

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 II AND
GREEN POWER PANAY
PHILIPPINES INC., WITH
PRAYER FOR PROVISIONAL
AUTHORITY,

ERC Case No. 2010-084RC

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

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JOINT APPLICATION
(WITH APPLICATION FOR PROVISIONAL AUTHORITY)

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

THE APPLICANTS

1. Iloilo Electric Cooperative II (“ILECO II”) 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 Brgy. Cau-ayan, Iloilo. ILECO II has a franchise to distribute electricity in the city of Passi and the municipalities of Mina, Pototan, Dingle, Duenas, San

Enrique, Calinog, Bingawan, Lambunao, Badiangan, Janiuay, New Lucena, Zarraga, Barotac Nuevo, and Dumangas, 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, latest General Information Sheet, latest Audited Financial Statements, 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 II 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-16,”** 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. In addition, ILECO II is currently supplied power by the National Power Corporation ("NPC") through a Transition Supply Contract ("TSC") which will expire on 25 December 2010. NPC has rejected ILECO II's request to extend the said TSC. Thus, it is necessary for ILECO II to procure other suppliers of power.

11. **Public Competitive Process Undertaken by Electric Cooperatives.** The electric cooperatives of Panay and nearby Guimaras Island, including ILECO I and 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 publication of the Invitation to Bid, and the RFO are attached hereto as **Annexes "I," "I-1," "I-2," and "J,"** respectively.

11.2. Pursuant to the RFO, Green Power Panay submitted its proposal to supply electricity from multi-fuel biomass generation. Green Power Panay proposed to supply power from one (1) 17.5 MW biomass power plant with full contracted capacity, at P5.28/kWh, or from two (2) 17.5 MW biomass power plants, also with full contracted capacity, at P4.88/kWh. Other prospective suppliers likewise submitted proposals.

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 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 II, was the best available generation rate in Panay.

14. After a thorough evaluation of all proposals submitted to the Consortium, ILECO II 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 Iloilo Province, the operation of the plant will have a direct economic benefit for the local community. Hence, ILECO II selected Green Power Panay as its supplier of its electricity requirements.

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

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 II.

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 II a baseload capacity of 7 MW under the ESA subject of the present case. Green Power Panay shall also supply ILECO I a baseload capacity of 3 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 II shall purchase a baseload capacity of

7,000 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 7,000 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 II 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_n is the CPI Index value used for the billing month (n). The CPI_n value is the CPI Index value three months prior to the last day of the billing month (n-3).
- CPI₀ is the CPI Index value at the Base Month. The Base Month is January 2008. The CPI₀ 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 x CFM/CPI₀] 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 II pay only for capacity that they benefit from.

B. Energy Fee (“EF”)

$$EF = \frac{FLW_n}{FLW_0} \times EFM \times (Offtake)$$

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_n is the FLW Index value used for the billing month (n). The FLW_n value is the FLW Index value three months prior to the last day of the billing month (n-3).
- FLW₀ is the FLW Index value at the Base Month. The Base Month is January 2008. The CPI₀ 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:

$$\text{Adjusted CFR} = \text{CFR} \times \frac{\text{CPI}_n}{\text{CPI}_o} \quad \text{Adjusted EFR} = \text{EFR} \times \frac{\text{FLW}_n}{\text{FLW}_o}$$

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 II.

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. NPC is undergoing privatization and can no longer install additional generation capacity in Panay. In fact, NPC is currently unable to meet the power needs of Panay. Hence, additional capacity must be provided by private investment.

24.3. 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.

24.4. In addition, aside from availing of the lowest available price for the customers of ILECO II, 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.

24.5. 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.

24.6. 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 II and its consumers, especially as compared to other arrangements for the supply of electricity, including the present supply from NPC.

24.7. ILECO II 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 II 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:

	PHP Million	US\$ Million	Description
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	
Total Project Cost	2,340.9	\$52.0	

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:

O&M Costs	Year 3 Million
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. **No Transmission Charges.** As stated earlier, the Mina Power Plant will be located within the Franchise Area, with the delivery point at the high side of ILECO II's 69 kV subtransmission line at or near an ILECO II substation embedded in the Franchise Area. Hence, as power is delivered directly to ILECO II, obviating the necessity of transmission costs which end users ordinarily have to shoulder, resulting in lower total rates to be paid by ILECO II's customers.

28. **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."**

29. **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.”**

30. **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.

30.1. 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.”**

30.2. 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."**

31. **NPC Certification.** As discussed earlier, there is a shortage of supply in the island of Panay. In addition, the TSC between NPC and ILECO II is set to expire by the end of 2010, and NPC has rejected ILECO II's request to extend the same. Further, Green Power Panay has formally requested NPC for a certification that it does not have available capacity to supply ILECO II's energy requirements during the contract period of the ESA. However, to date, NPC has not responded 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."**

32. **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."**

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

RATE IMPLICATIONS OF THE ELECTRICITY SALES AGREEMENT

34. As stated earlier, ILECO II currently sources its power requirements from NPC. The following table shows impact of the ESA on the generation rates to be paid by ILECO II once the Mina Biomass Plant commences commercial operations.

	Current NPC effective rate (04/10)	Bid Price (September 2008)	Proposed Contract Price (applicable on January 2011)
	P/kWh	P/kWh	P/kWh
Generation Charge	3.6850 ¹	4.88	5.90
Value Added Tax (VAT) on energy from non- renewable energy sources	0.10359 ²	0	0
Mandatory Rate Reduction (MRR)	-0.30	0	0
Franchise and Benefits to Host Communities Taxes	0.0177 ³	0	0
8 th ICERA DAA	0.0278 ⁴	0	0
FPPCA & Foreign Exchange	0.2657 ⁵	0	0
Transmission charges	1.1235 ⁶	0	0
Total Delivered Cost	4.92329	4.88	5.90

¹ Based on actual power bill for the month of April 2010.

² A generation mix of 23% non-renewable and 77% renewable. VAT imposed on NPC's generation sales depends on the generation mix in the Visayas for a particular billing month. Generation from renewable energy sources is VAT-exempt.

³ ERC Case No. 2001-901.

⁴ Deferred accounting adjustment.

⁵ Fuel and Purchased Power Cost & Foreign Exchange Related Cost, ERC Res. #19 & 25.

⁶ Based on transmission charge component in an actual bill to a customer in the April 2010 billing month

35. The above table presents a comparison of the delivered cost of electricity sourced by ILECO II from NPC at present on one hand, using data from the billing month of April 2010, and from Green Power Panay in 2011.

36. It must be noted that the NPC generation charge is the April 2010 rate. 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 NPC's generation rate from 2010 to 2011 must be considered.

36.1. In addition, NPC also passes on the risk of fuel cost and forex fluctuations by way of deferred accounting adjustments (DAA) subject to the approval of this Honorable Commission. Thus, the NPC generation charge is expected to increase upon the approval by this Honorable Commission of NPC's pending applications for DAAs.

36.2. Currently, NPC's pending DAA applications represent several rate increases proposed to be recovered over periods ranging from two (2) to sixteen (16) months (*ERC Case Nos. 2008-042 RC, 2008-053 RC, 2008-063 RC, 2009-032 RC, 2009-056 RC, 2008-043 RC, 2008-054 RC, 2008-064 RC, 2009-031 RC, and 2009-055 RC*). It must be noted that NPC seeks to recover, not only the deferred adjustments but corresponding interest on the subject amounts.

36.3. Moreover, pursuant to Resolution 19, Series of 2009 dated 3 August 2009, NPC will automatically recover monthly fuel and purchased power costs and foreign-exchange related costs, effectively passing on to the customers the risk of fuel cost and forex rate fluctuations without prior approval by this Honorable Commission.

37. In contrast, under the ESA, ILECO II 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.

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

39. As stated earlier, the Mina Biomass Plant is embedded in the Franchise Area, obviating transmission charges which ILECO II's customers would otherwise pay.

40. As shown in the above table, the delivered cost of power currently sourced from NPC is P4.92/kWh. On the other hand, the delivered cost of power to be sourced from Green Power Panay in 2011 is P5.90/kWh. As stated earlier, the expected increase of NPC's generation rate from 2010 to 2011 must be considered when comparing the above rates.

41. For purposes of determining the indicative impact of the ESA on the rates ILECO II's customers would pay, assuming Green Power Panay supplied power to ILECO II under the ESA for the billing month of April

2010, the effective delivered cost of power to the end-users would be P5.47/kWh.

	Actual (April 2010)	Green Power Panay	NPC
Average total kWh in a day	301,412	168,000	133,412
Average hourly kWh	12,558.84	7,000.00	5,558.84
Load Factor	61.13%	100.00%	41.05%
Monthly, kWh	9,042,364	5,040,000	4,002,364
	Rate (P/kWh)	5.90	4.92329
	Amount (P)	29,736,000.00	19,704,799.56
	Average Rate (P/kWh)		5.47

Copies of the actual and simulated demand data with computations, and corresponding graphical presentations are attached hereto as **Annexes "Z," "Z-1," "Z-2," and "Z-3,"** respectively.

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

42. 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.

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

44. 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.

45. 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.

46. 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 II, the local economy and the environment as well.

PRAYER

WHEREFORE, premises considered, Applicants Iloilo Electric Cooperative II 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.

**ILOILO ELECTRIC
COOPERATIVE II**

By:

**(Sgd.)
JOSE REDMOND ERIC S.
ROQUIOS
Officer-In-Charge**

**GREEN POWER PANAY
PHILIPPINES, INC.**

By:

**(Sgd.)
STEVE WATERFIELD
Chief Executive Officer**