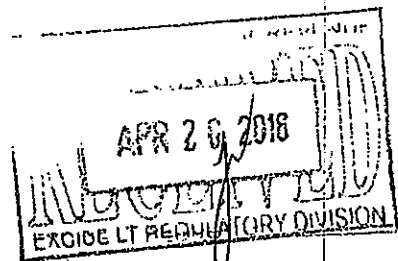
	Years Ended December 31	
	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	₱1,272,744,407	₱1,209,078,034
Adjustments for:		
Interest expense (Note 11)	1,016,676,877	1,124,380,629
Depreciation (Note 8)	614,839,758	614,023,503
Provision for other liabilities	68,617,544	64,478,071
Provision for doubtful accounts (Note 5)	34,365,701	171,230,440
Retirement benefit expense (Note 14)	29,166,143	14,060,069
Amortization of deferred financing cost (Note 11)	19,841,021	20,867,006
Accretion of decommissioning liability (Notes 12 and 15)	1,652,098	1,597,070
Interest income (Note 15)	(56,883,425)	(35,894,952)
Net unrealized foreign exchange gain	(18,980,368)	(6,700,321)
Adjustment on discount on long-term receivables (Notes 9 and 15)	(8,331,224)	(28,620,521)
Gain on disposal of property and equipment (Notes 8 and 16)	(183,483)	(36,870)
Operating income before working capital changes	2,973,525,049	3,148,462,158
Decrease (increase) in:		
Receivables	124,600,203	42,855,149
Prepaid expenses and other current assets	(438,561,251)	226,042,109
Inventories	(86,184,559)	86,210,139
Advances to suppliers and contractors	(284,485)	-
Increase (decrease) in:		
Accounts payable and accrued expenses (Note 23)	40,679,844	(100,369,270)
Provisions	(75,904,097)	12,135,409
Net cash flows from operations	2,537,870,704	3,415,335,694
Interest received	69,985,963	36,074,716
Interest paid	(1,185,463,371)	(1,147,373,232)
Contribution to the retirement fund (Note 14)	(3,247,057)	-
Benefits paid (Note 14)	(455,429)	-
Net cash flows from operating activities	1,418,690,810	2,304,037,178
CASH FLOWS FROM INVESTING ACTIVITIES		
Collection from financial assistance to PECO (Note 9)	28,000,000	28,000,000
Proceeds from disposal of property and equipment (Note 8)	719,941	574,106
Additions to property, plant and equipment (Notes 8, 21 and 23)	(5,988,846,929)	(1,725,685,330)
Decrease (increase) in other noncurrent assets	(2,100,379)	890,435
Net cash flows used in investing activities	(5,962,227,367)	(1,696,220,789)

(Forward)



	Years Ended December 31	
	2015	2014
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long-term debt (Note 11)	₱7,000,000,000	₱-
Additional deposits for future stock subscription (Note 18)	1,971,100,000	3,000,000,000
Payments of:		
Cash dividends (Note 18)	(1,100,000,000)	(1,200,000,000)
Long-term debt (Note 11)	(1,072,941,177)	(1,072,941,176)
Financing cost (Note 11)	(180,744,708)	-
Increase (decrease) in due to related parties	(513,265)	165,244
Net cash flows from financing activities	6,616,900,850	727,224,068
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	33,786,662	6,700,321
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,107,150,955	1,341,740,778
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	5,213,433,401	3,871,692,623
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	₱7,320,584,356	₱5,213,433,401

See accompanying Notes to Financial Statements.



PANAY ENERGY DEVELOPMENT CORPORATION
(A Wholly Owned Subsidiary of Panay Power Holdings Corporation)
NOTES TO FINANCIAL STATEMENTS

1. Corporate Information

Panay Energy Development Corporation (PEDC or the Company) was registered with the Philippine Securities and Exchange Commission (SEC) on February 27, 2009, primarily to carry on the general business of generating power, derived from coal, fossil fuel, geothermal, nuclear, natural gas, hydroelectric and other viable sources of power, for lighting and power purposes and whole selling the electric power to the National Power Corporation, private electric cooperatives, and for the carrying on of all business incident hereto, including but not limited to the sale of the by-products of power generation, e.g. steam, water, etc., to acquire, build, construct, own maintain, and operate all necessary and convenient buildings, structures, dams, machinery, substations, transmission lines, poles, wires, and other things and devices, to acquire and hold water and flowage rights and to acquire, lease hold, occupy, or use land rights of way and easement therein, and to purchase and/or import raw materials, equipment and spare parts to be used for its business as power generator.

The Company owns and operates a 2x82 MW clean coal power plant complex in La Paz, Iloilo City. It is expanding its existing operations through the construction of a 1x150 MW clean coal plant.

The Company is a wholly owned subsidiary of Panay Power Holdings Corporation (PPHC). PPHC is 89.30% owned by Global Business Power Corporation (GBPC), 8.00% owned by La Filipina Uy Gongco Corporation (LFUGC) and 2.70% owned by Delta Pi Limited (DPL). As of December 31, 2015, GBPC is 4.73% owned by First Metro Investment Corp. (FMIC), 22.00% owned by Meralco PowerGen Corporation (MGen), 22.00% owned by Orix P & E Philippines Corporation (Orix P&E) and 51.27% owned by GT Capital Holdings, Inc. (GT Capital, the ultimate parent company).

On February 25, 2010, GBPC assigned its rights and obligations under the construction contracts, among others, to the Company by way of an Assignment and Assumption Agreement.

The Company was registered with the Board of Investments (BOI) under the provisions of the Omnibus Investments Code as a new operator of 2x82 MW clean coal-fired power generation plant in Panay under BOI registration number 2008-171 granted on July 24, 2008, initially under the name of GBPC. It has been transferred under the Company's name upon its incorporation. Under the terms of its registration, the Company is subject to certain requirements, principally: (a) that the Company should start operations in December 2011, (b) that the Company should increase its capital stock to at least ₱4,450.00 million and (c) that the Company should secure a Certificate of Compliance (COC) from Energy Regulatory Commission (ERC) prior to the start of its commercial operations. The Company's paid-up capital amounted to ₱10,971.10 million and ₱6,000.00 million as of December 31, 2015 and 2014, respectively.

The Company has an additional registration with BOI as expanding operator of 150 MW coal-fired power plant under BOI registration number 2014-110 granted on July 22, 2014.



The Company is entitled to several incentives including an Income Tax Holiday (ITH) for six years from March 31, 2011, or actual start of commercial operations, whichever is earlier but in no case earlier than the date of registration. Incentive granted to the 1x150 MW expansion is for 3 years.

PEDC entered into various Electric Power Purchase Agreements (EPPAs) with Iloilo I Electric Cooperative, Inc. (ILECO-1), Iloilo II Electric Cooperative, Inc. (ILECO-2), Iloilo III Electric Cooperative, Inc. (ILECO-3), Panay Electric Company (PECO), Aklan Electric Cooperative, Inc. (AKELCO), Capiz Electric Cooperative, Inc. (CAPELCO) and Antique Electric Cooperative, Inc. (ANTECO). These agreements provide for, among others, the agreed minimum supply levels and electricity fees, denominated in Philippine peso, and payment of fees/penalty or liquidated damages in the event of termination of agreement under certain circumstances, and the recovery of any costs incurred as a result of change in circumstances including change in any laws or regulations of the Philippines, among others, from PEDC's customers.

Under the EPPAs, PEDC is committed to supply electricity during a 25-year cooperation period which shall commence on commercial operations date, which occurred on March 26, 2011. In the case of ILECO I the cooperation period began on April 26, 2011.

PEDC declared commercial operations for its 2x82MW generating units on March 26, 2011.

Philippine Phosphate Fertilizer Corporation (PHILPHOS)

The Company entered into an agreement with PHILPHOS for a contracted capacity of 4.0 MW. Starting January 2012, the Company billed PHILPHOS for energy supplied. However, in 2014, no sale of energy was recognized for PHILPHOS due to its rehabilitation caused by Typhoon Yolanda. Under the provisions of the supply agreement with PHILPHOS, the contract may be suspended due to the occurrence of a force majeure event subject to an extension equivalent to the number of days of the suspension. In 2015, the Company resumed to deliver power to PHILPHOS but based on the reduced minimum energy off-takes as agreed with the customer.

The Company recognized net fees amounting to ₱6,179.31 million and ₱6,427.11 million, net of discount of ₱21.50 million and ₱14.42 million for the years ended December 31, 2015 and 2014, respectively.

In 2014, the Company started the construction of its expansion project (the Project) in its existing Panay Coal Plant Facility located in Iloilo City. The Project is related to designing, developing, procuring, constructing, operating and maintaining a 1x150 MW gross Circulating Fluidized Bed (CFB) coal-fired power plant. The construction is expected to be completed in 2016.

The registered principal office address of the Company is Brgy. Ingore, La Paz, Iloilo City.

The financial statements of the Company as of and for the years ended December 31, 2015 and 2014 were authorized for issue by the Board of Directors (BOD) on February 17, 2016.

2. Basis of Preparation, Statement of Compliance and Summary of Significant Accounting Policies

Basis of Preparation

The accompanying financial statements have been prepared under the historical cost basis. The financial statements are presented in Philippine peso (₱), which is the Company's functional currency. All values are rounded to the nearest peso except when otherwise indicated.



Statement of Compliance

The financial statements of the Company have been prepared in accordance with Philippine Financial Reporting Standards (PFRS).

Changes in Accounting Policies and Disclosures

New and Amended Standards and Interpretations and Improved PFRS Adopted in Calendar Year 2015

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following amended standards and improved PFRS which the Company has adopted starting January 1, 2015. Unless otherwise indicated, the adoption did not have any significant impact on the financial statements of the Company.

Amendments to Philippine Accounting Standards (PAS) 19, *Employee Benefits - Defined Benefit Plans: Employee Contributions*

PAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognize such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service.

Improvements to PFRS

The *Annual Improvements to PFRS* contains non-urgent but necessary amendments to the following standards:

2010-2012 Cycle

- PFRS 2, *Share-based Payment - Definition of Vesting Condition*
- PFRS 3, *Business Combinations - Accounting for Contingent Consideration in a Business Combination*
- PFRS 8, *Operating Segments - Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets*
- PAS 16, *Property, Plant and Equipment*, and PAS 38, *Intangible Assets - Revaluation Method - Proportionate Restatement of Accumulated Depreciation and Amortization*
- PAS 24, *Related Party Disclosures - Key Management Personnel*

2011-2013 Cycle

- PFRS 3, *Business Combinations - Scope Exceptions for Joint Arrangements*
- PFRS 13, *Fair Value Measurement - Portfolio Exception*
- PAS 40, *Investment Property*

New Accounting Standards, Interpretations and Amendments Effective Subsequent to December 31, 2015

The Company will adopt the standards and interpretations enumerated below when these become effective. Except as otherwise indicated, the Company does not expect the adoption of these new and amended standards to have a significant impact on the Company's financial statements.



Effective in 2016:

**Amendments to PAS 16, *Property, Plant and Equipment*, and PAS 38, *Intangible Assets* -
*Clarification of Acceptable Methods of Depreciation and Amortization***

The amendments clarify the principle in PAS 16 and PAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets. The amendments are effective prospectively for annual periods beginning on or after January 1, 2016, with early adoption permitted.

Amendments to PAS 16, *Property, Plant and Equipment*, and PAS 41, *Agriculture - Bearer Plants*

The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of PAS 41. Instead, PAS 16 will apply. After initial recognition, bearer plants will be measured under PAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of PAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, PAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*, will apply. The amendments are retrospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted.

Amendments to PAS 27, *Separate Financial Statements* - *Equity Method in Separate Financial Statements*

The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying PFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. For first-time adopters of PFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to PFRS. The amendments are effective for annual periods beginning on or after January 1, 2016, with early adoption permitted.

PFRS 10, *Consolidated Financial Statements* and PAS 28, *Investments in Associates and Joint Ventures* - *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

These amendments address an acknowledged inconsistency between the requirements in PFRS 10 and those in PAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. These amendments are effective from annual periods beginning on or after January 1, 2016.



Amendments to PFRS 11, *Joint Arrangements - Accounting for Acquisitions of Interests in Joint Operations*

The amendments to PFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business must apply the relevant PFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to PFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party. The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted.

PFRS 14, *Regulatory Deferral Accounts*

PFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of PFRS. Entities that adopt PFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and other comprehensive income. The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. PFRS 14 is effective for annual periods beginning on or after January 1, 2016.

Improvements to PFRS

The Annual Improvements to PFRSs (2012-2014 cycle) are effective for annual periods beginning on or after January 1, 2016 and are not expected to have a material impact on the Company.

- **PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations - Changes in Methods of Disposal***
- **PFRS 7, *Financial Instruments: Disclosures - Servicing Contracts***
- **PFRS 7 - *Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements***
- **PAS 19, *Employee Benefits - Regional Market Issue Regarding Discount Rate***
- **PAS 34, *Interim Financial Reporting - Disclosure of Information 'Elsewhere in the Interim Financial Report'***

Effective in 2018:

PFRS 9, *Financial Instruments* (2014 or final version)

In July 2014, the final version of PFRS 9, *Financial Instruments*, was issued. PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39, *Financial Instruments: Recognition and Measurement*, and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. PFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of PFRS 9 is permitted if the date of initial application is before February 1, 2015.



The adoption of PFRS 9 will have an effect on the classification and measurement of the Company's financial assets and impairment methodology for financial assets, but will have no impact on the classification and measurement of the Company's financial liabilities. The adoption will also have an effect on the Company's application of hedge accounting. The Company is currently assessing the impact of adopting this standard.

The following new standard issued by the International Accounting Standards Board (IASB) has not yet been adopted by the Financial Reporting Standards Council (FRSC):

International Financial Reporting Standards (IFRS) 15, *Revenue from Contracts with Customers*

IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognizing revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2017 with early adoption permitted. The Company is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date once adopted locally. Effective in 2019:

IFRS 16, *Leases*

IFRS 16 was issued in January 2016 which will replace PAS 17, the current leases standard, and the related Interpretations.

Under the new standard, lessees will no longer classify their leases as either operating or finance lease in accordance with PAS 17. Rather, lessees will apply the single-asset model. Under this model, lessees will recognize the assets and related liabilities for most leases on their statements of financial position, and subsequently, will depreciate the lease assets and recognize interest on the lease liabilities in their profit or loss. Leases with a term of 12 months or less for which the underlying asset is of low value are exempted from these requirements.

The accounting by lessors is substantially unchanged as the new standard carries forward the principles of lessor accounting under PAS 17. Lessors, however, will be required to disclose more information in their financial statements, particularly on the risk exposure to residual value.

Deferred Effectivity:

- **Philippine Interpretation IFRIC 15, *Agreements for the Construction of Real Estate***

Summary of Significant Accounting Policies

Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must be met before revenue is recognized:

Net Fees

Net fees consist of energy fees for the energy and services supplied by the Company to its customers after transmission and ancillary charges as provided for in their respective EPPAs with respective customers. Energy fee is recognized based on actual delivery of energy generated and



made available to the customers multiplied by the applicable tariff rate, net of adjustments, as agreed upon between the Company and its customers. Net fees collected from the bilaterals are net of prompt payment discount due to the Company within a specified period of time as stipulated in the EPPAs.

Interest Income

Interest income from bank deposits and short-term investments is recognized as it accrues using the effective interest rate (EIR) method.

Other Income

Other income is recognized for all revenues earned and received other than that of related to power generation. It includes mainly sales of scrap and sludge.

Costs and Expenses

Costs and expenses are decreases in economic benefits during the accounting period in the form of outflows or depletions of assets or incurrence of liabilities that result in decreases in equity, other than those relating to distributions to equity participants. Costs and expenses, such as power plant operations and maintenance costs, outside services, personnel costs, taxes and licenses, professional fees and other administrative charges are generally recognized when the service is used or the expense arises, while interest expense is accrued in the appropriate period.

Cash and Cash Equivalents

Cash includes cash on hand and in banks. Cash in banks earn interest at floating rates based on daily bank deposit rates. Cash equivalents are short-term, highly liquid deposits that are readily convertible to known amounts of cash with original maturities of three months or less from date of placements and that are subject to an insignificant risk of change in value.

Financial Instruments

Financial instruments are recognized in the statements of financial position when the Company becomes a party to the contractual provisions of the instrument. The Company determines the classification of its financial assets on initial recognition and, where allowed and appropriate, re-evaluates this designation at each reporting date.

All regular way purchases and sales of financial assets are recognized on the settlement date. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Financial instruments are recognized initially at fair value of the consideration given (in the case of an asset) or received (in the case of a liability). Except for financial assets at fair value through profit or loss (FVPL), the initial measurement of all financial instruments includes transaction costs.

As of December 31, 2015 and 2014, the Company's financial assets are in the nature of loans and receivables while the Company's financial liabilities are in the nature of other financial liabilities.

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not classified as financial assets held for trading, designated as AFS investments or designated as FVPL.



Loans and receivables are recognized initially at fair value, which normally pertains to the billed amount. After initial measurement, loans and receivables are measured at amortized cost using the EIR method, less allowance for impairment losses. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the EIR. The losses arising from impairment of receivables are recognized in statements of comprehensive income. The level of allowance for impairment losses is evaluated by management on the basis of factors that affect the collectability of accounts (see accounting policy on *Impairment of Financial Assets Carried at Amortized Cost*).

Loans and receivables are classified as current when they are expected to be realized within 12 months from the reporting date or within the normal operating cycle, whichever is longer. Otherwise, these are classified as noncurrent assets.

This accounting policy relates to the Company's "Cash and cash equivalents", "Short-term investment", "Receivables", "Due from related parties" and long-term trade receivable which are included in "Other noncurrent assets" in the statements of financial position.

Other Financial Liabilities

Issued financial instruments or their components, which are not designated as at FVPL are classified as other financial liabilities, where the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares. Other financial liabilities are initially recorded at fair value, less directly attributable transaction costs. After initial measurement, other financial liabilities are measured at amortized cost using the EIR method.

Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the EIR.

This accounting policy applies primarily to the Group's "Accounts payable and accrued expenses", "Short-term debt", "Long-term debt", "Dividends payable", "Due to stockholders" and other obligations that meet the above definition (other than liabilities covered by other accounting standards, such as income tax payable).

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not classified as financial assets held for trading, designated as available-for-sale (AFS) investments or designated at FVPL.

Loans and receivables are recognized initially at fair value, which normally pertains to the billable amount. After initial measurement, loans and receivables are measured at amortized cost using the EIR method, less allowance for impairment losses. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the EIR. The amortization, if any, is included in "Finance costs-net" account in the statements of comprehensive income. The losses arising from impairment of receivables are recognized in statement of comprehensive income. The level of allowance for impairment losses is evaluated by management on the basis of factors that affect the collectability of accounts (see accounting policy on *Impairment of Financial Assets Carried at Amortized Cost*).



Loans and receivables are classified as current when they are expected to be realized within twelve (12) months from the reporting date or within the normal operating cycle, whichever is longer. Otherwise, these are classified as noncurrent assets.

This accounting policy relates to the Company's "Cash and cash equivalents", "Receivables", "Due from related parties", long-term notes receivable and long-term trade receivable which are included in "Other noncurrent assets" in the statements of financial position.

Other Financial Liabilities

Issued financial instruments or their components, which are not designated as at FVPL are classified as other financial liabilities, where the substance of the contractual arrangement results in the Company having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares. The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole the amount separately determined as the fair value of the liability component on the date of issue. Other financial liabilities are initially recorded at fair value, less directly attributable transaction costs. After initial measurement, other financial liabilities are measured at amortized cost using the EIR method.

Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the EIR.

Other financial liabilities are presented as current when they are expected to be settled within twelve 12 months from the reporting date or the Company does not have any unconditional right to defer settlement within 12 twelve months from reporting date.

This accounting policy applies primarily to the Company's "Accounts payable and accrued expenses", "Dividends payable" "Due to related parties", and "Loans payable" accounts.

Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to set off the recognized amounts and there is intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. The Company assesses that it has a currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Company and all of the counterparties.

Fair Value Measurement

Fair value is the estimated price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Company.



The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

The fair value of financial instruments traded in active markets at the reporting date is based on their quoted market price or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. When current bid and asking prices are not available, the price of the most recent transaction provides evidence of the current fair value as long as there has not been a significant change in economic circumstances since the time of the transaction.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

"Day 1" Difference

Where the transaction price in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Company recognizes the difference between the transaction price and fair value (a "Day 1" difference) in the statements of comprehensive income. In cases where use is made of data which is not observable, the difference between the transaction price and model value is only recognized in the statements of comprehensive income when the inputs become observable or when the instrument is derecognized. For each transaction, the Company determines the appropriate method of recognizing the "Day 1" difference amount.

Impairment of Financial Assets Carried at Amortized Cost

The Company assesses at each reporting date whether there is objective evidence that a financial or group of financial assets is impaired. Objective evidence includes observable data that comes to the attention of the Company about loss events such as, but not limited to, significant financial difficulty of the counterparty, a breach of contract, such as a default or delinquency in interest or principal payments, probability that borrower will enter bankruptcy or other financial reorganization.



If there is objective evidence that an impairment loss on financial assets carried at amortized cost (e.g., receivables) has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original EIR. Time value of money is generally not considered when the effect of discounting is not material. The carrying amount of the asset shall be reduced either directly or through use of an allowance account. The amount of the loss shall be recognized in the statements of comprehensive income.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

The Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Those characteristics are relevant to the estimation of future cash flows for group of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is reduced by adjusting the allowance account. Any subsequent reversal of an impairment loss is recognized in the profit or loss, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

Derecognition of Financial Assets and Liabilities

Financial Asset

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when:

1. the rights to receive cash flows from the asset have expired;
2. the Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
3. the Company has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Financial Liability

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or has expired.



Inventories

Inventories, which consist of coal, lubricating oil, spare parts and supplies, are stated at the lower of cost and net realizable value (NRV). Cost is determined using the weighted average method. NRV is the current replacement cost. In determining NRV, the Company considers any adjustment necessary for obsolescence.

Advances to Suppliers and Contractors

Advances to suppliers and contractors represent payments to suppliers for various construction projects. These payments are applied to future billing. These are carried at cost.

Other Assets

Input Value-Added Tax (VAT)

Input VAT represents VAT imposed on the Company by its suppliers for the acquisition of goods and services as required by Philippine taxation laws and regulations.

Input VAT, which is presented as part of "Prepaid expenses and other current assets" in the statements of financial position, will be used to offset against the Company's current output VAT liabilities. Input VAT on capitalized assets subject to amortization, and any excess which (1) may be utilized against output VAT beyond 12 months from the reporting date or (2) are being claimed for refund or as tax credits with the Court of Tax Appeals (CTA), are presented as part of "Other noncurrent assets" in the statements of financial position. Input VAT is stated at its estimated NRV.

Creditable Withholding Taxes (CWTs)

CWTs, included in "Prepaid expenses and other current assets" account in the statements of financial position, represent amounts withheld from income subject to expanded withholding taxes. CWTs can be utilized as payment for income taxes provided that these are properly supported by certificates of creditable tax withheld at source to the rules on Philippine income taxation. CWTs which are expected to be utilized as payment for income taxes within 12 months are classified as current assets.

Computer Software and Licenses

Computer software and licenses pertain to software that were purchased, and are initially recognized at cost. Following initial recognition, computer software and licenses are carried at cost less accumulated amortization and any accumulated impairment in value.

The software cost is amortized on a straight-line basis over its estimated useful life of five years, and assessed for impairment whenever there is an indication that the asset may be impaired. The amortization commences when the computer software and licenses are available for use. The amortization period and method for the computer software and licenses are reviewed at each financial year-end. Changes in the estimated useful life is accounted for by changing the amortization period, as appropriate, and treated as changes in accounting estimates.

Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and amortization and accumulated impairment losses, if any. Such cost includes the present value expected for the decommissioning of the power plant at the end of its useful life and capitalized borrowing costs incurred in connection with the construction of the power plant. Capitalization of borrowing costs as part of the cost of property, plant and equipment ceases upon completion of the construction of the power plant.



The initial cost of property, plant and equipment comprises its purchase price, including import duties, non-refundable taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Such cost includes the cost of replacing part of such property, plant and equipment when that cost is incurred if the recognition criteria are met.

Expenditures incurred after the property, plant and equipment have been put into operations, such as repairs and maintenance and overhaul costs, are normally charged to income in the period when the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as additional cost of property, plant and equipment.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated or amortized separately.

Depreciation and amortization is calculated using the straight-line method. The remaining estimated useful lives and the depreciation and amortization method are reviewed periodically to ensure that the periods and method of depreciation and amortization are consistent with the expected pattern of economic benefits from items of property, plant and equipment.

The components of property, plant and equipment and their related estimated useful lives are as follows:

Category	Number of Years
Boilers and powerhouse	25
Electrical distribution system	25
Buildings and land improvements	5 to 25
Other property and equipment	3 to 5

Fully depreciated property, plant and equipment are retained in the accounts until these are no longer in use.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statements of comprehensive income in the year the asset is derecognized.

When assets are retired or otherwise disposed of, the cost and the related accumulated depreciation and amortization and any allowance for impairment loss are removed from the accounts and any resulting gain or loss is credited to or charged against current operations.

Impairment or losses of items of property, plant and equipment, related claims for or payments of compensation from third parties and any subsequent purchase or construction of replacement assets are separate economic events and are accounted for separately.

Land is measured at cost less accumulated impairment losses.

The initial cost of the land consists of its purchase price, including taxes and any directly attributable costs of acquiring the land. Expenditures incurred after the land has been used in operations are normally charged to income in the period the costs are incurred.



Land is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising from derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statements of comprehensive income and any revaluation reserve is transferred to equity.

Construction in progress is stated at cost. This includes the purchase price of the components, cost of testing and other directly attributable cost of bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Construction in progress is not depreciated until such time that the relevant assets are ready for use.

Advances to contractors are recognized as property, plant and equipment when the construction contract specifically provides for advance payments or purchase commitments related to the acquisition or construction of property, plant and equipment. Advances to contractors are stated at cost.

Borrowing Costs

Borrowing costs that are directly attributable to the acquisition or construction of a qualifying asset are capitalized. These borrowing costs are included in the cost of the asset; all other borrowing costs are recognized as expense in the period these are incurred. In determining which borrowing costs satisfy the "directly attributable" criterion, the Company starts from the premise that directly attributable borrowing costs are those which would have been avoided if the expenditure on the qualifying asset had not been made.

Capitalization of borrowing costs commences when the activities to prepare the assets are in progress and expenditures and borrowing costs are being incurred. Borrowing costs are capitalized until the assets are substantially ready for their intended use. Investment income on the temporary investment of the Company's borrowings is deducted from borrowing costs, and only the net amount is capitalized.

Capitalized borrowing costs also include amortized deferred financing cost. This refers to transaction costs incurred in connection with the availment of loan specifically used to finance the on-going construction of power plants.

Deferred Financing Cost

Deferred financing cost, including debt issue costs, represent the fees incurred to obtain project financing and are accounted for as deduction to the related debt. Deferred financing costs are amortized using EIR method over the terms of the related long-term loans.

Impairment of Nonfinancial Assets

Property, plant and equipment and other nonfinancial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If any such indication exists and where the carrying amount of an asset exceeds its estimated recoverable amount, the asset or cash-generating unit (CGU) is written down to its recoverable amount. The estimated recoverable amount is the higher of an asset's net fair value less costs to sell and value in use. The fair value less costs to sell is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date, less incremental costs for disposing of the asset, while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the nonfinancial asset.



For an asset that does not generate largely independent cash inflows, the estimated recoverable amount is determined for the CGU to which the asset belongs. Impairment losses are recognized in the statements of comprehensive income.

Recovery of impairment losses recognized in prior years is recorded when there is an indication that the impairment losses recognized for the asset no longer exist or have decreased. The recovery is recorded in the profit or loss. However, the increased carrying amount of an asset due to a recovery of an impairment loss is recognized to the extent it does not exceed the carrying amount that would have been determined (net of depreciation and amortization) had no impairment loss been recognized for that asset in prior years.

Computer Software and Licenses

Where an indication of impairment exists, the carrying amount of computer software and licenses with a finite useful life is assessed and written down immediately to its recoverable amount.

Retirement Benefit Obligation

The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method.

Defined benefit costs comprise the following:

- Service cost
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in the statements of comprehensive income. Past service costs are recognized when plan amendment or curtailment occurs.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on high quality corporate bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in the statements of comprehensive income.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in other comprehensive income in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods. These are retained in other comprehensive income until full settlement of the obligation.

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Company, nor can they be paid directly to the Company. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the



maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The Company's right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

Payments to the plan are recognized as expenses when employees have rendered service entitling them to the contributions.

Capital Stock

The Company has issued common stock that is classified as equity. Incremental costs directly attributable to the issue of new capital stock are shown in equity as a deduction, net of tax, from the proceeds.

Additional Paid-in Capital

Amount of contribution in excess of par value is accounted for as an additional paid-in capital. Additional paid-in capital also arises from additional capital contribution from the shareholders.

Deposits for Future Stock Subscription

Deposits for future stock subscription represent amounts received by the Company from its stockholders with the intention of issuing fixed number of shares in the future.

Retained Earnings

The amount included in retained earnings includes profit attributable to the Company's equity holders and reduced by dividend on common stock. Dividends on common stock are recognized as a liability and deducted from equity when they are declared. Dividends for the year that are approved after the reporting date are dealt with as an event after the reporting date.

Foreign Currency Denominated Transactions

Transactions in foreign currencies are initially recorded in ₦ using the exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are restated at the functional currency using the rate of exchange prevailing at the reporting date. Foreign exchange differences between rate at transaction date and settlement date or reporting date are credited to or charged against current operations. Nonmonetary items that are measured in terms of historical cost in foreign currency are translated using the exchange rate at the dates of initial transactions.

Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are made by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as an accretion expense. The expense relating to any provision is presented in the statements of comprehensive income, net of any reimbursement.



Decommissioning Liability

The decommissioning liability arose from the Company's obligation, under its Environmental Compliance Certificate, to decommission or dismantle its power plant complex at the end of its useful life. A corresponding asset is recognized as part of property, plant and equipment. Decommissioning costs are provided at the present value of expected costs to settle the obligation using estimated cash flows. The cash flows are discounted at a current pre-tax rate that reflects the risks specific to the decommissioning liability. The unwinding of the discount is expensed as incurred and recognized in the statements of comprehensive income as an accretion expense. The estimated future costs of decommissioning are reviewed annually and adjusted prospectively. Changes in the estimated future costs or in the discount rate applied are added or deducted from the cost of the power plant complex. The amount deducted from the cost of the power plant complex shall not exceed its carrying amount. If the decrease in the liability exceeds the carrying amount of the power plant complex, the excess shall be recognized immediately in the statements of comprehensive income.

Provision for Other Liabilities

The Company recognizes provision for other liabilities which arises from the difference in interpretation of regulatory provisions applicable to the power industry and other charges. The provision is an estimate calculated based on certain factors affecting the Company's performance. The timing of cash outflow of this provision is by its nature, uncertain.

Leases

The determination of whether an arrangement is, or contains a lease, is based on the substance of the arrangement at the inception date and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

A reassessment is made after inception of the lease only if one of the following applies:

- a) there is a change in contractual terms, other than a renewal or extension of the arrangement;
- b) a renewal option is exercised or extension granted, unless that term of the renewal or extension was initially included in the lease term;
- c) there is a change in the determination of whether fulfillment is dependent on a specific asset; or
- d) there is a substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gives rise to the reassessment for scenarios (a), (c) or (d) above, and at the date of renewal or extension period for scenario (b).

Operating Lease - The Company as a Lessee

Leases in which the lessor does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Operating lease payments are recognized as an expense in the statements of comprehensive income on a straight-line basis over the lease term. Prepaid rent is recognized as an asset until such time that the lease is incurred and the related expense is recognized.

Income Taxes

Current Income Tax

Current income tax liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the tax authority. The tax rates and tax laws used to compute the amount are those that have been enacted or substantively enacted as at the reporting date.



Deferred Income Tax

Deferred income tax is provided, using the balance sheet liability method, on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences. Deferred income tax assets are recognized for all deductible temporary differences, unused net operating loss carryover (NOLCO) and carryforward of unused tax credits from excess minimum corporate income tax (MCIT) over regular corporate income tax (RCIT), to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and unused NOLCO and carryforward of unused tax credits from excess MCIT can be utilized.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. Unrecognized deferred income tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred income tax assets to be recovered.

Deferred income tax relating to items recognized directly in equity is recognized in equity and as other comprehensive income in the statements of comprehensive income and not as part of net income.

Deferred income taxes that will reverse during ITH period are not recognized. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Events After the Reporting Date

Post year-end events that provide additional information about the Company's position at the reporting date (adjusting events) are reflected in the financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the financial statements when material.

3. Significant Accounting Judgments and Estimates

The Company's financial statements prepared in accordance with PFRS require management to make judgment and estimates that affect amounts reported in the financial statements and related notes. The judgment and estimate used in the financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the Company's financial statements. Actual results could differ from such estimates.

Judgment

Identifying Provisions for Other Liabilities

The Company determines whether it has a present obligation to recognize a provision arising from the difference in interpretation of regulatory provisions applicable to the power industry and other charges. Management exercises judgment in determining that it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the provisions are based on the probable costs for the resolution or settlement of probable claims of regulators. On the basis of the evaluation, management determines that provisions are recognized in accordance with the criteria of PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*.



Estimates

Estimating Fair Value of Financial Instruments

The PFRS requires that certain financial assets and liabilities be carried at fair value, which requires extensive use of accounting estimates and judgment. While significant components of fair value measurement were determined using verifiable objective evidence (i.e., foreign exchange rates, interest rates, volatility rates), the amount of change in fair value would differ if the Company utilized a different valuation methodology. Any changes in the fair value of these financial assets and liabilities would affect the statements of comprehensive income and statements of changes in equity.

Where the fair value of certain financial assets and financial liabilities recorded in the statements of financial position cannot be derived from active markets, they are determined using internal valuation techniques using generally accepted market valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of liquidity and model inputs such as correlation and volatility for longer dated derivatives, if applicable. The fair values of the Company's financial instruments are presented in Note 20 to the financial statements.

Estimating Impairment of Receivables, Due from Related Parties, Long-term Notes Receivable and Long-term Trade Receivable

The Company reviews its receivables, due from related parties, long-term notes receivable and long-term trade receivables at each reporting date to assess whether an allowance for impairment losses should be recorded in statements of comprehensive income. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of allowance required. Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

The aggregate amount of receivables, due from related parties, long-term notes receivables and long-term trade receivables amounted to ₱1,798.69 million and ₱1,969.02 million as of December 31, 2015 and 2014, respectively (see Notes 5, 9 and 17) net of allowance for impairment losses on receivables amounted to ₱205.60 million and ₱171.23 million as of December 31, 2015 and 2014, respectively (see Note 5).

Estimating NRV of Inventories

The Company provides allowance for inventories whenever utility of inventories becomes lower than cost due to damage, physical deterioration, obsolescence, changes in price levels or other causes (i.e., pre-termination of contracts). The allowance account is reviewed regularly to reflect the accurate valuation in the financial records.

Inventories, at lower of cost and NRV, amounted to ₱283.31 million and ₱197.13 million as of December 31, 2015 and 2014, respectively (see Note 6).

Estimating Useful Lives of Property, Plant and Equipment and Computer Software and Licenses

The Company estimates the useful lives of significant parts of property, plant and equipment, except land, and computer software and licenses based on the period over which the assets are expected to be available for use. The estimated useful lives are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. In addition, the Company's estimation of the useful lives is based on collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by



changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances.

The Company recognized depreciation amounting to ₱614.84 million and ₱614.02 million for the years ended December 31, 2015 and 2014, respectively. The net book values of property, plant and equipment amounted to ₱21,120.67 million and ₱14,587.50 million as of December 31, 2015 and 2014, respectively, while the carrying amount of computer software and licenses amounted to ₱0.28 million as of December 31, 2015 (see Notes 8 and 9).

Estimating Decommissioning Liability

The Company has a legal obligation to decommission or dismantle its power plant asset at the end of its useful life. The Company recognizes the present value of the obligation to dismantle the power plant asset and capitalizes the present value of this cost as part of the balance of the related property, plant and equipment, which are being depreciated and amortized on a straight-line basis over the useful life of the related asset.

Cost estimates expressed at current price levels at the date of the estimate are discounted using a rate of interest of 3.52% and 3.13% per annum in 2015 and 2014, respectively, to take into account the timing of payments. Each year, the provision is increased to reflect the accretion of discount and to accrue an estimate for the effects of inflation, with charges being recognized as accretion of decommissioning liability, included under "Finance costs-net" account in the statements of comprehensive income. Changes in the decommissioning liability that result from a change in the current best estimate of cash flow required to settle the obligation or a change in the discount rate are added to (or deducted from) the amount recognized in the related asset and the periodic unwinding of the discount on the liability is recognized in the statements of comprehensive income as it occurs. While the Company has made its best estimate in establishing the decommissioning provision because of potential changes in technology as well as safety and environmental requirements, plus the actual time scale to complete decommissioning activities, the ultimate provision requirements could either increase or decrease significantly from the Company's current estimates. Decommissioning liability amounted to ₱39.59 million and ₱52.81 million as of December 31, 2015 and 2014, respectively (see Note 12).

Estimating Provision for Other Liabilities

The provision for other liabilities is established based on the Company's best estimate of the amount necessary to settle future or existing obligations with uncertain amount and timing of actual disbursements. As interpretations of local laws and regulations may change and depending on the Group's performance, changes in these estimates could result to a change in the amount of provision. Provision for other liabilities amounted to ₱236.17 million and ₱243.46 million as of December 31, 2015 and 2014, respectively (see Note 12).

Estimating Retirement Benefit Expense

The determination of the Company's obligation and cost for retirement and other post-employment benefits is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. The assumptions described in Note 14 include among others, discount rates and salary increase rates.

Retirement benefit expense amounted to ₱29.17 million and ₱14.06 million for the years ended December 31, 2015 and 2014, respectively. Net retirement benefit obligation amounted to ₱95.56 million and ₱117.60 million as of December 31, 2015 and 2014, respectively (see Note 14).



Estimating Realizability of Deferred Income Tax Assets

The Company reviews its deferred income tax assets at each reporting date and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax assets to be utilized. In addition, no deferred income tax assets were recognized by the Company on future deductible amounts that will be utilized during the ITH period. As of December 31, 2015 and 2014, deferred income tax assets recognized amounted to ₱126.51 million and ₱75.09 million, net of valuation allowance amounting to ₱18.38 million and ₱49.56 million, respectively (see Note 19).

4. Cash and Cash Equivalents

	2015	2014
Cash on hand and in banks	₱1,305,182,080	₱1,257,392,985
Short-term investments	6,015,402,276	3,956,040,416
	₱7,320,584,356	₱5,213,433,401

Cash in banks earns interest at the respective bank deposits rates. Short-term investments earn interest at the short-term investment rates and are made for varying periods of up to three months depending on the immediate cash requirements of the Company.

Interest income arising from short-term investments and bank deposits amounted to ₱53.42 million and ₱35.62 million for the years ended December 31, 2015 and 2014, respectively (see Note 15).

5. Receivables

	2015	2014
Trade receivables - net of noncurrent portion amounting to ₱310.30 million and ₱383.40 million in 2015 and 2014, respectively, (see Note 9)	₱1,625,997,538	₱1,668,335,980
Others	19,941,546	12,470,233
	1,645,939,084	1,680,806,213
Less allowance for impairment losses on trade receivables (see Note 9)	205,596,141	171,230,440
	₱1,440,342,943	₱1,509,575,773

Trade receivables represent outstanding billings for energy fees and passed through costs arising from the delivery of electric power and energy to customers and energy sales to the WESM. The Company's normal credit term is 30 days from the date of receipt of billing and these are non-interest bearing. Trade receivables include uncollected VAT amounting to ₱430.84 million and ₱406.88 million as of December 31, 2015 and 2014, respectively.

In 2014, the Company reclassified its long-term trade receivable from Central Negros Electric Cooperative, Inc. (CENECO) as part of current portion of trade receivables amounting to ₱146.77 million (see Note 9).

Other receivables mainly pertain to employee related receivable transactions and interest receivable.



The Company recognized allowance for impairment losses on trade receivables from PHILPHOS and CENECO amounting to ₱34.37 million and ₱171.23 million in 2015 and 2014, respectively (see Note 9).

Allowance for impairment losses pertain to trade and other receivables which are specifically identified as impaired.

Movements in allowance for impairment losses in 2015 and 2014 are as follows:

	2015	2014
Balances at beginning of year	₱171,230,440	₱—
Provision	34,365,701	171,230,440
Balances at end of year	₱205,596,141	₱171,230,440

6. Inventories

	2015	2014
Coal	₱102,494,376	₱66,171,732
Materials, parts and consumables	177,456,128	124,929,827
Fuel, oil and lubricants	3,360,327	6,024,713
	₱283,310,831	₱197,126,272

The cost of inventories recognized as expense in the statements of comprehensive income amounted to ₱1,800.13 million and ₱2,023.51 million for the years ended December 31, 2015 and 2014, respectively (see Note 13).

7. Prepaid Expenses and Other Current Assets

	2015	2014
Input VAT (see Note 9)	₱598,996,565	₱65,826,467
Prepaid insurance	15,038,569	25,255,951
Security deposits and consumer bonds	10,285,563	1,880,468
Prepaid rent	4,682,917	4,570,150
Creditable withholding taxes	4,458,856	4,458,129
Prepaid real property taxes	—	82,242,293
Others	1,254,127	11,921,888
	₱634,716,597	₱196,155,346

Unutilized input VAT pertains mainly to the VAT imposed on the Company's purchases of goods and services during the construction phase of the plant and commercial operations. These are expected to be offset against output VAT arising from the Company's net fees subject to VAT during the commercial operations. Input VAT on capitalized assets amounting to ₱8.02 million and ₱6.20 million as of December 31, 2015 and 2014, respectively are classified under "Other noncurrent assets" (see Note 9).

Prepaid rent mainly pertains to the advance payment of railways rental and deposit for employee medical benefits and various construction bonds.



Prepaid insurance pertains to Company's insurance premium payments for its properties including the power plant.

Security deposits mainly pertain to deposits for employees' medical benefits, construction bonds, cash bond for the application of land use conversion, among others.

Prepaid expenses and others include prepayments for the Company's various expenses such as fronting fees, occupation fee, and advance financial assistance for electrification fund, among others.



8. Property, Plant and Equipment

2015	Land	Boilers and Powerhouse	Electrical Distribution System	Buildings and Land Improvements	Other Property and Equipment	Construction in Progress	Advances to Contractors	Total
Cost:								
Balances at beginning of year	P444,582,747	P7,571,364,204	P2,660,083,104	P2,386,098,172	P2,073,605,916	P139,252,537	P1,567,120,163	P16,842,106,843
Additions	-	-	-	-	44,487,800	6,913,405,787	208,502,663	7,166,396,250
Transfer	-	-	-	-	-	1,325,456,003	(1,325,456,003)	-
Adjustments	-	(14,879,420)	-	(137,313)	(2,929,141)	-	-	(17,945,874)
Disposal	-	-	-	-	(1,116,071)	-	-	(1,116,071)
Balances at end of year	444,582,747	7,556,484,784	2,660,083,104	2,385,960,859	2,114,048,504	8,378,114,327	450,166,823	23,989,441,148
Accumulated depreciation:								
Balances at beginning of year	-	1,130,531,061	395,901,426	352,012,807	376,161,272	-	-	2,254,606,566
Depreciation	-	303,127,341	106,528,324	96,128,156	109,055,937	-	-	614,839,758
Reclassification	-	-	-	-	(95,486)	-	-	(95,486)
Disposal	-	-	-	-	(579,613)	-	-	(579,613)
Balances at end of year	-	1,433,658,402	502,429,750	448,140,963	484,542,110	-	-	2,868,771,225
Net book values	P444,582,747	P6,122,826,382	P2,157,653,354	P1,937,819,896	P1,629,506,394	P8,378,114,327	P450,166,823	P21,120,669,923
2014								
Cost:								
Balances at beginning of year	P444,582,747	P7,562,657,273	P2,649,517,074	P2,362,575,861	P1,986,451,380	P94,414,091	P1,567,120,163	P15,100,198,426
Additions	-	-	-	1,174,852	27,655,019	140,080,317	-	1,756,030,351
Transfers	-	1,850,524	10,566,030	22,347,459	60,477,858	(95,241,871)	-	-
Adjustments (see Note 12)	-	6,856,407	-	-	-	-	-	6,856,407
Disposal	-	-	-	-	(978,341)	-	-	(978,341)
Balances at end of year	444,582,747	7,571,364,204	2,660,083,104	2,386,098,172	2,073,605,916	139,252,537	1,567,120,163	16,842,106,843
Accumulated depreciation:								
Balances at beginning of year	-	827,872,235	289,685,014	256,307,769	267,159,150	-	-	1,641,024,168
Depreciation	-	302,658,826	106,216,412	95,705,038	109,443,227	-	-	614,023,503
Disposal	-	-	-	-	(441,105)	-	-	(441,105)
Balances at end of year	-	1,130,531,061	395,901,426	352,012,807	376,161,272	-	-	2,254,606,566
Net book values	P444,582,747	P6,440,833,143	P2,264,181,678	P2,034,085,365	P1,697,444,644	P139,252,537	P1,567,120,163	P14,587,500,277



Construction-in-progress mainly represents the on-going site development and construction of PEDC Unit 3 (see Note 1). Construction-in-progress pertaining to PEDC 3 expansion amounted to ₱8,378.11 million and ₱139.25 million as December 31, 2015 and 2014, respectively. Borrowing costs capitalized as part of construction cost amounted to ₱179.63 million, net of interest income amounting to ₱21.40 million, as of December 31, 2015 (see Note 11).

Advances to contractors, which form part of the contract price, were capitalized as part of property, plant and equipment since these advances already constitute purchase commitments for the expansion project and site development. The Company has a total contractual commitments relating to the completion of the expansion projects amounting to ₱450.17 million and ₱1,567.12 million as of December 31, 2015 and 2014, respectively (see Note 21d).

The Company's property, plant and equipment located in the Company's site are mortgaged as collateral to secure the Company's long-term loans payable (see Note 11). As of December 31, 2015 and 2014, the net book value of the property, plant and equipment located in the Company's site amounted to ₱20,637.31 million and ₱12,869.17 million, respectively.

Fully depreciated assets under "Other property and equipment" with a cost of ₱50.31 million and ₱34.37 million as of December 31, 2015 and 2014, respectively, are still being used in the operations.

9. Other Noncurrent Assets

	2015	2014
Long-term trade receivables - net of discount of ₱41.43 million and ₱49.76 million in 2015 and 2014, respectively (see Note 15)	₱310,300,386	₱383,403,818
Long-term notes receivable (see Note 21a)	48,043,333	76,043,333
Input VAT - net of current portion of ₱599.00 million and ₱65.83 million in 2015 and 2014, respectively (see Note 7)	8,018,360	6,195,510
Computer software and licenses	277,530	-
	₱366,639,609	₱465,642,661

Long-term Trade Receivables

PECO

On August 22, 2011, ERC approved, with modification, the agreements between PEDC and PECO on the rates to be used by PEDC upon commercial operation date. Pursuant to the requirements of the ERC, the Company submitted on October 28, 2011 the amount of under-recoveries and the collection scheme for PECO. The amount of under-recoveries from March 26, 2011 to August 10, 2011 computed by PEDC and PECO amounted to ₱617.27 million. The whole amount was recognized as revenue in 2011.

As of December 31, 2015 and 2014, the long-term portion of the related receivable amounting to ₱310.30 million and ₱383.40 million, respectively, was recorded at amortized cost, net of discount of ₱41.43 million and ₱49.76 million in 2015 and 2014, respectively. As of December 31, 2015 and 2014, current portion of the related receivable amounted to ₱98.11 million and ₱108.29 million, respectively (see Note 5).



CENECO

In 2013, the Company and CENECO agreed to settle the outstanding underpayments of CENECO amounting to ₱204.06 million. The Company shall deduct ₱12.00 million from the amount of its under-recovery of ₱204.06 million as discount, thereby leaving the Company a net receivable of ₱192.06 million, including ₱20.83 million VAT. Subject to the approval of the ERC, the period of recovery shall be seven years from the date of the approval of the agreement by the ERC. The Company shall allocate ₱9.00 million for the electrification program of the nine districts covered by CENECO's franchise, to be released to CENECO in twelve equal monthly installments after the ERC approval of the settlement agreement. The ERC approved the settlement agreement in a decision dated December 19, 2013.

In 2014, CENECO filed a petition to the ERC to reconsider the settlement agreement. Consequently, management reclassified the long-term trade receivable from "Other noncurrent assets" to "Receivables" account and recognized allowance for impairment losses on its entire receivable from CENECO amounting to ₱171.23 million as of December 31, 2014.

Long-term Notes Receivable

Long-term notes receivable pertain to the Company's loan to PECO as assistance to build a sub transmission line, payable in equal monthly installments within five years commencing on the sixth month after the date of the last release of the loan balance subject to the interest rate of 9% per annum. In 2015 and 2014, collections from financial assistance to PECO amounted to ₱28.00 million (see Note 21a).

Input VAT

Noncurrent of input VAT pertains to input VAT on capitalized assets subject to amortization. The application of input VAT against output VAT was deferred within the estimated useful life of the asset or 5 years whichever is shorter.

Computer Software and Licenses

Computer software and licenses pertain to the cost of software licenses acquired net of accumulated amortization, if any. The amortization of computer software and licenses has not yet started as of December 31, 2015 since the asset is not yet available for use.

10. Accounts Payable and Accrued Expenses

	2015	2014
Trade payables	₱1,296,909,051	₱274,258,120
Output VAT	463,858,450	430,488,844
Accrued expenses:		
Interest (see Note 11)	260,199,796	227,959,558
Service fees	34,091,641	30,309,686
Remittances payable	31,183,163	25,697,943
Regulatory fees	5,314,847	9,698,045
Employee expenses	9,806,530	8,277,317
Others	25,231,994	37,227,005
	₱2,126,595,472	₱1,043,916,518

Trade payable primarily consist of payables to local suppliers for purchases of spare parts, materials and services with payment terms ranging between 30 to 360 days and are non-interest bearing.



The output VAT includes deferred output VAT amounting to ₱430.34 million and ₱406.83 million as of December 31, 2015 and 2014, respectively, on amounts billed by the Company to its bilateral customers that and net settlement with Philippine Electricity Market Corporation (PEMC), in turn have not yet collected from their ultimate customers.

Remittances payable represent statutory payables, contributions and taxes withheld from compensation and income payments to be remitted to the respective government agencies.

Accrued regulatory fees pertain to expenses related to the benefit of host communities as required under Electric Power Industry Reform Act (EPIRA; see Note 22b).

Other payables include accruals for professional fees, utilities and communication charges, among others, incurred related to the current year operations.

11. Long-term Debts

	Facility	December 31	
		2015	2014
Phase I (2x82 MW project)			
<i>Tranche A Lenders</i>			
Loans payable to local banks with interest equal to the seven-year PDEX treasury securities benchmark yield plus 200 basis points	₱5,900,000,000	₱4,030,840,336	₱4,483,008,404
<i>Tranche B Lenders</i>			
Loans payable to local banks with interest equal to the ten-year PDEX treasury securities benchmark yield plus 200 basis points	2,900,000,000	1,981,260,504	2,203,512,605
<i>Tranche C Lenders</i>			
Loans payable to local banks with interest equal to the 12-year PDEX treasury securities benchmark yield plus 200 basis points	5,200,000,000	3,552,605,042	3,951,126,050
	14,000,000,000	9,564,705,882	10,637,647,059
Phase II (1x150 MW project)			
<i>Tranche A Lenders</i>			
Loans payable to local banks with interest equal to the seven-year PDST-R2 treasury securities benchmark yield plus 225 basis points and 200 basis points during construction and post construction, respectively	9,800,000,000	6,236,363,635	—
<i>Tranche B Lenders</i>			
Loans payable to local banks with interest equal to the twelve-year PDST-R2 treasury securities benchmark yield plus 225 basis points and 200 basis points during construction and post construction, respectively	1,200,000,000	763,636,365	—
	11,000,000,000	7,000,000,000	—
Total	25,000,000,000	16,564,705,882	10,637,647,059
Less unamortized deferred financing cost:			
Current	—	(19,141,609)	(20,137,418)
Noncurrent	—	(260,655,026)	(98,755,530)
	—	(279,796,635)	(118,892,948)
	25,000,000,000	16,284,909,247	10,518,754,111
Less current portion of long-term debt, net of deferred financing cost	—	(1,053,799,568)	(1,052,803,759)
	₱25,000,000,000	₱15,231,109,679	₱9,465,950,352



On February 26, 2010, the Company entered into an Omnibus Agreement with various lenders in the aggregate principal amount of up to ₱14,000.00 million (the Phase I Facility) to partially finance the on-going construction of the power plant. The Agreement includes a Project Loan Facility Agreement, a Project Accounts Agreement, a Mortgage Agreement, a Pledge Agreement and an Assignment Agreement. The loan facility shall be paid within 12 years from initial advance and the Company shall pay interest semi-annually.

On March 26, 2015, the Company entered into an Amended and Restated Omnibus Agreement (AROA) with various lenders for an additional aggregate principal amount of up to ₱11,000.00 million (the Phase II Facility) to partially finance the 1 x 150 MW expansion project. The AROA includes a Project Loan Facility Agreement, a Project Accounts Agreement, a Mortgage Agreement, a Pledge Agreement and an Assignment Agreement. The loan facility shall be available to the Company for up to thirty (30) months from loan signing date and will be paid within 12 years from initial advance. The Company shall pay interest semi-annually.

The schedule of repayment for Phase I and II Facilities are as follows:

	Percentage
Semi-annual principal amortization	70
Balloon payment	30
Total	100

Principal repayments for the Phase I loans amounted to ₱1,072.94 million each in 2015 and 2014.

Interest expense incurred in connection with the Phase I loan facility amounted to ₱1,016.68 million and ₱1,124.38 million in 2015 and 2014, respectively, was included as part of "Finance costs-net" in the statements of comprehensive income (see Note 15). Borrowing costs related to Phase II loan facility amounted to ₱179.63 million, net of interest income of ₱21.40 million from temporary investments, was capitalized as part of project costs as of December 31, 2015 (see Note 8).

The balloon payment shall be paid on the final maturity date. The semi-annual principal amortization shall be an equal amortization starting on the 42nd month from the date of the initial advance until the principal amortization date occurring prior to the final maturity date. If the project completion date occurs earlier than the 36th month from the date of initial advance, the first principal amortization date shall be on the next succeeding interest payment date that is at least six months from the project completion date. If the period between the date falling on the sixth month from project completion date and the succeeding interest payment date is less than six months, the first principal amortization date shall commence and coincide with the next succeeding interest payment date.

Phase I and II Facilities are secured by (i) a real estate mortgage on all present and future assets, including the parcels of land with carrying amount of ₱154.80 million (with a total land area of 277,681 square meters) for Phase I Facility and parcels of land with a carrying amount of ₱14.133 million (with total land area of 17.37 hectares) for Phase II Facility, (ii) chattel mortgage on all present and future movable properties, (iii) pledge agreement on the shares of PPHC to the Company, shareholder advances and subordinated loans, if any, and (iv) assignment agreement on the Company's future revenues. Future revenues include, among others, revenues to be received by way of operation, all proceeds of and monies payable to the Company, including those paid as damages for breach, default cancellation, nullification or invalidity (i.e. the Construction Contract, Supervisory Contract, Contract for Supply of Equipment, Land Lease Agreement, Material Lease



Contracts, Insurance Contracts and other Material Contracts, collectively, the Assigned Documents), and, to the extent not covered by the foregoing, all value (whether in the form of money, securities, assets or otherwise) paid or payable by any Governmental Authority to the Company in whole or partial settlement of claims, whether or not resulting from judicial or administrative proceedings and whether paid or payable within or outside the Philippines, as compensation for or in respect of any compulsory transfer or taking of all or any part of the project, or any assets of the Company, by any Governmental agency or in respect of any invalidity of any Assigned Documents.

All monies received by the Trustee shall be applied in accordance with the Project Accounts Agreement.

Among others, the Agreement prohibits the Company to amend or modify its charter documents if any such amendment or modification would have a material adverse effect, assign or otherwise transfer, terminate, amend, or grant any waiver or forbearance or exercise any election under any material provision of the Agreement, make any prepayment, whether voluntary or involuntary, or repurchase of any long-term debt other than those allowed in the Agreement unless, in any such case, it shall at the option of any Lender contemporaneously make a proportionate prepayment or repayment of the principal amount then outstanding. The Agreement also prohibits the Company to acquire by lease any property which may have a material adverse effect, enter into or contract any indebtedness, and form or have any subsidiaries, advances or investments and issue preferred shares, unless certain conditions are complied with. Moreover, the Company is prohibited from entering into merger or consolidation (unless the Company is the surviving entity), selling, leasing or disposing all or any of its property (unless in the ordinary course of the business) where such conveyance, sale or lease would have a material adverse effect to the Company. The Company is also required to meet certain financial ratios.

According to the agreement, the Company shall maintain a debt-to-equity ratio of not exceeding 70:30 at all times until full payment of the obligation. Also, the Company shall ensure that the core equity must be at least 30% of the total project cost at project completion date and shall at all times be equivalent to at least 30% of the sum of total outstanding loan under facility and the core equity. Debt-to-equity ratio is the ratio of the total aggregate indebtedness for borrowed money of the borrower and the sum of its equity as of any date of determination.

Events of default include, among others, failure to pay when due the principal or interest due and any other amount payable under the Agreement, any government approval required to be obtained by the Company has been revoked, withdrawn or modified in a manner which would have a material adverse effect, PPHC cease to maintain ownership of at least 51% of the Company or cease to maintain management control over the Company and failure to comply with the required financial ratios.

If any of the events of default occurs and is continuing, the trustee or the facility agent, as the case maybe, shall immediately give the Company written notice of such fact and the Facility Agent shall take one or more of the following actions:

- i. declare the principal of, and all accrued interest on, payable with respect to the loan under the Facility to be, and the same shall thereupon become, immediately due and payable without any further notice and without any presentment, demand or protest; and/or



- ii. declare any undrawn portion of the Facility to be terminated, whereupon such portion of the Facility shall be forthwith terminated.

As of December 31, 2015 and 2014, the Company is compliant with the provisions of the loan agreements.

As of December 31, 2015 and 2014, the unamortized deferred financing cost incurred in connection with the availment of the loans amounted to ₱279.80 million and ₱118.89 million, respectively, which were presented as deduction from the outstanding principal balance of the related debt.

The movement of deferred financing cost is as follows:

	2015	2014
Balances at beginning of year	₱118,892,948	₱139,759,954
Addition	180,744,708	—
Amortization (see Note 15)	(19,841,021)	(20,867,006)
Balance at end of year	₱279,796,635	₱118,892,948

12. Provisions

Provision for expenses represents provisions for decommissioning costs and for other liabilities with uncertain amount or timing.

Breakdown of provisions for expenses is as follows:

	2015	2014
Decommissioning liability	₱39,586,407	₱52,813,729
Provision for other liabilities	236,169,308	243,455,861
Balances at end of year	₱275,755,715	₱296,269,590

Decommissioning liability

The Company has legal obligation to decommission or dismantle its power plant at the end of its useful life. In this regard, the Company established a provision to recognize its estimated liability for decommissioning.

The movements of the decommissioning liability are as follows:

	2015	2014
Balances at beginning of year	₱52,813,729	₱44,360,252
Provision (reversal) during the year	(14,879,420)	6,856,407
Accretion of decommissioning liability (see Note 15)	1,652,098	1,597,070
Balances at end of year	₱39,586,407	₱52,813,729

The Company reassessed the amount of decommissioning liability using a risk adjusted rate that resulted to a reversal and addition to provision amounting to ₱14.88 million and ₱6.86 million in 2015 and 2014, respectively.



Provision for Other Liabilities

The Group recognized provision for liabilities with uncertain amount or timing of actual disbursement. These include regulatory fees and other charges which payment is probable and the amount can be estimated reliably as of the reporting date. The management reassesses its estimates on an annual basis to determine the reasonableness of provision. Disclosure of information usually required by PAS 37 *Provisions, Contingent Liabilities and Contingent Assets* are not provided because of reasons permitted under par 92 of PAS 37. Accordingly, general descriptions are provided.

13. Power Plant Operations and Maintenance Costs

	2015	2014
Power plant operations	₱1,637,764,404	₱1,898,920,296
Purchased power	594,530,141	490,305,254
Repairs and maintenance and others	251,150,678	190,568,959
	₱2,483,445,223	₱2,579,794,509

Power plant operations mainly represent costs of coal and fuel used to generate electricity.

Purchased power represents cost of power from PPC and WESM.

Repairs and maintenance and others represent the costs of spare parts, chemicals and other consumables consumed and other cost of services directly related to the operation, equipment restoration and preventive maintenance of the power plant.

14. Personnel Costs

	2015	2014
Salaries and wages	₱81,249,940	₱75,140,544
Employee benefits	53,028,453	53,130,468
Retirement benefits	29,166,143	14,060,069
	₱163,444,536	₱142,331,081

The Company is a participant in a funded retirement plan of the Global Business Power Group (the Group) covering all its employees. The retirement benefits are dependent on the years of service and the respective employees' compensation.

In 2015, the Group has executed a trust agreement with MBTC (a trustee bank) to administer the Group's retirement fund under the supervision of the Retirement Committee of the plan. The Company has started contributing to the fund in 2015.

The Retirement Plan meets the minimum retirement benefit specified under Republic Act (RA) 7641.



The following tables summarizes the components of net benefit expense recognized in the statement of comprehensive income and the funded status and amount recognized in the statement of financial position:

Retirement Benefit Expense

	2015	2014
Service cost	₱23,747,764	₱10,403,298
Interest cost	5,418,379	3,656,771
Retirement benefit expense	₱29,166,143	₱14,060,069

Net Retirement Benefit Obligation

	2015	2014
Present value of defined benefit obligation	₱98,794,409	₱117,604,813
Fair value of plan assets	(3,236,863)	—
Retirement benefit obligation	₱95,557,546	₱117,604,813

Changes in the present value of the defined benefit obligation are as follows:

	2015	2014
Balances at beginning of year	₱117,604,813	₱64,110,174
Service cost:		
Current service cost	20,775,964	10,403,298
Past service cost	2,034,000	—
Net transferred obligation	937,800	—
Interest cost	5,418,379	3,656,771
Benefits paid from operating funds	(455,429)	—
Remeasurement (gains) losses arising from changes in:		
Financial assumptions	(32,820,310)	40,131,376
Demographic assumptions	(9,377,323)	—
Experience adjustments	(5,323,485)	(696,806)
Balances at end of year	₱98,794,409	₱117,604,813

Changes in the fair value of plan assets in 2015 are as follows:

Balances at beginning of year	₱—
Remeasurement loss on return on plan assets	(10,194)
Actual contributions	3,247,057
Balances at end of year	₱3,236,863

The fair value of plan assets are comprised of 13% cash and cash equivalents, 73% investment in government securities, 9% investment in quoted securities, 3% investment in debt and other securities and 2% miscellaneous receivables. The Company shares 16.55% out of the total Group plan assets as of December 31, 2015.



Principal actuarial assumptions used to determine retirement benefit obligation are as follows:

	2015	2014
Salary increase rate	8.00%	10.00%
Discount rates	5.07%	4.60%
Mortality rate	1994 GAM	1994 GAM
Disability rate	1952 Disability Study, Period 2, Benefit 5	1952 Disability Study, Period 2, Benefit 5
Turnover rate	A scale ranging from 9% at age 18 to 0% at age 55	A scale ranging from 8% at age 20 decreasing to 0% at age 60

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as of December 31, 2015, assuming all other assumptions were held constant:

	Increase (Decrease)	Amount
Discount rates	+1%	(₱84,573,134)
	-1%	110,966,274
Future salary increase rate	+1%	₱109,958,046
	-1%	(85,106,262)

The Company expects to contribute ₱21.30 million to the defined benefit pension plan in 2016.

The average expected future service years at the end of the reporting date is 13 years. Shown below is the maturity analysis of the undiscounted benefit payments as of December 31, 2015:

1 year or less	₱1,006,490
More than 1 year to 5 years	14,438,676
More than 5 years to 10 years	57,071,633
More than 10 years to 15 years	72,287,723
More than 15 years to 20 years	95,987,672
More than 20 years	568,122,515

15. Finance Costs - net

	2015	2014
Interest expense (see Note 11)	₱1,036,517,898	₱1,145,247,635
Accretion of decommissioning liability (see Note 12)	1,652,098	1,597,070
Interest income (see Note 4)	(56,883,425)	(35,894,952)
Adjustment on discount on long-term receivables (see Note 9)	(8,331,224)	(28,620,521)
	₱972,955,347	₱1,082,329,232

Interest expense in 2015 and 2014 includes interest incurred in connection with the loans amounting to ₱1,016.68 million and ₱1,124.38 million, respectively, and amortization of deferred financing costs amounting to ₱19.84 million and ₱20.87 million, respectively.



16. Other Income - net

	2015	2014
Foreign exchange gains - net	₱67,072,192	₱6,702,971
Sale of scrap and sludge	2,228,902	1,835,293
Gain on disposal of property and equipment (Note 8)	183,483	36,870
Others	3,152,071	213,832
	₱72,636,648	₱8,788,966



17. Related Party Transactions

Related party relationship exists when one party has the ability to control, directly or indirectly through one or more intermediaries, the other party or exercise significant influence over the other party in making financial and operating decisions. Such relationship also exists between and/or among entities, which are under the common control with the reporting enterprises and its key management personnel, directors, or its shareholders. In considering each related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

The Company has transactions with related parties representing cash in banks, short-term investments and non-interest bearing advances to and from related parties for working capital requirements which are due and demandable anytime.

Category	Year	Revenues	Expenses	Outstanding Balance					Terms	Conditions
				Cash and cash equivalents	Receivables	Due from related parties	Due to related parties	Accounts payable and accrued expenses		
Parent: GBPC (see Note 17b)	2015	P-	P128,772,000	P-	P-	P-	P1,543,739	P22,471,762	Non-interest bearing	Unsecured
	2014	P-	P161,806,488	P-	P-	P-	P1,543,739	P47,059,356		
Affiliate: Metropolitan Bank & Trust Company (MBTC; see Note 17a)	2015	48,370,432	-	6,845,302,082	8,374,389	-	-	-	Interest bearing	Unsecured
	2014	29,347,501	-	4,508,676,233	9,702	-	-	-		
Entities under common control: Global Energy Supply Corporation (GESG; see Note 17b)	2015	382,307,265	4,493,400	-	47,985,429	-	-	404,593	Non-interest bearing	Unsecured; no impairment
	2014	252,087,055	6,760,000	-	58,411,696	-	-	608,682		
Panay Power Corporation (PPC; see Note 17c)	2015	85,512,073	456,035,907	-	15,462,409	-	681,097	6,905,203	Non-interest bearing	Unsecured; no impairment
	2014	145,761,960	307,264,617	-	19,050,322	-	681,097	129,779,376		
Toledo Power Corporation (TPC; see Note 17c)	2015	509,865	48,858,690	-	9,520	-	10	-	Non-interest bearing	Unsecured; no impairment
	2014	473,737,319	-	-	7,900,835	-	10	31,062		
Cebu Energy Development Corporation (CEDC; see Note 17d)	2015	-	-	-	910,262	-	24,667	2,351,090	Non-interest bearing	Unsecured; no impairment
	2014	-	-	-	558,821	-	537,932	-		
GBH Power Resources Inc. (GPR; see Note 17d)	2015	-	-	-	4,760	1,139	-	-	Non-interest bearing	Unsecured; no impairment
	2014	-	-	-	6,919	1,139	-	184,362		
		P516,699,635	P638,159,997	P6,845,302,082	P72,746,760	P1,139	P2,249,513	P32,132,648		
		P900,933,835	P475,831,105	P4,508,676,233	P86,007,303	P1,139	P2,762,778	P177,662,838		



- a. The Company's transaction with MBTC, an affiliate under the umbrella of GT Capital, pertains to the cash deposits with MBTC. Interests earned from these deposits are based on the respective bank deposits rates.
- b. The Company's transaction with GBPC pertains to the Service Level Agreement (SLA) fees billed in relation to services performed for all corporate-related expenses in centralized processes such as personnel costs, rent and utilities and all other common expenses as cost of services. Also, the Company's transaction with GESC is related to SLA fees for the monitoring of power generation and distribution utilities. Other than SLA, the Company also provides power to GESC for resale to its contestable customers.
- c. Sales and purchases of power to and from PPC and TPC pertain to the provision of replacement power by or to the Company to supply the electric power under the EPPAs of its bilateral customers (see Note 21c).
- d. The Company, TPC, PPC, CEDC, GPRI and GESC are all under the common control of GBPC. The Company's advances to and from GBPC, CEDC, TPC, PPC, GESC and GPRI are due and demandable.
- e. The compensation of key management personnel is as follows:

	2015	2014
Salaries and wages	P16,439,235	P9,521,869
Allowances and benefits	6,393,181	6,145,896
	P22,832,416	P15,667,765

18. Equity

Capital stock

The movements in capital stock of the Company are as follows:

	2015		2014	
	Shares	Par value	Shares	Par value
Issued and outstanding:				
Beginning balances	8,129,000	P812,900,000	5,544,000	P554,400,000
Conversion of deposits for future stock subscription	6,871,000	687,100,000	2,585,000	258,500,000
Ending balances	15,000,000	P1,500,000,000	8,129,000	P812,900,000

Deposits for future stock subscription

This represents PPHC's deposits with the Company amounting to nil and P3,000.00 million as of December 31, 2015 and 2014. These deposits are intended for future stock subscription. In 2015, the Company converted its DFFS to capital stock amounting to P3,000.00 million (see Note 23).

On January 17, 2014, the Philippine SEC approved the increase in the authorized capital stock of the Company from P554.40 million, divided into 5,544,000 shares with par value of P100 per share, to P1,500.00 million divided into 15,000,000 shares with par value of P100 per share.



On February 3, 2014, the Company issued shares to PPHC through conversion of deposits for future stock subscription amounting to ₱258.50 million divided into 2,585,000 shares with par value of ₱100 per share. Increase in additional paid-in capital as a result of the conversion amounted to ₱1,292.50 million.

On February 25, 2015, the Company issued to PPHC 6,871,000 shares with a par value of ₱100 per share for a total par value of ₱687.10 million for a total consideration of ₱4,971.10 million, through the conversion of DFFS amounting to ₱3,000.00 million and through additional DFFS from shareholders amounting to ₱1,971.10 million.

Retained earnings

On November 17, 2014, the BOD approved the declaration of cash dividends to PPHC amounting to ₱1,100.00 million, equivalent to ₱135.32 per share which was paid on April 2015.

On November 26, 2015, the BOD approved the declaration of cash dividends to PPHC amounting to ₱1,200.00 million, equivalent to ₱80.00 per share, payable in 2016.

19. Income Taxes

Effective March 26, 2011, the Company is entitled to ITH for six years as one of the incentives granted by the BOI as a pioneer enterprise (see Note 1). There was no current provision for income tax in 2015 and 2014 due to the Company's ITH incentive.

As of December 31, 2015 and 2014, the Company recognized net deferred tax assets amounting to ₱16.39 million and ₱16.96 million, respectively. The components of net deferred income tax assets are as follows:

	2015	2014
Recognized in net income:		
Deferred income tax assets:		
NOLCO	₱97,090,052	₱68,077,187
Retirement benefits obligation	27,642,519	20,045,572
Decommissioning liability	11,142,841	15,844,119
Unamortized discount on receivables	8,029,353	5,446,697
	143,904,765	109,413,575
Less valuation allowance	18,377,575	49,562,354
	125,527,190	59,851,221
Deferred income tax liabilities:		
Deferred financing cost	76,852,466	23,178,204
Net capitalized cost of generation	16,046,881	19,229,292
Unrealized foreign exchange gain	7,723,714	2,029,604
Capitalized dismantling cost	7,013,908	11,208,778
Capitalized deferred financing cost	2,480,156	2,480,156
	110,117,125	58,126,034
	15,410,065	1,725,187
Recognized in other comprehensive income:		
Deferred income tax asset:		
Retirement benefit obligation recognized directly in equity	982,595	15,235,872
	₱16,392,660	₱16,961,059



No deferred income tax assets and liabilities were recognized for temporary differences that are expected to be reversed during the ITH period.

In 2014, the Company recognized valuation allowance amounting to ₱49.56 million on its prior periods NOLCO which are expected to expire in 2015 and 2016. In 2015, NOLCO amounting to ₱103.95 million has expired. Accordingly, the deferred tax asset and the valuation allowance related to the expired NOLCO were reversed.

As of December 31, 2015, the Company has NOLCO that may be claimed as deduction from future taxable income for its non-registered activities as follows:

Year Incurred	Year of Expiration	NOLCO
2015	2018	₱200,658,811
2014	2017	61,716,111
2013	2016	61,258,583
		₱323,633,505

The following are the movements of NOLCO:

	2015	2014
Balances at beginning of year	₱226,923,957	₱311,044,415
Additions	200,658,811	61,716,111
Expirations	(103,949,263)	(145,836,569)
Balances at end of year	₱323,633,505	₱226,923,957

A reconciliation of income tax computed using statutory tax rate to income tax at effective income tax rates follows:

	2015	2014
Income tax at statutory rate	₱381,823,322	₱362,723,410
Additions to (reductions in) income taxes resulting from:		
Taxable income with ITH (see Note 1)	(415,568,592)	(454,525,972)
Interest income subjected to final tax	(16,025,482)	(10,685,571)
Nondeductible expenses	25,659,951	7,657,724
Valuation allowance on DTA	—	49,562,354
Changes in unrecognized deferred tax assets and others	10,425,923	113,298,647
Income tax at effective rates	(₱13,684,878)	₱68,030,592

20. Financial Instruments

Financial Risk Management Objectives and Policies

The Company's financial assets and financial liabilities pertain to cash and cash equivalents, receivables, due from and to related parties, long-term trade and notes receivable, accounts payable and accrued expenses, dividends payable and long-term loans.



The Company's principal financial instruments comprise of cash and cash equivalents, receivables, due from and to related parties, long-term trade and notes receivable, accounts payable and accrued expenses, dividends payable and long-term loans. The primary purpose of these financial instruments is to finance the Company's operations. The Company has other financial assets and liabilities such as receivables and accounts payable and accrued expenses, which arise directly from its operations.

The BOD has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's risk management policies are established to identify and manage the Company's exposure to financial risks, to set appropriate transaction limits and controls, and to monitor and assess risks and compliance to internal control policies. Risk management policies and structure are reviewed regularly to reflect changes in market conditions and the Company's activities.

The Company has exposure to credit risk and liquidity risk from the use of its financial instruments. The BOD reviews and approves the policies for managing each of these risks and they are summarized below:

The Company's interest rate risk arose from its long-term loans that bear fixed interest rates with re-pricing provisions. For Phase I related loans, re-pricing is at the end of 7th year for Tranche A and 10th year for Tranche B. The Tranche C loan bears fixed interest up to the end of the 12-year period. For Phase II related loans, re-pricing is at the end of 7th year for Tranche A and 12th year for Tranche B.

Credit Risk

Credit risk represents the loss that the Company would incur if counterparties fail to perform under its contractual obligations. The Company established controls and procedures on its credit policy to determine and monitor the credit worthiness of customers and counterparties. Moreover, the EPPAs with customers include inherent protection clauses, i.e., provisions for interests on unpaid billings, and change in laws/circumstances, among others. The Company's maximum credit risk is equal to the carrying amount of the Company's financial assets such as cash and cash equivalents, receivables, due from related parties, long-term trade receivable and long-term notes receivable which amounted to ₱9,365.54 million and ₱7,402.91 million as of December 31, 2015 and 2014, respectively. The significant concentration of credit risk relates to receivables from the customers.

The credit quality of financial assets is being managed by the Company using internal credit ratings. The table below shows the credit quality by class of financial assets based on the Company's rating system as of December 31, 2015 and 2014:

2015

	Neither Past Due Nor Impaired		Past Due But Not Impaired	Impaired	Total
	High Grade	Standard Grade			
Cash and cash equivalents ¹	₱7,320,434,356	₱—	₱—	₱—	₱7,320,434,356
Receivables:					
Trade					
Short-term	911,615,607	430,141,826	78,643,964	205,596,141	1,625,997,538
Long-term	351,725,672	—	—	—	351,725,672
Long-term notes receivable	48,043,333	—	—	—	48,043,333
Other receivables ¹	15,339,027	82,767	3,914,745	—	19,336,539
Due from related parties	1,139	—	—	—	1,139
	₱8,647,159,134	₱430,224,593	₱82,558,709	₱205,596,141	₱9,365,538,577

¹Excluding cash on hand.

²Excluding business advances to employees.



2014

	Neither Past Due Nor Impaired	Past Due But Not Impaired	Impaired	Total
	High Grade	Standard Grade		
Cash and cash equivalents ¹	P5,213,433,401	P-	P-	P5,213,433,401
Receivables:				
Trade				
Short-term	1,034,821,614	405,650,612	56,633,314	1,668,335,980
Long-term	433,160,327	-	-	433,160,327
Long-term notes receivable	76,043,333	-	-	76,043,333
Other receivables ²	9,442,416	31,200	2,465,693	11,939,309
Due from related parties	1,139	-	-	1,139
	P6,766,902,230	P405,681,812	P59,099,007	P7,402,913,489

¹Excluding cash on hand.

²Excluding business advances to employees.

Cash and cash equivalents are considered high grade as the Company trades only with top banks in the Philippines. High grade includes trade receivables, due from related parties and long-term notes receivable that are not past due, exclusive of VAT and receivables from customers who are highly reputable, progressive and consistently pay their accounts and who have the financial capacity to pay. Standard grade receivables are for reimbursements from suppliers and contractors and WESM who have good history of paying their accounts but would require some reminder follow-ups to obtain settlement from the counterparty.

The table below shows the aging analysis of financial assets per class that the Company held as of December 31, 2015 and 2014. A financial asset is past due when a counterparty has failed to make a payment when contractually due.

2015

	Neither past due nor impaired	Past due but not impaired				Impaired	Total
		Less than 30 days	31 to 60 days	61 to 90 days	More than 91 days		
Cash and cash equivalents ¹	P7,320,434,356	P-	P-	P-	P-	P-	P7,320,434,356
Receivables:							
Trade:							
Short-term	1,341,757,433	35,901,724	236,258	180,194	42,325,788	205,596,141	1,625,997,538
Long-term	351,725,672	-	-	-	-	-	351,725,672
Long-term notes receivable	48,043,333	-	-	-	-	-	48,043,333
Other receivables ²	15,421,794	1,357,774	81,860	-	2,475,111	-	19,336,539
Due from related parties	1,139	-	-	-	-	-	1,139
	P9,077,383,727	P37,259,498	P318,118	P180,194	P44,800,899	P205,596,141	P9,365,538,577

¹Excluding cash on hand.

²Excluding business advances to employees.

2014

	Neither past due nor impaired	Past due but not impaired				Impaired	Total
		Less than 30 days	31 to 60 days	61 to 90 days	More than 91 days		
Cash and cash equivalents ¹	P5,213,433,401	P-	P-	P-	P-	P-	P5,213,433,401
Receivables:							
Trade:							
Short-term	1,440,472,226	43,500,000	-	-	13,133,314	171,230,440	1,668,335,980
Long-term	433,160,327	-	-	-	-	-	433,160,327
Long-term notes receivable	76,043,333	-	-	-	-	-	76,043,333
Other receivables ²	9,473,616	800	-	-	2,464,893	-	11,939,309
Due from related parties	1,139	-	-	-	-	-	1,139
	P7,172,584,042	P43,500,800	P-	P-	P15,598,207	P171,230,440	P7,402,913,489

¹Excluding cash on hand.

²Excluding business advances to employees.



Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk by maintaining a balance between continuity of funding and flexibility. Treasury controls and procedures are in place to ensure that sufficient cash is maintained to cover daily operational and working capital requirements. Management closely monitors the Company's future and contingent obligations and sets up required cash reserves as necessary in accordance with internal policies.

The table below summarizes the maturity profile of the Company's financial liabilities as of December 31, 2015 and 2014 based on contractual undiscounted cash flows. The analysis into relevant maturity groupings is based on the remaining term at the end of the reporting period to the contractual maturity dates.

2015

	On demand	Within 1 year	2 to 5 years	More than 5 years	Total
Accounts payable and accrued expenses ¹	P=	₱1,626,379,512	P=	P=	₱1,626,379,512
Dividends payable	-	1,200,000,000	-	-	1,200,000,000
Due to related parties	2,249,513	-	-	-	2,249,513
Loans payable:					
Principal	-	1,072,941,177	5,732,941,177	9,758,823,528	16,564,705,882
Interest ²	-	1,121,903,456	4,331,624,369	1,771,084,005	7,224,611,830
	₱2,249,513	₱5,021,224,145	₱10,064,565,546	₱11,529,907,533	₱26,617,946,737

¹Excluding statutory payables.

²Undiscounted future interest payable in the duration of the loan.

2014

	On demand	Within 1 year	2 to 5 years	More than 5 years	Total
Accounts payable and accrued expenses ¹	P=	₱577,178,499	P=	P=	₱577,178,499
Dividends payable	-	1,100,000,000	-	-	1,100,000,000
Due to related parties	2,762,778	-	-	-	2,762,778
Loans payable:					
Principal	-	1,072,941,177	4,291,764,706	5,272,941,176	10,637,647,059
Interest ²	-	817,013,628	3,101,496,540	715,620,209	4,634,130,377
	₱2,762,778	₱3,567,133,304	₱7,393,261,246	₱5,988,561,385	₱16,951,718,713

¹Excluding statutory payables.

²Undiscounted future interest payable in the duration of the loan.

The Company has cash and cash equivalents amounting to ₱7,320.43 million and ₱5,213.43 million as of December 31, 2015 and 2014, respectively, which may be used to settle maturing financial obligations.

Fair Values of Financial Instruments

The following table sets forth an analysis of financial asset and financial liability whose carrying values do not approximate their fair values as of December 31, 2015 and 2014:

	Carrying Amount		Fair Value	
	2015	2014	2015	2014
Financial Asset:				
Long-term trade receivable	₱310,300,386	₱383,403,818	₱329,762,916	₱390,017,390
Financial Liability:				
Loans payable – Phase I	9,465,653,954	10,518,754,111	11,042,547,669	12,589,736,093
Loans payable – Phase II	6,819,255,293	-	7,055,815,946	-



The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate such value:

Long-term trade receivables

The estimated fair value is based on the discounted value of the future cash flows using the prevailing interest rate ranging from 2.67% to 3.67% and 2.54% to 3.70% in 2015 and 2014, respectively. The fair value is determined using Level 3 of the fair value hierarchy.

Long-term loans payable

The estimated fair value is based on the discounted value of the future cash flows using the prevailing interest rate ranging from 2.68% to 3.13 % and 2.54% to 3.99% in 2015 and 2014, respectively. The fair value is determined using Level 3 of the fair value hierarchy.

The following financial assets and financial liabilities approximate their values as of December 31, 2015 and 2014:

Cash and cash equivalents

The carrying amounts of cash and cash equivalents and marginal deposits approximate their fair values due to the short-term maturity of these financial instruments.

Receivables, Due from and to related parties, Accounts payable and accrued expenses and Dividends Payable

Similarly, the carrying amounts of receivables, due from and to related parties, accounts payable and accrued expenses and dividends payable, which are all subject to normal trade terms, approximate their fair values due to short-term nature of these accounts.

Long-term notes receivable

The long-term notes receivable approximate its fair value. Management believes that the effect of discounting cash flows using the prevailing market interest rates is not significant.

Fair Value Hierarchy

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

As of December 31, 2015 and 2014, the Company's financial asset and liability are categorized under Level 3 in the fair value hierarchy.

There has been no transfer from Level 3 to other levels in 2015 and 2014.

Capital Management

The primary objective of the Company's capital management is to ensure that it maintains strong credit standing and healthy capital ratios in order to support its business and maintain capital on a long-term basis.



As previously discussed in Note 11, the Omnibus Loan Agreement and AROA entered into in 2010 and 2015, respectively, requires the Company to maintain certain financial ratios.

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company performs annual financial planning and goal setting.

The following table pertains to the account balances the Company considers as its core capital:

	2015	2014
Capital stock	₱1,500,000,000	₱812,900,000
Additional paid-in capital	9,471,100,000	5,187,100,000
Deposits for future stock subscription	—	3,000,000,000
Retained earnings	261,519,659	175,090,374
Loans payable	16,284,909,247	10,518,754,111
	₱27,517,528,906	₱19,693,844,485

21. Contracts and Contingencies

a. Memorandum of Agreement (MOA) with PECO

The Company entered into a MOA with PECO to provide financing for the construction of the Baldoza Substation subject to the terms and conditions set forth in the MOA.

Under the MOA, PECO shall construct, install, operate, and maintain a 62.5 MVA Sub-station at Baldoza and a 2.5 km, 69kV Sub-Transmission line (the Facilities) to connect to the grid of the National Grid Corporation of the Philippines through the Company's connection point to the grid at the power plant. PECO is the one obliged to file a capital expenditure and rate recovery application and obtain the approval of the ERC for the construction and installation of the Facilities and the recovery of the amount thereof. On January 21, 2010, PECO filed an Application for Approval of the Construction of 50/62.5 MVA Sub-Station and 2.5km 69kV Sub-Transmission line with prayer for provisional authority with the ERC. The Company shall provide PECO funds of up to ₱140.00 million (Loan Amount) to be utilized solely for the construction and installation of the Facilities. The total amount of loan will be disbursed in three (3) tranches as follows:

- i. 30% of the Loan Amount (₱42.00 million) is to be released on November 15, 2009;
- ii. 60% of the Loan Amount (₱84.00 million) to be released equally every month thereafter or ₱16.80 million every 15th day of the month until April 2010 when the construction and installation of the Facilities are completed; and
- iii. 10% of the Loan Amount or (₱14.00 million) to be released when the Facilities are commissioned or after the PEDC and PECO are satisfied that the Facilities have passed all applicable tests.

On June 18, 2010, the Company and PECO agreed to amend the MOA in response to the request of PECO for additional fund in the total amount of ₱3.71 million (the Additional Loan Amount). For a period of five years after the date of the last release of the Loan Amount and the Additional Loan Amount to PECO, PECO shall pay the Company the Loan Amount and Additional Loan Amount in 60 equal monthly installments (₱2.33 million), with interest at the rate of 9% per annum, subject to ERC's decision on the recovery of interest on the loan. If



any amount payable by PECO under this Agreement is not paid when due, PECO shall pay interest thereon, calculated at 2% per month.

As of December 31, 2015 and 2014, the outstanding long-term notes receivable from PECO amounted to ₱48.04 million and ₱76.04 million, respectively (see Note 9).

b. *Long-term Coal Supply Agreement (CSA)*

In order to ensure that there is an adequate supply of coal to operate the power plants, the Company has entered into a 10-year coal supply agreement with Semirara Mining Corporation (Semirara) on May 31, 2010. The Company guarantees to purchase from Semirara 300,000 metric tons per year set forth in the CSA, subject to quarterly adjustments.

c. *Memorandum of Agreement with CEDC, PPC, and TPC*

The Company, CEDC, PPC, and TPC agreed that in the event that one of them (the "Seller") has available capacity that any one of the other party in the agreement (the "Buyer") may require in connection with the supply of electric power under its power purchase agreements, the Seller shall supply the Buyer replacement power in accordance with the terms and conditions set out in the agreement.

d. *Commitments for Capital Expenditures*

In 2014, the Company entered into various contracts with Formosa Heavy Industries Corporation, True North Manufacturing Services Corporation, Poyry Contracting, Inc., Poyry Switzerland, Ltd., among others, in relation to the PEDC 3 expansion project and site development for the supply of materials, machinery and equipment, and services from local and foreign suppliers.

22. Other Matters

a. *Business Risks*

The risks associated with the Company include operating risks, environmental matters, permits, political and economic factors and fluctuations in currency exchange rate that directly affect fuel, coal, and oil prices.

The risks associated with operating the Company include the breakdown or failure of equipment or processes and the performance of the project below expected levels of output or efficiency.

Prior to open access electricity fees charged by the Company are subject to regulation by the ERC created under the Electric Power Industry Reform Act (EPIRA).



b. EPIRA

RA No. 9136, the EPIRA, which became effective in 2002, and the covering Implementing Rules and Regulations (IRR) provide for significant changes in the power sector, which include, among others:

- i. the unbundling of the generation, transmission, distribution and supply and other disposable assets of Electric Power Industry Participant, including its contracts with independent power producers and electricity rates;
- ii. creation of a WESM within one year; and
- iii. open and nondiscriminatory access to transmission and distribution systems.

The law also requires public listing of not less than 15% of common shares of existing generation and distribution companies within five (5) years from the effectivity of the EPIRA.

New generation and distribution companies that started after the effectivity of the EPIRA shall implement their respective public offerings not later than five (5) years from the issuance of their certificate of compliance. It provides cross ownership restrictions between transmission and generation companies and between transmission and distribution companies, and a cap of 50% of its demand that a distribution utility is allowed to source from an associated company engaged in generation except for contracts entered into prior to the effectivity of the EPIRA.

There are also certain sections of the EPIRA, specifically relating to generation companies, which provide for a cap on concentration of ownership to only 30% of the installed capacity of the grid and/or 25% of the national installed generating capacity.

Based on the assessment of the Company, it has complied with the applicable provisions of the EPIRA and its IRR.

c. WESM

On July 25, 2011, the Company and Philippine Electricity Market Corporation entered into a Market Participation Agreement setting forth the terms and conditions for the eligibility of the Company to participate in the WESM which allows electricity to be injected into or withdrawn from the Grid.

In 2015 and 2014, the Company recognized sales from WESM transactions amounting to ₱873.18 million and ₱1,044.81 million, respectively. Purchases from WESM in 2015 and 2014 amounted to ₱138.01 million and ₱183.04 million, respectively.

d. Clean Air Act

The Clean Air Act and the related IRR contain provisions that have an impact on the industry as a whole, and to the Company in particular, that needs to be complied with within 44 months from the effectivity date or by July 2004. Based on the Company's assessment made on its existing facilities, the Company believes it complies with the provisions of the Clean Air Act and the related IRR.



e. Energy Regulation (ER) 1-94

Based on the ER 1-94 and the IRR of the EPIRA, generation companies are mandated to provide benefits to its host communities, equivalent to ₱0.01 per kWh of energy generated and sold.

The Company accrues the required benefits to its host community (included under "Accounts payable and accrued expenses" account in the statements of financial position) prospectively from the date of effectivity of ER 1-94. Total accrued benefits amounted to ₱5.31 million and ₱9.70 million as of December 31, 2015 and 2014, respectively.

23. Notes to Statements of Cash Flows

Noncash investing activities

The Company recognized adjustments to asset retirement obligation and capitalized dismantling assets. The reassessment resulted to a reversal and additional provision amounting to ₱14.88 million and ₱6.86 million in 2015 and 2014, respectively (see Notes 8 and 12). The Company has unpaid balances to the contractors which was included as part of property, plant and equipment amounting to ₱979.81 million in 2015.

Noncash financing activities

The Company's noncash financing activities pertain to the Company's declaration of cash dividends amounting to ₱1,200.00 million and ₱1,100.00 million in 2015 and 2014, respectively. In addition, the Company converted its DFFS to capital stock amounting to ₱3,000.00 million in 2015 (see Note 18).

24. Supplementary Tax Information Under Revenue Regulations (RR) No. 15-2010

On November 25, 2010, the BIR issued RR No. 15-2010 to amend certain provisions of RR No. 21-2002 prescribing the manner of compliance with any documentary and/or procedural requirements in connection with the preparation and submission of financial statements accompanying the tax returns.

In compliance with the requirements set forth by RR -No. 15-2010, hereunder are the information on taxes, duties and license fee paid or accrued during the taxable year 2015.



The Company reported and/or paid the following types of taxes in 2015:

VAT

a. Net Sales/Receipts and Output VAT declared in the Company's VAT returns for 2015

	Net Sales/ Receipts	Output VAT
Taxable sales:		
Sale of services	₱5,937,981,817	₱712,557,818
Sale to government owned and controlled corporations (GOCC)	19,537,627	2,344,515
Sale of goods	2,408,692	289,043
Total	5,959,928,136	715,191,376
Zero-rated Sales	27,219,109	-
Exempt Sales	9,280,242	-
	₱5,996,427,487	₱715,191,376

Exempt sales consist of the 1% regulatory fees which are paid to the local government pursuant to the provisions of RA 9136 (the EPIRA law).

The Company's sale of services is reported under "Net Fees" in the financial statements. The revenue or sales of services reported per VAT returns were based on the grossed up value of the actual VAT remittances from its customers as provided under Revenue Memorandum Circular No. 61-2005 which is superseded by Revenue Memorandum Circular No. 71-2012.

Hence, it will not be the same as the amount of fees reported in the statement of comprehensive income.

Sale of good pertains to sale of scrap to various customers. These sales are reported under "Other Income" in the financial statements.

b. Input VAT in 2015

Balance at January 1, as amended	₱5,992,325
Current year's domestic purchases/payments for:	
Importation of goods other than capital goods	983,381,447
Services lodged under costs and expenses	215,486,037
Goods other than for resale or manufacture	29,720,220
Capital goods subject to amortization	4,899,236
Capital goods not subject to amortization	180,902
Total	1,239,660,167
Other adjustments:	
Application to output VAT	(715,191,373)
VAT payments	1,678,227
Income from input VAT in excess of standard input on sales to GOCC offset against expense	(2,668,924)
Expensed input VAT allocated to exempt sales	(1,913,514)
Creditable VAT withheld by GOCCs	976,881
Balance at December 31	₱522,541,464



Landed Cost of Imports, Custom Duties and Tariff Fees in 2015

Dutiable value	₱8,002,777,994
Arrastre and wharfage	36,433,331
Excise tax	2,778,251
Customs duties	141,513,350
Others	11,342,466
Balance at December 31	₱8,194,845,392

Other Taxes and Licenses in 2015

Other taxes and licenses includes all other taxes, local and national, including real estate taxes, licenses and permit fees lodged under the "Taxes and Licenses" account under the "Cost and Expenses" section in the Company's statement of comprehensive income.

Details consist of the following:

	Registered
Real property tax	₱214,480,008
Local business tax	51,793,731
Regulatory fee (ER 1-94)	9,812,117
Occupation fee	8,000,000
Documentary stamp tax	3,435,725
BIR annual registration and others (LTO, notarial and others)	3,095,930
Community tax certificate	10,500
	₱290,628,011

Withholding Taxes in 2015

Expanded withholding taxes	₱283,613,815
Withholding taxes on compensation and benefits	25,129,356
Final withholding taxes	64,488
VAT withholding taxes	62,908
	₱308,870,567

Tax Assessments and Contingencies

The Company has no pending tax case in court or bodies outside the BIR. It has an ongoing tax audit for the calendar years ended December 31, 2012 to 2014, but no preliminary assessment has been issued yet.



INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
Panay Energy Development Corporation
Barangay Ingore, La Paz
Iloilo City

We have audited the accompanying financial statements of Panay Energy Development Corporation (a wholly owned subsidiary of Panay Power Holdings Corporation; the Company), as at and for the year ended December 31, 2015, on which we have rendered the attached report dated February 17, 2016.

In compliance with Securities Regulation Code Rule No. 68, we are stating that the above Company has only one stockholder owning one hundred (100) or more shares.

SYCIP GORRES VELAYO & CO.

John T. Villa

John T. Villa
Partner
CPA Certificate No. 94065
SEC Accreditation No. 0783-AR-2 (Group A),
May 1, 2015, valid until April 30, 2018
Tax Identification No. 901-617-005
BIR Accreditation No. 08-001998-76-2015,
February 27, 2015, valid until February 26, 2018
PTR No. 5321708, January 4, 2016, Makati City

February 17, 2016



INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY SCHEDULES

The Stockholders and the Board of Directors
Panay Energy Development Corporation
Barangay Ingore, La Paz
Iloilo City

We have audited in accordance with Philippine Standards on Auditing, the financial statements of Panay Energy Development Corporation Panay Energy Development Corporation (a wholly owned subsidiary of Panay Power Holdings Corporation; the Company), as at and for the years ended December 31, 2015 and 2014, and have issued our report thereon dated February 17, 2016. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of all the effective standards and interpretations is the responsibility of the Company's management. This schedule is presented for the purpose of complying with Securities Regulation Code Rule 68, As Amended (2011) and is not part of the basic financial statements. This schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly states, in all material respects, the information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

John T. Villa

John T. Villa
Partner
CPA Certificate No. 94065
SEC Accreditation No. 0783-AR-2 (Group A),
May 1, 2015, valid until April 30, 2018
Tax Identification No. 901-617-005
BIR Accreditation No. 08-001998-76-2015,
February 27, 2015, valid until February 26, 2018
PTR No. 5321708, January 4, 2016, Makati City

February 17, 2016



PANAY ENERGY DEVELOPMENT CORPORATION
(A Wholly Owned Subsidiary of Panay Power Holdings Corporation)

SCHEDULE OF ALL EFFECTIVE STANDARDS AND INTERPRETATIONS
DECEMBER 31, 2015

Philippine Financial Reporting Standards		Adopted	Not Adopted	Not Adopted
Framework for the Preparation and Presentation of Financial Statements				
Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	<i>First-time Adoption of Philippine Financial Reporting Standards</i>			✓
	<i>Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate</i>			✓
	<i>Amendments to PFRS 1: Additional Exemptions for First-time Adopters</i>			✓
	<i>Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters</i>			✓
	<i>Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters</i>			✓
	<i>Amendments to PFRS 1: Government Loans</i>			✓
PFRS 2	<i>Share-based Payment</i>			✓
	<i>Amendments to PFRS 2: Vesting Conditions and Cancellations</i>			✓
	<i>Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions</i>			✓
PFRS 3 (Revised)	<i>Business Combinations</i>			✓
PFRS 4	<i>Insurance Contracts</i>			✓
	<i>Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts</i>			✓
PFRS 5	<i>Non-current Assets Held for Sale and Discontinued Operations</i>			✓
PFRS 6	<i>Exploration for and Evaluation of Mineral Resources</i>			✓

Financial Instruments: Disclosures		Adopted	Not Adopted	Not Adopted
PFRS 7	<i>Financial Instruments: Disclosures</i>	✓		
	<i>Amendments to PFRS 7: Transition</i>	✓		
	<i>Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets</i>			✓
	<i>Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition</i>			✓
	<i>Amendments to PFRS 7: Improving Disclosures about Financial Instruments</i>	✓		
	<i>Amendments to PFRS 7: Disclosures - Transfers of Financial Assets</i>			✓
	<i>Amendments to PFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities</i>			✓
	<i>Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures</i>			✓
PFRS 8	<i>Operating Segments</i>			✓
PFRS 9	<i>Financial Instruments: Classification and Measurement of Financial Assets</i>	✓		
	<i>Financial Instruments: Classification and Measurement of Financial Liabilities</i>	✓		
	<i>Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures</i>		✓*	
	<i>Amendments to PFRS 9: Hedge Accounting</i>			✓
PFRS 10	<i>Consolidated Financial Statements</i>			✓
	<i>Amendments to PFRS 10: Transition Guidance</i>			✓
	<i>Amendments to PFRS 10: Investment Entities</i>			✓
	<i>Amendments to PFRS 10: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>			✓
	<i>Amendments to PFRS 10: Investment Entities: Applying the Consolidation Exception</i>			✓
PFRS 11	<i>Joint Arrangements</i>			✓
	<i>Amendments to PFRS 11: Transition Guidance</i>			✓
	<i>Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations</i>			✓

*Not early adopted

Philippine Accounting Standards		Adopted	Amended	Revised
PFRS 12	Disclosure of Interests in Other Entities			✓
	Amendments to PFRS 12: Transition Guidance			✓
	Amendments to PFRS 12: Investment Entities			✓
	Amendments to PFRS 12: Investment Entities: Applying the Consolidation Exception			✓
PFRS 13	Fair Value Measurement	✓		
PFRS 14	Regulatory Deferral Accounts			✓
Philippine Accounting Standards				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendment to PAS 1: Capital Disclosures	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income			✓
	Amendments to PAS 1 (Revised): Disclosure Initiative		✓*	
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Date	✓		
PAS 11	Construction Contracts			✓
PAS 12	Income Taxes	✓		
	Amendment to PAS 12 – Deferred Tax: Recovery of Underlying Assets	✓		
PAS 14	Segment Reporting			✓
PAS 16	Property, Plant and Equipment	✓		
	Amendments to PAS 16: Bearer Plants			✓
	Amendments to PAS 16: Clarification of Acceptable Methods of Depreciation			✓
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19	Employee Benefits	✓		
	Amendments to PAS 19: Actuarial Gains and	✓		

PAS 19 (Revised)		Adopted	Not Adopted	Not Adopted
<i>Losses, Group Plans and Disclosures</i>				
PAS 19 (Revised)	<i>Employee Benefits</i>	✓		
	<i>Amendments to PAS 19 (Revised): Defined Benefit Plans: Employee Contributions</i>		✓*	
PAS 20	<i>Accounting for Government Grants and Disclosure of Government Assistance</i>			✓
PAS 21	<i>The Effects of Changes in Foreign Exchange Rates</i>			✓
	<i>Amendment: Net Investment in a Foreign Operation</i>			✓
PAS 23 (Revised)	<i>Borrowing Costs</i>	✓		
PAS 24 (Revised)	<i>Related Party Disclosures</i>	✓		
PAS 26	<i>Accounting and Reporting by Retirement Benefit Plans</i>			✓
PAS 27	<i>Consolidated and Separate Financial Statements</i>			✓
PAS 27 (Revised)	<i>Amendments to PAS 27 (Amended): Investment Entities</i>			✓
	<i>Amendments to PAS 27 (Revised): Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate</i>			✓
PAS 27 (Amended)	<i>Separate Financial Statements</i>			✓
	<i>Amendments to PAS 27 (Amended): Investment Entities</i>			✓
	<i>Amendments to PAS 27 (Amended): Equity Method in Separate Financial Statements</i>			✓
PAS 28	<i>Investments in Associates</i>			✓
PAS 28 (Amended)	<i>Investments in Associates and Joint Ventures</i>			✓
	<i>Amendments to PAS 28 (Amended): Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>			✓
	<i>Amendments to PAS 28 (Amended): Investment Entities: Applying the Consolidation Exception</i>			✓
PAS 29	<i>Financial Reporting in Hyperinflationary Economies</i>			✓
PAS 31	<i>Interests in Joint Ventures</i>			✓

*Not early adopted

IFRS/Philippine Financial Reporting Standards and Interpretations		Adopted	Not Adopted	Not Applicable
PAS 32	<i>Financial Instruments: Disclosure and Presentation</i>	✓		
	<i>Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation</i>			✓
	<i>Amendment to PAS 32: Classification of Rights Issues</i>			✓
	<i>Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities</i>			✓
PAS 33	<i>Earnings per Share</i>			✓
PAS 34	<i>Interim Financial Reporting</i>			✓
PAS 36	<i>Impairment of Assets</i>	✓		
	<i>Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets</i>	✓		
PAS 37	<i>Provisions, Contingent Liabilities and Contingent Assets</i>			✓
PAS 38	<i>Intangible Assets</i>			✓
	<i>Amendments to PAS 38: Clarification of Acceptable Methods of Amortization</i>			✓
PAS 39	<i>Financial Instruments: Recognition and Measurement</i>	✓		
	<i>Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities</i>	✓		
	<i>Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions</i>			✓
	<i>Amendments to PAS 39: The Fair Value Option</i>			✓
	<i>Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts</i>			✓
	<i>Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets</i>			✓
	<i>Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition</i>			✓
	<i>Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives</i>			✓
	<i>Amendment to PAS 39: Eligible Hedged Items</i>			✓
	<i>Amendments to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting</i>			✓

Philippine Interpretations		Adopted	Not Adopted	Not Applicable
	<i>Amendments to PAS 39: Hedge Accounting</i>			✓
PAS 40	<i>Investment Property</i>			✓
	<i>Amendments to PAS 41: Bearer Plants</i>			✓
PAS 41	<i>Agriculture</i>			✓
Philippine Interpretations				
IFRIC 1	<i>Changes in Existing Decommissioning, Restoration and Similar Liabilities</i>			✓
IFRIC 2	<i>Members' Share in Co-operative Entities and Similar Instruments</i>			✓
IFRIC 4	<i>Determining Whether an Arrangement Contains a Lease</i>			✓
IFRIC 5	<i>Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds</i>			✓
IFRIC 6	<i>Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment</i>			✓
IFRIC 7	<i>Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies</i>			✓
IFRIC 8	<i>Scope of PFRS 2</i>			✓
IFRIC 9	<i>Reassessment of Embedded Derivatives</i>			✓
	<i>Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives</i>			✓
IFRIC 10	<i>Interim Financial Reporting and Impairment</i>			✓
IFRIC 11	<i>PFRS 2- Group and Treasury Share Transactions</i>			✓
IFRIC 12	<i>Service Concession Arrangements</i>			✓
IFRIC 13	<i>Customer Loyalty Programmes</i>			✓
IFRIC 14	<i>The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction</i>			✓
	<i>Amendments to Philippine Interpretations IFRIC-14, Prepayments of a Minimum Funding Requirement</i>			✓
IFRIC 15	<i>Agreements for the Construction of Real Estate</i>			✓
IFRIC 16	<i>Hedges of a Net Investment in a Foreign Operation</i>			✓
IFRIC 17	<i>Distributions of Non-cash Assets to Owners</i>			✓

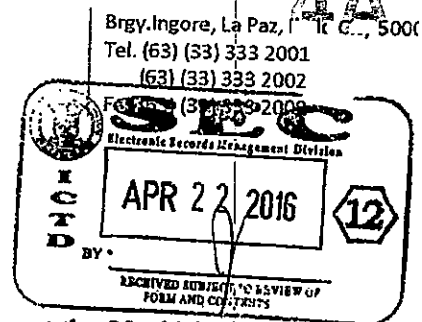
IFRS/IAS/ISSUES		Adopted	Amended	Not adopted
IFRS/IAS/ISSUES		Adopted	Amended	Not adopted
IFRIC 18	<i>Transfers of Assets from Customers</i>			✓
IFRIC 19	<i>Extinguishing Financial Liabilities with Equity Instruments</i>			✓
IFRIC 20	<i>Stripping Costs in the Production Phase of a Surface Mine</i>			✓
IFRIC 21	<i>Levies</i>	✓		
SIC-7	<i>Introduction of the Euro</i>			✓
SIC-10	<i>Government Assistance - No Specific Relation to Operating Activities</i>			✓
SIC-12	<i>Consolidation - Special Purpose Entities</i>			✓
	<i>Amendment to SIC - 12: Scope of SIC 12</i>			✓
SIC-13	<i>Jointly Controlled Entities - Non-Monetary Contributions by Venturers</i>			✓
SIC-15	<i>Operating Leases - Incentives</i>			✓
SIC-21	<i>Income Taxes - Recovery of Revalued Non-Depreciable Assets</i>			✓
SIC-25	<i>Income Taxes - Changes in the Tax Status of an Entity or its Shareholders</i>			✓
SIC-27	<i>Evaluating the Substance of Transactions Involving the Legal Form of a Lease</i>			✓
SIC-29	<i>Service Concession Arrangements: Disclosures.</i>			✓
SIC-31	<i>Revenue - Barter Transactions Involving Advertising Services</i>			✓
SIC-32	<i>Intangible Assets - Web Site Costs</i>			✓



Panay Energy Development Corporation

A **GDO** Company

TREASURER'S CERTIFICATION



I, **Anjanette T. Dy Buncio** of legal age, Filipino and with office address at the 22nd Floor GT Tower International, 6813 Ayala Ave., Cor. HV Dela Costa St., Salcedo Village Makati City after being sworn in accordance with law, hereby certify that:

1. I am the Treasurer of **Panay Energy Development Corporation** (the "Corporation"), a corporation duly organized and existing under and by virtue of the laws of the Republic of the Philippines under SEC Certificate of Registration No. CS200901912 with the principal office address at Brgy. Ingore, La Paz, Iloilo City.
2. The Financial Statement ("F/S") disk submitted contains the exact data stated in the hard copies of the F/S of the Corporation.
3. I am executing this certification to attest to the truth of the foregoing and in compliance with the reportorial requirements of the SEC.

WITNESS MY HAND on this day of 12 2016 2016 at City of Makati City.

Anjanette T. Dy Buncio

Treasurer

APR 12 2016

SUBSCRIBED AND SWORN to before me on this _____ day of _____ 2016 at City of Makati, Affiant exhibit to me his Passport with No EB7241397 issued on 25 January 2013 and valid until 24 January 2018 at Manila.

Doc. No. 14

Page No. 1

Book No. 2016

Series of 2016.

RUBEN T. M. RAMIREZ

NOTARY PUBLIC

UNTIL DEC. 31, 2016

IBP NO. 1603530/CY 2016

TOLL NO. 28947/MCLE-4 NO. 0806324/6/19/12

PTR NO. MKT.5323578-1/4/16 MAKATI CITY

Enlightening Lives. Empowering Progress.

CORPORATE OFFICE

22nd Floor, GT Tower International, 6813 Ayala Avenue corner H.V. Dela Costa St. Salcedo Village 1227 Makati City Philippines

Tel: (632) 464-1600 | Fax: (632) 464-1629



PNB

Fiduciary Services Division – TRUST BANKING GROUP

Direct Lines: 526-4649 Fax: 526-3379
Trunk Lines: 526-3131 to 70/891-6040 to 70
Local: 4649

August 5, 2015

PANAY ENERGY DEVELOPMENT CORPORATION
22nd Floor, GT Tower
6813 Ayala Ave., cor. De La Costa Sts., Makati City

Attention : EVP MR. JAIME T. AZURIN / SVP ELISA L. DAYAO

Subject : PANAY ENERGY DEVELOPMENT CORP. - Project Loan Facility for Php11B dated 03/25/2015

Gentlemen;

In our capacity as Facility Agent under the Omnibus Agreement dated March 25, 2015, we give certification on the Phase II Lenders and its Principal Commitment as shown in the Schedule B2-1 of the Amended and Restated Omnibus Agreement, viz:

THE PHASE II LENDERS

Phase II Tranche A Lenders (7 years + 5 years)

Name of Tranche A Lender	Lending Office	Principal Amount of Commitment
Bank of the Philippine Islands	BPI Building, Ayala Avenue corner Pasco de Roxas, Makati City	Php 2,400,000,000.00
China Banking Corporation	China Bank Building, 8745 Pasco de Roxas cor. Villar Street, Salcedo Village, Makati City	Php 1,300,000,000.00
Land Bank of the Philippines	18 th Floor Landbank Plaza, 1598 M.H. Del Pilar corner Dr. J. Quintos Sts., Malate, Manila	Php 1,300,000,000.00
Rizal Commercial Banking Corporation	11 th Floor Yuchengco Tower I, RCBC Plaza 6819 Ayala Ave. cor. Sen. Gil Puyat Ave. Makati City	Php 1,300,000,000.00
Philippine National Bank	PNB Financial Center, Pres. Diosdado Macapagal Boulevard, Pasay City	Php 3,500,000,000.00
Sub-Total		Php9,800,000,000.00

Phase II Tranche B Lenders (12 years)

Name of Tranche B Lender	Lending Office	Principal Amount of Commitment
The Philippine American Life and General Insurance Company	17 th Floor Philam Life Head Office, Net Lima Building, 5 th Avenue corner 26 th Street, Bonifacio Global City, Taguig 1634	Php 1,200,000,000.00
Sub-Total		PHP1,200,000,000.00

Total	Php 11,000,000,000.00
--------------	------------------------------

The Loan under the Facility shall have a term of twelve (12) years reckoned from the date of the Initial Advance, inclusive of the Grace Period on the principal repayment where:

- 1.) Phase II Tranche A Loans (7 years + 5 years) interest will be repriced on the seventh (7th) anniversary from Phase II Initial Advance at which time the Phase II Tranche A Base Rate shall be repriced based on the applicable 3-day simple average of the interpolated PDST-R2 rate preceding and inclusive of the Interest Rate Setting Date.
- 2.) Phase II Tranche B Loans interest is fixed for twelve (12) years.

This certification is being issued upon the request of the Borrower for whatever legal purpose it may serve them.

Thank you.

Very truly yours,

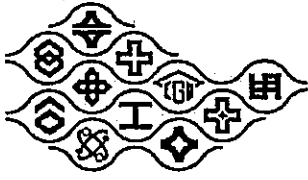
ATTY. JOSEQUIEN B. DELA CRUZ

Simulation of the no. of operating units necessary to meet the MEOT
and/or additional energy/demand requirements of the DU.

This is not applicable for the PEDC Contract has no MEOT because it's purchased on an annual contracted capacity of up to 70MW, which means to say that there is no minimum contracted energy and paid on a capacity basis.

Potential Cost of Ancillary Services

The Potential Cost of Ancillary Services is not applicable because PEDC has no ASPA with NGCP.



Formosa Heavy Industries Corp.

Main Office: 4F, 201-20, Tung Hwa N. Rd., Taipei, Taiwan

TEL : +886-2-27178148-50

FAX : +886-2-27135519

OFFICE : 100, Shei Kuang Rd. Jen Wu, Kaohsiung

TEL : +886-7-3711411 EXT 5897

FAX : +886-7 3721833 E-mail : blancafhi@fpc.com.tw

This is to certify the consumption rate of the 150MW coal fired expansion plant of Panay Energy Development Corporation.

Based on the Technical Proposal, not in violation of the O&M Manuals provided by the Supplier and in accordance with good engineering practice, and subject to ASME performance test code, the full-load net fuel consumption rate of the Unit is guaranteed at 0.68 kg per kWh. Normal wear and tear would mean a degradation of the consumption rate of 1.5% per annum.

For the avoidance of doubt, in no case shall the failure of meeting the aforesaid guaranteed consumption rate trigger and affect any provision related to Defects remedy, Performance Liquidated Damages, Taking Over and the Supplier's or Contractor's defaults under the Contracts.

Capitalized terms used herein shall have the same meanings as defined in the Supply Contract and Construction Contract and Coordination Agreement all dated December 18, 2013.

FORMOSA HEAVY INDUSTRIES CORPORATION

Blanca Chen 2016

Blanca Chen

Deputy Department Manager



ORTIGAS AVENUE, PASIG CITY
0300 PHILIPPINES

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 April 26, 2016, 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 a Power Supply Agreement with Panay Energy Development Corporation (PEDC);

"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 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 Power Supply Agreement between MERALCO and Panay Energy Development Corporation (PEDC), for the supply and delivery of electric power to MERALCO;
- (2) to sign, execute, and deliver in connection therewith the necessary pleadings, motions, verification, affidavit of merit, certificate of non-forum shopping, powers of attorney, and other instruments as may be necessary or proper; and
- (3) To designate, name, and appoint, a representative or an attorney-in-fact in behalf of the Company during the preliminary conference, pre-trial, trial, execution and all other stages of or incidents related to the case, proceeding or action; to negotiate, enter into, and agree to an amicable settlement, make admissions or stipulations of fact and/or documents; and to perform

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

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

APR 27 2016


WILLIAM S. PAMINTUAN
Assistant Corporate Secretary

SUBSCRIBED AND SWORN to before me this APR 27 2016 day of April 2016, affiant exhibited
to me his Taxpayer Identification Number (TIN) 146-473-562, issued by the Bureau of Internal
Revenue (BIR) as his competent evidence of identity.

Doc. No. 724;
Page No. 119;
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. 1023726; 01/08/16; RSM Chapter
PTR No. 1473411; 01/21/16; Pasig City
7th Floor, Lopez Bldg., Ortigas Ave., Pasig City

SECRETARY'S CERTIFICATE

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

1. I am the duly elected and incumbent Corporate Secretary of **Panay Energy Development Corporation** (the "Corporation"), a corporation duly organized and existing under and by virtue of the laws of the Republic of the Philippines, with principal address at Brgy. Incore, La Paz, Iloilo City.

2. At the meeting of the Board of Directors of the Corporation held on 12 April 2016, at which meeting a quorum was present, participated, and acted throughout the duration of the said meeting, the following resolutions were adopted and approved:

"RESOLVED, that Panay Energy Development Corporation (the "Corporation") be, as it is hereby, authorized and empowered to enter into an Electric Power Purchase Agreement ("EPPA") with Manila Electric Company ("MERALCO") for the supply of electric power from its 1x150 MW coal-fired power plant located in Brgy. Incore, La Paz, Iloilo City, and to deliver and perform the obligations of an electric power supplier under the EPPA;

"RESOLVED, FURTHER, that the Board of Directors of the Corporation approves and authorizes the joint filing of the Application for Approval of the EPPA between MERALCO and the Corporation, with prayer for provisional authority, with the Energy Regulatory Commission (the "ERC");

"RESOLVED, FURTHER, that the President of the Corporation, Mr. Rolando T. Bacani, and its Executive Vice President, Mr. Jaime T. Azurin, acting singly or jointly, or such other officer/person any of them may designate in writing, be authorized (i) to negotiate the terms of the EPPA, and to sign, execute, deliver, receive, and receipt, for and on behalf of the Corporation, any and all documents and instruments required or necessary to carry out the foregoing resolutions, including but not limited to the EPPA, or any amendments thereto; (ii) to sign, execute, and delivery any and all documents, including but not limited to approving or causing the preparation and filing of the above-mentioned Application with the ERC and other pleadings, motions, and other legal documents, verifying allegations therein, executing affidavits or sworn statements, giving testimonies, and executing certifications against forum-shopping; and (iii) to do any and all legal acts necessary to carry out the foregoing resolutions;

"RESOLVED, FINALLY, that the Corporation ratifies and confirms, as it hereby ratifies and confirms, any and all acts which the foregoing directors/officers have done or shall lawfully do or cause to be done in accordance with the terms of the foregoing resolutions."

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

IN WITNESS WHEREOF, I have hereunto affixed my signature this
APR 26 2016 in PASIG CITY.


Amanda Roselle A. Bengson
Corporate Secretary

SUBSCRIBED AND SWORN to before me this APR 26 2016 in
PASIG CITY, affiant exhibiting to me her CTC No. 05086364
issued on 15 January 2016 in Makati City and satisfactorily proving to me her identity through
her Passport No. EC0012906, valid until 15 January 2019, that she is the same person who
personally signed before me the foregoing Secretary's Certificate and acknowledged that she
executed the same.

Doc. No. 182 ;
Page No. 38 ;
Book No. IV ;
Series of 2016.


ATTY. CARMEN GRACE S. RAMOS
NOTARY PUBLIC
Pasig, Pateros, Taguig & San Juan
Issued on July 13, 2015 at Pasig City
until December 31, 2016
Roll No. 55945; IBP No. 1023723; 01/08/16; RSM Chapter
PTR No. 1473409; 01/21/16; Pasig City
7th Floor, Lopez Bldg., Ortigas Ave., Pasig City