

REPUBLIC OF THE PHILIPPINES  
ENERGY REGULATORY COMMISSION  
SAN MIGUEL AVENUE, PASIG CITY

IN THE MATTER OF THE  
APPLICATION FOR APPROVAL OF  
THE ELECTRICITY SALES  
AGREEMENT BETWEEN ILOILO  
ELECTRIC COOPERATIVE I AND  
GREEN POWER PANAY  
PHILIPPINES INC., WITH PRAYER  
FOR PROVISIONAL AUTHORITY,

ERC Case No. 2010-083RC

ILOILO ELECTRIC COOPERATIVE I  
(ILECO I) AND GREEN POWER  
PANAY PHILIPPINES INC.,

Applicants.

x ----- x

**JOINT APPLICATION**  
(WITH APPLICATION FOR PROVISIONAL AUTHORITY)

Joint Applicants Iloilo Electric Cooperative I and Green Power Panay  
Philippines Inc., by their respective counsels, respectfully state:

**THE APPLICANTS**

1. Iloilo Electric Cooperative I (“ILECO I”) is a non-stock, non-profit electric cooperative organized and existing under and by virtue of Presidential Decree No. 269, as amended, with office address at Tigbauan, Iloilo. ILECO I has a franchise to distribute electricity in the municipalities of Miag-ao, San Joaquin, Cabatuan, Maasin, Oton , Pavia, San Miguel, Santa Barbara, Leganes, Tigbauan, Guimbal, Leon, Alimodian, Igaras, and Tubungan, all in the province of Iloilo, Island of Panay (the “Franchise Area”).

2. Green Power Panay Philippines Inc. ("Green Power Panay") is a generation company duly authorized and existing under and by virtue of the laws of the Republic of the Philippines, with principal address at 1101-1102, The Taipan Place, F. Ortigas Jr. Rd., Ortigas Center, Pasig City.

3. It is a wholly owned and operated subsidiary of Global Green Power PLC Corporation ("GPPC"). GPPC is a domestic corporation affiliated with Global Green Power PLC, a public limited company based in the United Kingdom and formed to research, develop, own, acquire and operate renewable energy projects within the Philippines and Asia.

Copies of Green Power Panay's Certificate of Registration issued by the Securities and Exchange Commission, Articles of Incorporation, its latest General Information Sheet, latest Audited Financial Statements Sheet, and Certificate of Registration issued by the Board of Investments, are attached hereto as **Annexes "A," "B," "C," C-1," and "D"** respectively.

4. Applicants may be served orders and other processes at their respective office addresses.

#### **NATURE OF THE APPLICATION**

5. Pursuant to Rule 20 (B) of the ERC Rules of Practice and Procedure, approved by this Honorable Commission on 22 June 2006 in Resolution No. 38, Series of 2006, this Application is submitted to the Honorable Commission for its review and approval of the Electricity Sales Contract ("ESA") executed by and between ILECO I and Green Power Panay.

A copy of the ESA is attached hereto as **Annex "E."**

### COMPLIANCE WITH PRE-FILING REQUIREMENTS

6. In compliance with Rule 6 of the ERC Rules of Practice and Procedure, Applicants have furnished the legislative bodies of each of the local government units where they principally operate a copy of the present Application with all its annexes and accompanying documents.

Proofs of receipt by the legislative bodies of the said local government units, including the province of Iloilo are attached hereto as **Annexes "F" to "F-17,"** respectively.

7. Furthermore, Applicants have caused the publication of the present Application in its entirety in a newspaper of general circulation within the Franchise Area.

Copies of the corresponding affidavit of publication and the newspaper are attached hereto as **Annexes "G" and "G-1,"** respectively.

### STATEMENT OF FACTS

8. **Power Shortage in the Visayas Grid and in the Island of Panay.**  
The supply of electricity in the Visayas Grid is currently insufficient to meet the required levels. According to the Department of Energy ("DOE"), the available dependable capacity in the Visayas Grid in 2009 is no longer sufficient to meet the required capacity, which is the peak demand plus the reserve margin

mandated by this Honorable Commission. By the end of 2010, the dependable capacity in the Grid will no longer be sufficient to meet the peak demand.

A copy of the DOE Power Supply and Demand Outlook 2006-2014, which shows such insufficiency, is attached hereto as **Annex "H."**

9. Among the islands in the Visayas Grid, the island of Panay is most affected by power shortages. Panay is located at the tail end of the Cebu-Negros-Panay sub-grid and has been facing power shortage and recurrent power outages throughout 2008. In 2008 alone, Panay had more than 1000 power outages. As the lack of sufficient supply has significant adverse effects on the local economy, additional generation capacity to service Panay is an urgent necessity.

10. ILECO I is currently supplied power by Green Core Geothermal Inc. ("Green Core") and Panay Energy Development Corporation ("PEDC"). ILECO I's Transition Supply Contract ("TSC") with the National Power Corporation ("NPC") has already expired, and NPC will no longer renew the same.

10.1. Green Core supplies power from geothermal generation facilities. PEDC currently supplies power from its diesel plants, and will eventually supply power from coal-based generation.

11. **Public Competitive Process Undertaken by Electric Cooperatives.** The electric cooperatives of Panay and nearby Guimaras Island, including ILECO I and Iloilo Electric Cooperative II ("ILECO II"), formed the Panay-Guimaras Power Supply Consortium ("the Consortium") to undertake, in behalf of its

member-cooperatives, the procurement of the necessary electricity supply through a public and competitive process.

11.1. In June 2008, the Consortium published an Invitation to Bid, calling all prospective suppliers of electricity to submit offers for the supply of the Consortium's electricity requirements. Thereafter, the Consortium issued a Request for Offers ("RFO") whereby it solicited expressions of interest for the supply of electric power to its member cooperatives.

Copies of proof of the publication of the Invitation to Bid, and the RFO are attached hereto as **Annexes "I," "I-1," "I-2," and "J."**

11.2. Pursuant to the RFO, Green Power Panay submitted its proposal to supply electricity from multi-fuel biomass generation. Green Power Panay proposed two (2) options: (a) to supply power from one (1) 17.5 MW biomass power plant, with full contracted capacity, or (b) to supply power from two (2) 17.5 MW biomass power plants, also with full contracted capacity. Other prospective suppliers likewise submitted proposals.

11.3. Based on Green Power Panay's computations, the equivalent rates, as of 2008, were (a) P5.28/kWh for the first option, and (b) P4.88/kWh for the second option.

12. **Lowest Available Price of Electricity.** After receipt of the proposals, the Consortium requested Green Power Panay to match the lowest price submitted, projected to 2011, at P5.90/kWh.

12.1. Considering a modified price of P4.88/kWh for the full contracted capacity of one (1) 17.5 MW biomass plant, instead to two (2) as earlier proposed, Green Power Panay projected such modified price to 2011 using available index values, arriving at P P6.14/kWh.

13. Although its price projected at 2011 stood at P6.14/kWh, Green Power Panay agreed to match the lowest price submitted, resulting in the base contract price provided for in the subject ESA of P5.90/kWh, applicable in January 2011. Hence, the rate of P5.90/kWh at which Green Power Panay will supply power to ILECO I, was the best available generation rate in Panay.

14. After a thorough evaluation of all proposals submitted to the Consortium, ILECO I determined that Green Power Panay's proposal satisfies fully its need for economically advantageous and reliable supply of electric power and recognized that, because Green Power Panay will source fuel from sources within the Iloilo Province, the operation of the plant will have a direct economic benefit for the local community. Hence, ILECO I selected Green Power Panay as its supplier of its electricity requirements.

15. On 16 December 2008, Green Power Panay and ILECO I executed the Electricity Sales Agreement ("ESA"), subject of the present Application, whereby Green Power Panay will supply and ILECO I will purchase electricity for the latter's power needs. Later, on 17 December 2008, Green Power Panay executed a similar contract with the same generation rate with ILECO II.

## THE PROJECT

16. To supply power under the ESAs with ILECO I and ILECO II, Green Power Panay will build, own, operate, maintain and support a generation facility (the “Mina Biomass Plant”) to be located in the Municipality of Mina, Iloilo (the “Project”), within the franchise area of ILECO I.

17. **Environmentally Friendly Power Generation.** The Mina Biomass Plant is a 17.5 megawatt (MW) biomass power plant, expandable to 35 MW, and has a dependable capacity of 15.3 MW. It will utilize multi-fuel combustion technology which provides utmost flexibility in fuel sourcing, and will be equipped with proven biomass combustion equipment using a high pressure steam boiler and an efficient full-condensing steam turbine.

A copy of a certification on the Facility’s heat rate is attached hereto as **Annex “K.”**

17.1. Unlike other sources of energy such as coal-fired and diesel plants, the Mina Biomass Plant will produce environmentally sound, renewable and cost-effective energy. It will displace coal and fossil fuel energy generation and, this way, helps mitigate climate change.

17.2. The Plant will utilize agricultural waste from several key crops grown within Panay and provide clean, decentralized, renewable energy. Such agricultural waste includes corn and rice straw, sugar cane waste and other agricultural residues.

17.3. Aside from displacing harmful emissions from coal and other fossil fuels, the sustainable purchase of agricultural waste for conversion to energy helps mitigate climate change. If such waste is not converted to energy, they are burnt or left to rot in the fields producing carbon dioxide and methane which are greenhouse gases that contribute significantly to climate change.

18. **Economic Benefits to the Local Community.** Aside from providing clean renewable energy, the operation of the Mina Biomass Plant provides significant economic benefits to the local community.

18.1. The supply of biomass to be used for power generation is expected to inject as much as P9 billion into the local community over the 25-year life of the ESAs through biomass and ancillary services supply such as transport, storage and biomass fuel preparation.

18.2. The Project is also expected to provide around 900 indirect and direct jobs. The Project will also provide the local farming community with additional income from the purchase of agricultural residues and waste for use in power generation.

19. The Mina Biomass Plant will help alleviate the power shortages in the Island of Panay, and thus contribute to the economic growth of the island.

20. With the Plant, Green Power Panay shall supply ILECO I a baseload capacity of 3 MW under the ESA subject of the present case. Green Power Panay shall also supply ILECO II a baseload capacity of 7 MW under the ESA between ILECO I and Green Power Panay.

21. **Government Policy on the Development of Renewable Energy.**

The provision of electricity from the Mina Biomass Plant is in line with the state policy on the promotion and development of renewable energy sources.

22. Under Republic Act No. 9136 or the “Electric Power Industry Reform Act,” it is the policy of the State to promote the utilization of indigenous and new and renewable energy resources in power generation in order to reduce dependence on imported energy (*Section 2, RA No. 9136*). Likewise, under Republic Act No. 9513 or the “Renewable Energy Act of 2008,” it is the policy of the State to accelerate the development of renewable energy resources such as biomass to achieve energy self-reliance through the adoption of sustainable energy development strategies to reduce the country's dependence on fossil fuels and thereby minimize the country's exposure to price fluctuations in the international markets. It is also the policy of the State to encourage the development and utilization of renewable energy resources as tools to effectively prevent or reduce harmful emissions and thereby balance the goals of economic growth and development with the protection of health and the environment (*Section 2, RA No. 9513*).

**ABSTRACT OF THE POWER SALES CONTRACT**

**AND RELATED INFORMATION**

23. **Salient Features of the ESA.** Under the ESA, Green Power Panay shall supply and ILECO I shall purchase a baseload capacity of 3,000 kW from the Mina Biomass Plant operating at ninety percent (90%) of plant capacity except during periods of allowed downtime.

23.1. **Operation Period.** The terms of supply and purchase under the ESA shall be for a period of twenty-five (25) years.

23.2. **Fixed Capacity and Flexible Offtake.** Green Power Panay shall provide and make available a fixed baseload capacity of 3,000 kW. There is no take-or-pay arrangement for energy delivered; billing for energy is based on actual metered offtake.

23.3. **ERC Approval.** As agreed upon by the parties, the approval by this Honorable Commission of the terms of the ESA, including the generation rate and adjustment mechanism provided therein, is a condition precedent to the effectivity of the ESA and the commencement of the parties' obligations thereunder.

24. **Purchased Power Rate.** Under the ESA, ILECO I shall pay a Contract Price of P5.90/kWh applicable in January 2011, consisting of a Capacity Fee and an Energy Fee which are subject to monthly adjustments based on the Consumer Price Index. The adjustment formulae are as follows:

**A. Capacity Fee ("CF")**

$$CF = \frac{CPI_n}{CPI_o} \times CFM \times (Capacity)$$

Where:

CPI is the monthly Consumer Price Index (CPI) of the Philippines (all items). The CPI index value is based on information from the National Economic Development Authority (NEDA). Other official sources of the same information include the National Statistics Office (NSO) and the National Statistics Coordination Board (NSCB).

CPI<sub>n</sub> is the CPI Index value used for the billing month (n). The CPI<sub>n</sub> value is the CPI Index value three months prior to the last day of the billing month (n-3).

CPI<sub>o</sub> is the CPI Index value at the Base Month. The Base Month is January 2008. The CPI<sub>o</sub> for January 2008 is 146.8.

CFM is the Capacity Fee Multiplier. The CFM value is P2,597.00 per kW-month.

Capacity is equal to the available capacity for serving the load. The capacity unit is in kilowatt (kW).

The capacity factor  $[CPI_n \times CFM / CPI_o]$  is defined as Capacity Fee Rate (“CFR”).

Of the entire 15.3 MW capacity of the Mina Biomass Plant, only 10 MW is contracted. Capital expenses for the Project is recovered through the Capacity Fee, in proportion to the contracted capacity and based on the assumption that the uncontracted capacity is producing electricity sold at the same rate, except for 2.2 MW allocated for station use.

This ensures that the consumers of ILECO I pay only for capacity that they benefit from.

## B. Energy Fee (“EF”)

$$EF = \frac{FLW_n}{FLW_o} \times EFM \times (Offtake)$$

Where:

FLW is the Fuel, Light and Water (FLW) Index component of the Consumer Price Index (CPI) of the Philippines (all items). The FLW index value is based on information from the National Economic Development Authority (NEDA). Other official sources of the same information include the National Statistics Office (NSO) and the National Statistics Coordination Board (NSCB).

FLW<sub>n</sub> is the FLW Index value used for the billing month (n). The FLW<sub>n</sub> value is the FLW Index value three months prior to the last day of the billing month (n-3).

FLW<sub>o</sub> is the FLW Index value at the Base Month. The Base Month is January 2008. The CPI<sub>o</sub> for January 2008 is 189.2.

EFM is the Energy Fee Multiplier. The EFM value is P0.8800 per kW-hour.

Offtake is the actual energy Offtake for the Billing Period in kilowatt-hour. The minimum Offtake is 90% capacity factor at any time.

The energy factor  $[FLW_n \times EFM / FLW_o]$  is defined as Energy Fee Rate (“EFR”).

## C. Escalation Adjustment

The Capacity Fee Rate and the Energy Fee Rate are subject to adjustments based on CPI, in accordance with the following formula:

$$\text{Adjusted CFR} = \text{CFM} \times \frac{\text{CPI}_m}{\text{CPI}_0} \qquad \text{Adjusted EFR} = \text{EFM} \times \frac{\text{FLW}_m}{\text{FLW}_0}$$

#### **D. Calibration of Pricing Formula**

The power pricing formula shall be calibrated so as to ensure that at the end of the month ending on 31 January 2011, the applicable Contract Price shall not exceed P5.90/kWh. Thereafter, the adjusted Contract Price shall not be less than P5.90/kWh. Such calibration is by reason of the agreement between the parties that Green Power Panay shall match the lowest price submitted during the bidding, projected at P5.90/kWh by 2011.

#### **E. Capacity Fee Adjustment**

The Capacity Fee shall be reduced in case the Mina Biomass Plant is not able to deliver the contracted power as determined by capacity tests which may be conducted by ILECO I.

A sample computation of the power rate is attached hereto as **Annex "L."**

24.1. **Lowest Available Price of Power.** As discussed earlier, Green Power Panay matched the lowest submitted price of P5.90/kWh, applicable in January 2011.

24.2. As shown by the public, transparent and competitive bidding conducted by the Consortium wherein the bidders presumably took into consideration all factors related to the cost of supplying power in Panay, the Contract Price of P5.90/kWh, applicable in January 2011, is the

lowest available price of power. Stated otherwise, electricity supply cannot be procured by the Consortium or any of its members at a lower price.

24.3. In addition, aside from availing of the lowest available price for the customers of ILECO I, Panay will also greatly benefit from the clean and environmentally friendly generation and from the significant economic impact for local suppliers of biomass for fuel.

24.4. Hence, Applicants respectfully submit that the Contract Price of P5.90/kWh, applicable in January 2011, is very fair and reasonable and greatly beneficial to the public within the Franchise Area.

24.5. Green Core supplies ILECO I electricity from geothermal generation facilities at the rate of P4.88/kWh as of the billing month of April 2010. It must be noted that Green Core did not participate in the bidding conducted by the Consortium. Further, Green Core cannot supply ILECO I any more than what it has already contracted with ILECO I.

24.6. **Indexation of Power Rate Components.** As stated above, the components of the Contract Price are adjusted based on CPI and the Fuel, Light and Water component of CPI. The indexation based on CPI is advantageous to ILECO I and its consumers, especially as compared to other arrangements for the supply of electricity, including the present supply from NPC.

24.7. ILECO I and its consumers are protected from foreign exchange (forex) fluctuations.

24.7.1. Ordinarily, components of the cost of generation incurred or to be incurred in foreign currency (such as dollar-denominated debt servicing) are indexed on the prevailing forex rate, such that forex fluctuations are passed on to the consumers. The consumers bear the risk of forex fluctuations throughout the life of the supply contract. The passing on of the forex risk to consumers is considered acceptable in supply contracts with private power providers, and is being implemented with NPC, through the Incremental Currency Exchange Rate Adjustment (“ICERA”).

24.7.2. Be that as it may, and even though Green Power Panay incurs costs in foreign currency, Green Power Panay assumes the risk of forex fluctuation and does not pass it on to the consumers.

24.8. In addition, the passing on fluctuations in fuel prices, costs in transport of fuel, and other similar costs is likewise considered acceptable, and is ordinarily provided for in electricity supply arrangements. However, the ESA insulates ILECO I and its consumers from the risk of such fluctuations as any increase in the Contract Price shall be based on local inflation, represented by CPI.

24.9. **Breakdown of the Base Price.** The components of the Contract Price are the Capacity Fee and the Energy Fee. The Capacity Fee is based on a Capacity Fee Multiplier with a value of P2,597.00 of per kW-month, which shall be applied to the committed capacity. The Energy Fee

is based on an Energy Fee Multiplier with a value of P0.8800 per kW-hour, which shall be applied to the actual offtake.

24.10. In accordance with the commitment of Green Power Panay to match the lowest available price of P5.90/kWh, applicable on January 2011, the pricing formula shall be recalibrated on January 2011 to ensure that the applicable Contract Price shall not exceed P5.90/kWh.

25. **Sources of Funds/Financial Plans.** The cost of the Project will be funded from loans to be extended by local financial institutions to Global Green Panay and from equity. As discussions with Green Power Panay's lenders are ongoing, the indicative debt-equity ratio for the Project is 75:25.

25.1. **Project Cost.** The project cost is estimated at US\$52.0 million or P2,340.9 million (at an exchange rate of P45.00=\$1.00), the main components of which are as follows:

	<b>PHP Million</b>	<b>US\$ Million</b>	<b>Description</b>
Pre-Operating Costs	73.4	\$1.6	Studies, licenses, approvals & activities; land lease
Cost of Sales	29.5	\$0.7	Fuel, ash disposal, other fuel costs, plant operating salaries, plant operating salaries taxes
Administration Costs	42.8	\$1.0	Insurance, Administration, Legal
Overhead Costs	77.4	\$1.7	Director salary and taxes, labor costs, administrative costs, development cost charges
Taxation	10.4	\$0.2	Import tax, land purchase tax, capital increase tax, VAT
Servicing of Finance	267.4	\$5.9	Debt interest, New equity investor introduction charges, new debt financing charges, guarantee charges
Intangible Assets	109.5	\$2.4	Other Project Development Expenses
Fuel	54.9	\$1.2	Stockpiling

Capital Costs/Fixed Assets	1,646.3	\$36.6	Land Purchase, Owner Engineer, Engineering, Procurement, Construction (EPC), Site Preparation, Transmission Line Interconnect (Extra to EPC), Biomass Warehouse, Biomass Drying System, Biomass Laboratory, Biomass Handling Vehicles, Site Office, Site Office Equipment, Construction Contingency
Construction Period Headroom	29.3	\$0.7	
<b>Total Project Cost</b>	<b>2,340.9</b>	<b>\$52.0</b>	

A detailed summary of the components of the project cost is attached hereto as **Annex “M.”**

25.2. **Annual Interest.** Green Power Panay is currently discussing with prospective lenders for the project finance, with indicative rates at about 11% per annum. The final loan details such as the principal, term and interest are still undetermined. Among the matters that lenders have indicated they will require is the approval of the ESA presently applied for.

25.3. For purposes of determining the Contract Price, Green Power Panay applied an estimated interest rate of 11% per annum.

The relevant assumptions on the project finance are contained in **Annex “N.”**

25.4. **Computation of Return on Investment/ Weighted Average Cost of Capital.** The average Return on Investment (“ROI”) over twenty five (25) years is 16.0%. The Weighted Average Cost of Capital (“WACC”) based on estimates at the time of the bid is 9.3%. Based on current assumptions, WACC is computed at 11.8%.

Computations of the ROI and WACC are shown in **Annexes "O"** and **"P."**

26. **Cash Flow.**

26.1. **Breakdown of Operating and Maintenance Expenses.** The projected operating expenses are broken down as follows:

<b>O&amp;M Costs</b>	<b>Year 3 Million</b>
Cost of sales	P 358.7
Operating Costs	P 55.4
Total	P 414.1

A more detailed breakdown of the projected operating expenses is attached hereto as **Annex "Q."** A detailed breakdown showing the operating expenses for the power plant and general and administrative expenses is attached hereto as **Annex "R."**

27. **Application for Certificate of Compliance.** On 18 March 2010, Green Power Panay filed with this Honorable Commission an application for the issuance of a Certificate of Compliance for the Mina Biomass Plant.

A copy of proof of this Honorable Commission's receipt of the said application is attached hereto as **Annex "S."**

28. **Environmental Compliance Certificate.** On 6 July 2009, the Department of Environment and Natural Resources ("DENR") issued Environmental Compliance Certificate ("ECC") No. ECC-R6-0904-115-4220 for the Mina Biomass Plant in favor of Green Power Panay.

A copy of the ECC is attached hereto as **Annex "T."**

29. **Fuel Procurement.** Global Green Panay will source its biomass fuel from the locality, thereby providing direct economic benefit to Panay. Panay has an enormous abundance of biomass residues that are currently treated as waste products, but could be put into productive use as fuel for the Mina Biomass Plant.

29.1. In order to ensure the long-term sustainable supply of biomass fuel, Green Power Panay executed an agreement with Global Biomass PLC Corporation (“GBC”), an affiliate of GPPC with the necessary experience and expertise in biomass supply, for the delivery of the fuel supply requirements of the Mina Biomass Plant and to maintain a minimum of three (3) months reserve supply at the Plant.

A copy of the said agreement is attached hereto as **Annex “U.”**

29.2. To support its feedstock generation strategy, GBC has signed a Memorandum of Agreement with the Philippine Agriculture Development and Commercial Corporation (“PADCC”), a government-owned and controlled corporation associated with the Department of Agriculture, to provide services and support in the identification and consolidation of marginal lands for its biomass production on an exclusive basis within a 150 Km radius of Mina Biomass Plant.

A copy of the said Memorandum of Agreement is attached hereto as **Annex “V.”**

30. **NPC Certification.** As discussed earlier, there is a shortage of supply in the island of Panay. In addition, the TSC between NPC and ILECO I has already expired and will not be renewed. Green Power Panay has formally

requested NPC for a certification that it does not have available capacity to supply ILECO I's energy requirements during the contract period of the ESA. However, to date, NPC has yet to respond to such request. Green Power Panay undertakes to submit the certification to this Honorable Commission once it is obtained.

A copy of the letter to NPC evidencing such request is attached hereto as **Annex "W."**

31. **DOE Certification.** On 30 April 2010, the DOE issued Certificate of Endorsement No. 2010-04-01, certifying that the Mina Biomass Plant is consistent with the Power Development Plan.

A copy of the said certificate is attached hereto as **Annex "X."**

32. **ILECO I's Load Forecast Projections.** A copy of ILECO I's Distribution Development Plan showing its load forecast projections is attached hereto as **Annex "Y."**

**RATE IMPLICATIONS OF THE ELECTRICITY SALES AGREEMENT**

33. As stated earlier, ILECO I currently sources its power requirements from two other suppliers. The table below shows presents a comparison of the Contract Price under the ESA and the generation charges of ILECO I's existing suppliers, using actual data from the billing month of April 2010. It also shows the effective generation rate as of April 2010, at P5.85/kWh.

	<b>Green Core (April 2010)</b>	<b>PEDC (April 2010)</b>	<b>Proposed Contract Price</b>	<b>Current Effective Rate (Green Core and PEDC)</b>
	Geothermal	Diesel	Biomass	

Generation Charge <sup>1</sup>	P4.88/kWh <sup>2</sup>	P11.91/kWh <sup>3</sup>	P5.90/kWh	P5.85/kWh <sup>4</sup>
Effective	April 2010	April 2010	January 2011	April 2010

<sup>1</sup> With Prompt Payment Discount where applicable

<sup>2</sup> Green Core did not participate in the bidding conducted by the Consortium.

<sup>3</sup> Subject to Value Added Tax

<sup>4</sup> Computed in Annex "Z."

34. It must be noted that the generation charges of the other suppliers and the overall rate of P5.85/kWh are effective on April 2010. On the other hand, the proposed Contract Price of P5.90/kWh is the rate applicable on January 2011. In comparing the above rates, the expected increase in the current generation rates by 2011 must be considered.

35. In addition, for the electricity procured by ILECO I from diesel-based generation, the risk of fuel cost and forex fluctuations are passed on to the customers. In contrast, under the ESA, ILECO I and its customers are protected from the risk of fuel cost and forex fluctuations. That is, the Contract Price will not change notwithstanding changes in the cost of fuel or in the forex rate. Any increase in the rate shall be based on local inflation, represented by CPI.

36. ILECO I currently pays Value-Added Tax (VAT) of 12% on power sourced from non-renewable energy sources such as diesel. As the electricity supplied by the Mina Biomass Plant is considered renewable energy, it is exempt from VAT, which ILECO I's customers would otherwise pay.

37. To further demonstrate the indicative impact of the ESA on the overall generation rates to be paid by ILECO I's customers, the table below shows the actual effective rate of P5.8518/kWh for April 2010 in comparison to the estimated effective rate of P6.0005/kWh for 2012.

<b>FUTURE PRICE MIX FROM ALL CONTRACTED POWER SOURCES</b>							
TIME	Existing			Future Scenario (2012)			
	Green Core		PEDC ( Pavia )	Green Core	Green Power Panay	PEDC	
	Contracted	Extended NPC				Coal	Diesel
Totals/Day, (MWH)	408.950	39.715	71.952	408.950	63.000	71.173	41.842
Mix, ( % )	86.18%		13.82%	69.91%	10.77%	12.17%	7.15%
Load Factors	95%	21%	86%	95%	88%	76%	22%
Generation Cost, with PPD	4.88	4.88	11.91	4.88	5.90	6.98	15.44
Capacity Fee			7,428,054				7,428,054
Energy Fee			2,019,034			9,772,568	2,019,034
Fuel			15,110,004			3,933,881	8,786,873
VAT			1,133,651			1,172,708	1,133,651
ER 1-94			21,585			21,352	12,552
Total Bill			25,712,327				19,380,163
<b>Mix Generation Charge</b>			<b>5.8518</b>				<b>6.0005</b>

37.1. For purposes of determining the future scenario, a load growth of six percent (6%) was assumed. The entry of PEDC's coal generation facilities was likewise assumed. No changes the values of applicable indices were assumed.

38. The foregoing shows that the indicative impact of the ESA on the overall generation rates is not very significant.

A copy of a more detailed computation supporting the above table is attached hereto as **Annex "Z."**

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

39. As discussed earlier, the island of Panay, including the Franchise Area, has been facing power shortage and recurrent power outages since 2008.

As the lack of sufficient supply has significant adverse effects on the local economy, the urgent need for additional generation capacity is clear.

40. The Mina Biomass Plant is expected to provide much needed generation capacity to ILECO I and the rest of Panay.

41. As the Project will be funded primarily through financing to be provided by lenders, it is imperative that Green Power Panay will be able to conclude its financing agreements. However, based on discussions with prospective lenders, it has become clear that the assurance of a firm cash flow from approved bilateral power supply contracts is necessary in order to conclude such financing.

42. As financial closure with its lenders is essential for Green Power Panay to move forward with the Project, the expedient approval of the present ESA is of utmost necessity, in order to ensure delivery of much needed power at the soonest possible time.

43. Green Power Panay endeavors to complete and commission the Mina Biomass Plant at the soonest possible time in order to help alleviate the power shortage in Panay and its adverse effects to the local economy. As discussed earlier, the Project will also provide significant direct economic benefit to the local economy and the environment. It is thus clear that the expedient approval of the present Application will greatly benefit the electricity consumers of ILECO I, the local economy and the environment as well.

**PRAYER**

WHEREFORE, premises considered, Applicants Iloilo Electric Cooperative I and Green Power Panay Philippines, Inc. respectfully pray that the Honorable Commission:

1. Immediately issue an Order provisionally approving the Electricity Sales Agreement dated 17 December 2008, subject of the present Application, as well as the generation rate and adjustment mechanism indicated therein.
2. After due hearing, render judgment making such provisional approval permanent.

Applicants pray for other just and equitable relief under the premises.

Pasig City, 7 June 2010.

By: **ILOILO ELECTRIC  
COOPERATIVE I**  
  
**(Sgd.)  
WILFRED L. BILLENA  
General Manager**

By: **GREEN POWER PANAY  
PHILIPPINES, INC.**  
  
**(Sgd.)  
STEVE WATERFIELD  
Chief Executive Officer**