

MEMORANDUM OF AGREEMENT

This Memorandum of Agreement (MOA) is entered into by and between:

The **ENERGY REGULATORY COMMISSION**, a government regulatory agency exercising a quasi-judicial function created under Republic Act No. 9136 otherwise known as the "Electric Power Industry Reform Act of 2001" or the EPIRA, with principal office address at Pacific Center Building, San Miguel Avenue, Ortigas Center, Pasig City herein represented by its Chairman, **ZENAIDA G. CRUZ-DUCUT**, and hereinafter referred to as "**ERC**",

The **NATIONAL ELECTRIFICATION ADMINISTRATION**, a government owned and controlled corporation created and operating pursuant to Presidential Decree 269, as amended, with principal office address at No. 57 NIA Rd. Diliman, Quezon City, herein represented by its Administrator, **EDITA S. BUENO**, and hereinafter referred to as "**NEA**",

The **INTERNATIONAL FINANCE CORPORATION**, an international organization established by Articles of Agreement among the member countries, including the Republic of the Philippines, whose mission is to promote sustainable private sector investment in developing countries, helping to reduce poverty and improve people's lives, with principal office address in the Philippines at 11th Floor, Tower One, Ayala Triangle, Ayala Avenue, Makati City herein represented by its Head, Advisory Services, **WILLIAM TRANT BELOE**, hereinafter referred to as "**IFC**",

The **PHILIPPINE RURAL ELECTRIC COOPERATIVE ASSOCIATION, INC.**, the national organization of the 119 electric cooperatives throughout the country, a corporation duly organized and existing under and by virtue of Philippine laws with office address at 4th Floor, Casman Bldg. 1198 Quezon Ave., Quezon City, herein represented by its President, **RAMON C. POSADAS**, hereinafter referred to as "**PHILRECA**",

The **NATIONAL ASSOCIATION OF GENERAL MANAGERS OF ELECTRIC COOPERATIVES, INC.**, a corporation duly organized and existing under and by virtue of Philippine laws with office address at 4th Floor, Casman Bldg. 1198 Quezon Ave., Quezon City, herein represented by its President, **RESURRECCION R. CORONEL**, hereinafter referred to as "**NAGMEC**",

-and-

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The **ASSOCIATION OF MINDANAO RURAL ELECTRIC COOPERATIVES, INC.**, a corporation duly organized and existing under and by virtue of Philippine laws with main office address at Dongallo Apt., Rosario Limketkai Avenue, Macajalar, Camaman-an, Cagayan de Oro City, herein represented by its President, **SERGIO C. DAGOOC**, hereinafter referred to as **"AMRECO"**

WITNESSETH:

WHEREAS, Section 2 of Republic Act No. 9136, otherwise known as the "Electric Power Industry Reform Act of 2001" or EPIRA provides, among others, the following declared policy of the Republic of the Philippines to: ensure and accelerate the total electrification of the country; to ensure the quality, reliability, security and affordability of the supply of electric power; establish a strong and purely independent regulatory body and system to ensure consumer protection and enhance the competitive operation of the electricity market; and to encourage the efficient use of energy and other modalities of demand side management;

WHEREAS, Section 43 (f) of R.A. No. 9136 provides that any significant operating costs or projects investments of the National Transmission Corporation (TRANSCO) and distribution utilities (DUs) which shall become part of the rate base shall be subject to verification by the ERC to ensure that the contracting and procurement of the equipment, assets and services have been subjected to transparent and accepted industry procurement and purchasing practices to protect the public interest;

WHEREAS, on May 08, 2006, the ERC approved and adopted Resolution No. 13, Series of 2006 entitled "A Resolution Adopting the Guidelines to Govern the Submission, Evaluation and Approval of Capital Projects" to:

1. provide the Distribution Utilities with a uniform system for filing applications for the approval of capital projects;
2. ensure that capital projects are in compliance with the Philippine Grid code and the Philippine Distribution Code;
3. protect the public interest as it is affected by the rates and services of Electric Utilities and other providers of electricity;
4. ensure the economic, orderly and efficient development of Electric Utilities resources that concern public interest; and
5. ensure that the procurement of equipment, materials and services are transparent and compliant with the applicable laws and accepted industry practices and standards.

WHEREAS, after two (2) years of implementation, a number of rules and regulations were adopted by the ERC and relative thereto several

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comments/suggestions were brought to its attention for the improvement of the Guidelines;

WHEREAS, the ERC deemed it necessary to revisit the Guidelines to harmonize it with other regulatory policies and procedures, as well as to incorporate the proposed enhancement;

WHEREAS, after a series of public consultations, on December 15, 2008, the ERC passed Resolution No 18, Series of 2008 approving and adopting the "Rules for Approval of Regulated Entities' Capital Expenditure Projects";

WHEREAS, in compliance with the NEA's mandate under Section 58 of Republic Act No. 9136, it requires all Electric Cooperatives (ECs) to formulate their Integrated Computerized Planning Model (ICPM) in the preparation of their annual CAPEX projects and programs, and structural and/or institutional development;

WHEREAS Section 23 of R.A. No. 9136 provides, among others, that distribution utilities shall prepare and submit their annual distribution development plans to the Department of Energy (DOE). In the case of electric cooperatives, such plans shall be submitted through NEA;

WHEREAS, the parties recognize the enormous significance and importance of having a comprehensive and integrated development plan for all the ECs;

WHEREAS, there is a necessity to adopt a comprehensive and integrated development plan for the preparation of the CAPEX projects and programs and structural and/or institutional planning and development of the ECs consistent with the Philippine Distribution Code, Safety standards set by the Philippine Electrical Code (PEC), Resolution No. 18, Series of 2009 entitled, "A Resolution Adopting for Approval of the Regulated Entities' Capital Expenditure Projects", Rules and Regulations issued by the ERC, the DDP and the ICPM and other applicable and pertinent laws.

NOW, THEREFORE, for and in consideration of the foregoing premises, all parties do hereby mutually declare and agree to collaborate in the crafting and formulation of the "**Electric Cooperative Distribution Utility Planning Manual**", which will provide guidance for the systematic and economic expansion and rehabilitation of distribution facilities and the acquisition of assets necessary to respond to the needs of the electric cooperative's consumers and enable the ECs to meet safety, performance standards and regulatory requirements and the structural and/or institutional planning and development of the ECs.

After the same shall have been developed, the ERC shall approve and adopt the "Electric Cooperative Distribution Utility Planning Manual" as an addendum to its Rules for the Approval of the Regulated Entities' Capital Expenditure Projects.

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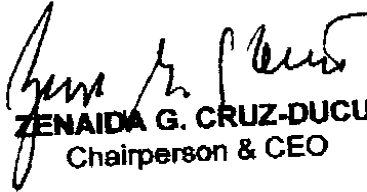
The IFC will endeavor to support the Training and Capability Building or "CAPEX Scale Up", a project targeting thirty (30) electric cooperatives in Luzon and Visayas by serving as a project manager subject to the terms and conditions acceptable to IFC.

The NEA, PHILRECA, NAGMEC and AMRECO shall endeavor to assist the electric cooperatives comply with the "Electric Cooperative Distribution Utility Planning Manual".

IN WITNESS WHEREOF, the parties, through their duly authorized representatives, have hereunto affixed their signatures this 5th day of August 2009 at the SMX Convention Center, Pasay City, Philippines.

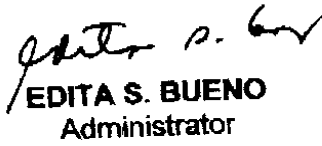
Energy Regulatory Commission (ERC)

By:


ZENAIDA G. CRUZ-DUCUT
Chairperson & CEO

National Electrification Administration (NEA)

By:


EDITA S. BUENO
Administrator

International Finance Corporation (IFC)

By:


WILLIAM TRANT BELOE
Head, Advisory Services

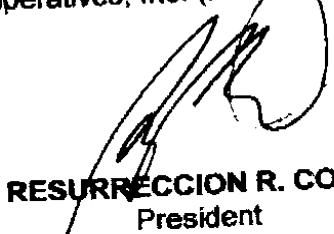
Philippine Rural Electric Cooperatives Association, Inc. (PHILRECA)

By:


RAMON C. POSADAS
President

National Association of General Managers of Electric Cooperatives, Inc. (NAGMEC)

By:


RESURRECCION R. CORONEL
President

Association of Mindanao Rural Electric Cooperatives, Inc. (AMRECO)

By:


SERGIO C. DAGOO
President

Signed in the Presence of:

