

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



**IN THE MATTER OF THE
APPLICATION FOR
APPROVAL OF ELECTRIC
POWER SUPPLY
AGREEMENT BETWEEN
ILOCOS NORTE ELECTRIC
COOPERATIVE, INC.
("INEC") AND BAC-MAN
GEOTHERMAL, INC. ("BGI")
WITH PRAYER FOR
PROVISIONAL AUTHORITY
AND MOTION FOR
CONFIDENTIAL
TREATMENT OF
INFORMATION,**

ERC CASE NO. 2016-201 RC

**ILOCOS NORTE ELECTRIC
COOPERATIVE, INC. (INEC)
AND BAC-MAN
GEOTHERMAL, INC. (BGI),
Applicants.**

X-----X

D O C K E T E D
Date: MAR 01 2017
By: [Signature]

ORDER

On 23 December 2016, Ilocos Norte Electric Cooperative, Inc. (INEC) and BAC-MAN Geothermal, Inc. filed a *Joint Application* dated 5 December 2016 (Joint Application) seeking the Commission's approval of their Electric Power Supply Agreement with prayer for provisional authority.

INEC and BGI alleged the following in their *Joint Application*:

THE NATURE OF THE APPLICATION

1. This is a Joint Application submitted to the Honorable Commission for its due consideration and approval of the Power Supply Agreement (PSA) executed by and between INEC and BGI.

THE APPLICANTS

2. INEC is a non-stock non-profit electric cooperative duly organized and existing under Presidential Decree No. 269, as amended, otherwise known as the National Electrification Administration Decree, with principal office address at Brgy. Suyo, Dingras, Ilocos Norte where it may be served with summons and other legal processes.

It is registered with the National Electrification Administration. INEC has been granted a franchise or authority to distribute electric service in the municipalities of Adams, Bacarra, Badoc, Bangui, Banna, Burgos, Carasi, Currimao, Dingras, Dumalneg, Marcos, Nueva Era, Pagudpud, Paoay, Pasuquin, Piddig, Pinili, San Nicolas, Sarrat, Solsona and Vintar and to the cities of Laoag and Batac, all in the province of Ilocos Norte (collectively, the "**Franchise Area**").

Copies of INEC's Articles of Incorporation and By-Laws, Document showing Current Directors, Certificate of Registration with the National Electrification Administration, and Certificate of Franchise issued by the National Electrification Commission are attached hereto as *Annexes "C", "C-1", "D", "E", and "F"*, respectively.

3. BGI is a corporation duly organized and existing under the laws of the Republic of the Philippines, with office address at the 38th Floor, One Corporate Center, Julia Vargas corner Meralco Avenue, Ortigas Center, Pasig City 1605, where it may be served with summons and other legal processes.

Copies of BGI's Articles of Incorporation and By-Laws, Certificate of Registration issued by the Securities and Exchange Commission (SEC), latest General Information Sheet (GIS) showing the list of shareholders and Board of Investments (BOI) Certificate of Registration are attached hereto as *Annexes "G", "G-1", "H", "I", and "J"*, respectively.

- 3.1 BGI, as a generation company, falls within the ambit of Sections 6 and 29 of Republic Act No. 9136 or the Electric Power Industry Reform Act of 2001 ("EPIRA").
- 3.2 Pursuant to the Honorable Commission's Resolution No. 02, Series of 2015 requiring distribution utilities and generation companies to jointly file applications for the approval of power supply agreements, BGI has joined in this Application as a co-applicant.
- 3.3 While BGI is a co-applicant, it manifests that this joint Application shall neither modify, diminish, nor constitute as a waiver of BGI's rights nor expand its obligations and responsibilities as a generation company under the EPIRA.

4. BGI is a wholly-owned subsidiary of EDC Geothermal, Inc., which is in turn wholly-owned by Energy Development Corporation (EDC). BGI owns and operates the Bacon-Manito Geothermal Plant located in the provinces of Albay and Sorsogon, which was acquired via the privatization auction conducted by the Power Sector Assets and Liabilities Management Corporation (PSALM) as evidenced by the attached Joint Certificate of Turn-Over dated 3 September 2010, as **Annex "K"**. When BGI took over the facility, it embarked on a massive rehabilitation capital expenditure program and the ensuing repair works resulted to the dependable capacity being increased from 130 MW to 156 MW. Copies of the Environmental Compliance Certificate (ECC) issued by the Department of Environmental and Natural Resources (DENR) and ERC Certificate of Compliance (COC) issued to BGI are attached hereto as **Annexes "L" and "M"**, respectively.

COMPLIANCE WITH PRE-FILING REQUIREMENTS

5. In compliance with Rule 6 of the ERC Rules and in support of the instant Joint Application for the approval of the PSA, a copy of the instant Joint Application (including Annexes and accompanying documents) was furnished to the respective legislative bodies of the Municipality of Dingras, and the Province of Ilocos Norte, where INEC operates. Copies of the certification of the due receipt by the said legislative bodies are attached hereto as **Annexes "N" and "O"**, respectively.
6. Likewise, a copy of the instant Joint Application (including Annexes and accompanying documents) was furnished to the legislative body of the City of Pasig where BGI principally operates. A copy of the certification of the due receipt by the said legislative body is attached hereto as **Annex "P"**.
7. The entire Joint Application, excluding the Annexes, was published in a newspaper of general circulation within the Franchise Area or area where INEC and BGI principally operate. Copies of the Affidavit of Publication and the newspaper publication are attached hereto as **Annexes "Q" and "R"**, respectively.

NATURE OF THE APPLICATION

8. Pursuant to Sections 23, 25 and 45 (b) of Republic Act No. 9136 otherwise known as the "Electric Power Industry Reform Act of 2001" ("**EPIRA**") and in relation to Rule 20 (B) of the ERC Rules of Practice and Procedure (ERC Resolution No. 38, Series of 2006), this Application is submitted to the Honorable Commission for its review and approval of the Power Supply Agreement ("**PSA**"), dated 30 September 2016, executed by and between INEC and BGI. A copy of the PSA is hereto attached and made an integral part hereof as **Annex "S"**.

INEC POWER SITUATION

9. The EPIRA mandates that a distribution utility shall have the obligation to supply electricity in the least cost manner to its captive market, subject to the collection of retail rate duly approved by this Honorable Commission¹. Towards this end, the EPIRA expressly allows distribution utilities to enter into bilateral power supply contracts, subject to review by this Honorable Commission².

10. In furtherance of the State policy to ensure the quality, reliability, security and affordability of the supply of electric power and to protect public interest affected by the rates and services of the electric utilities and other providers of electric power, this Honorable Commission issued Resolution No. 21, Series of 2005 which directed all distribution utilities to enter into future bilateral power supply contract with power producers to be subjected to a review by the ERC.

11. Consistent with these policies and regulations, the IMAK ECs, which includes INEC, entered into a Memorandum of Agreement for the joint procurement of their aggregated short-term (2017-2018) uncontracted base load power supply requirement for 42MW, 50MW and 52MW for the periods December 26, 2016 - July 25, 2017, July 26, 2017 - December 25, 2017 and December 26, 2017 - December 25, 2018, respectively ("Transaction"). Notwithstanding the aggregation of their base load power requirements, however, each of the IMAK ECs has agreed to individually sign a contract with the winning bidder for its respective committed demand, as indicated in the table below.

**COMMITTED DEMAND OF IMAK
ELECTRIC COOPERATIVES (ECs)**

Electric Cooperative (EC)	Contract Period		
	26 Dec. 2016 - 25 July 2017	26 July 2017 - 25 Dec. 2017	26 Dec. 2017 - 25 Dec. 2018
INEC	42	42	44
MOPRECO	-	3	3
KAELCO	-	5	6
Total MW	42	50	53

**The Power Supply and Demand Situation in INEC's
Franchise Area**

12. The table below shows INEC's Historical Demand and Supply Scenario from January 2008 to October 2015. INEC contracted its 5-year power supply requirement to the San Miguel Energy Corporation (SMEC) totaling to 1,005,751 MWH of energy that started on December 26, 2011 and will end on December 25, 2016. INEC's demand that is not covered by the contracted supply, including peaking load requirements, is/will be supplied

¹ Cf. EPIRA, Sec. 23, par. 3.

² Cf. EPIRA, Sec. 45(b).

by its mini-hydro power plant and is/will be procured from the WESM.

Year	Max. MW	kWH
2008	34,907	188,488,516
2009	40,277	198,086,885
2010	39,210	217,709,661
2011	38,846	216,563,122
2012	43,607	233,708,480
2013	47,043	249,135,222
2014	47,282	256,416,418
2015	50,594	272,907,817
Jan-Sep 2016	55,475	228,417,377

13. On the other hand, INEC's Forecasted Demand and Supply Scenario for the years 2017 to 2031 is shown in the table below. The total forecasted demand for 2017 to 2031 is evidently increasing. The table shows that the uncontracted base and peaking demands will both be increasing from 41.41 MW in 2017 to 96.41 MW in 2031 and 11.91 MW in 2017 to 27.67 MW in 2031, respectively.

FORECAST YEARS	FORECASTED CAPACITIES (MW)			CONTRACTED CAPACITIES (MW)		UNCONTRACTED CAPACITY (MW)		
	BASE	PEAKING	TOTAL	BASE	PEAKING	BASE	PEAKING	TOTAL
2017	42.04	11.91	53.95	0.64	-	41.41	11.91	53.31
2018	44.16	12.51	56.67	0.64	-	43.52	12.51	56.03
2019	46.89	13.28	60.17	1.27	-	45.62	13.28	58.90
2020	49.85	14.12	63.96	1.27	-	48.57	14.12	62.69
2021	53.03	15.02	68.05	1.27	-	51.76	15.02	66.78
2022	56.44	15.99	72.43	1.27	-	55.17	15.99	71.16
2023	60.09	17.02	77.11	1.27	-	58.81	17.02	75.83
2024	63.96	18.12	82.08	1.27	-	62.69	18.12	80.81
2025	68.07	19.28	87.36	1.27	-	66.80	19.28	86.08
2026	72.42	20.51	92.93	1.27	-	71.15	20.51	91.66
2027	77.00	21.81	98.81	1.27	-	75.73	21.81	97.54
2028	81.82	23.17	104.99	1.27	-	80.54	23.17	103.72
2029	86.87	24.61	111.48	1.27	-	85.59	24.61	110.20
2030	92.16	26.10	118.26	1.27	-	90.88	26.10	116.99
2031	97.68	27.67	125.35	1.27	-	96.41	27.67	124.08

The attached **Annex "T"** and series shows the yearly supply and demand scenario as well as the average daily load curves.

The Competitive Procurement Process

14. On account of the foregoing, the IMAK ECs decided to pursue the joint procurement of their aggregated short-term uncontracted base load power supply requirement in accordance

with Section 23³ of the EPIRA, through the conduct of a transparent, clear and fair competitive selection process, adhering strictly with the procedures and guidelines approved by the IMAK EC Joint Bids and Awards Committee ("JBAC").

- 14.1 The Transaction commenced with the preparation by the Joint Technical Working Group ("JTWG") of a least-cost power supply plan for each EC and for the aggregated demand of the IMAK ECs. The power supply plan includes the short-term and long-term peak demand and annual energy that was projected based on scientifically formulated load forecast models that were subjected to validity and accuracy tests.
- 14.2 Following the determination of the least-cost power supply plan for each EC, the IMAK ECs published on 4 April 2016 in a newspaper of general and national circulation the Invitation to Bid for the Transaction. Prospective bidders from the generation sector were likewise individually invited to participate in the bidding process through letters and electronic mail. In addition thereto, INEC also posted at a public bulletin board within its franchise area, a copy of the Invitation to Bid.
- 14.3 In response to the Invitation to Bid, eight (8) generation companies, including BGI, Novosol Power, FDC Utilities, Inc., South Luzon Power Generation Corporation, San Miguel Energy Corporation, Team (Philippines) Energy Corporation, Trans Asia Oil and Energy Development Corporation and Toledo Power Company, expressed their interest and qualified to participate in the bid conducted by the JBAC.
- 14.4 As part of the bidding process, pre-bid conferences were held by the JBAC where the bidders were given opportunity to submit their comments and raise clarificatory questions on the Transaction.
- 14.5 For the bid submission, the interested bidders were required to submit their bids in two (2) separate envelopes. The first envelope contains the legal requirements and proof of technical and financial capability of the bidder to supply the baseload power requirements of the IMAK ECs. The second envelope contains the commercial offer, consisting of the technical and financial offers, of the bidder.

³ Section 23 provides that "to achieve economies of scale in utility operations, distribution utilities may, after due notice and public hearing, pursue structural and operational reforms such as but not limited to, joint actions between or among the distribution utilities, subject to the guidelines issued by the ERC. Such joint actions shall result in improved efficiencies, reliability of service, reduction of costs and compliance to the performance standards prescribed in the IRR of this Act."

- 14.6 On 17 June 2016, the JBAC received from BGI, South Luzon Power Generation Corporation, San Miguel Energy Corporation, Team (Philippines) Energy Corporation, Trans Asia Oil and Energy Development Corporation and Toledo Power Company their respective bids for the Transaction.
- 14.7 The JBAC evaluated the submitted bids based on an Evaluation Framework and Evaluation Methodology previously released to the bidders. After thorough evaluation of the bids, the JBAC issued on 21 June 2016 the Notice of Lowest Calculated Bid to BGI informing BGI that it submitted the Lowest Calculated Bid for the Transaction. BGI tendered the Lowest Calculated Bids for the various contract periods as follows:

Contact Period	Base Price (Php)	Effective Price (Php)	Capacity Won
2017A	3.8319	3.0699	42 MW
2017B	3.8007	3.2784	50 MW
2018	3.7926	3.2942	53 MW

- 14.8 After complying with the Post-Qualification Process for the Transaction, on 28 June 2016, the JBAC issued a Notice of Award to BGI, informing BGI of its selection as the winning bidder for the supply of power to the IMAK ECs.
- 14.9 BGI and the IMAK ECs subsequently commenced negotiations for the other commercial and technical terms and conditions of the PSA, except for the power rate which is equivalent to BGI's Lowest Calculated Bids.
- 14.10 On 30 September 2016, BGI and the member ECs of the IMAK ECs executed individual PSAs covering their respective committed demand.

Copies of the relevant documents proving BGI's selection and qualification as the winning bidder in the joint competitive selection process undertaken by IMAK ECs for the supply of their aggregated base load demand for the contract year 2017 up to 2018 are attached hereto as **Annexes "U" to "U-13"** (subject to a motion for confidential treatment of information).

ABSTRACT OF THE PSA AND RELATED INFORMATION

15. The following are the salient features of the Power Supply Agreement (PSA) between INEC and BGI:
- 15.1 Term. The Agreement shall take effect immediately from the Effective Date and shall remain in force and effect throughout the Term, up to 25 December 2018.

15.2 Volume. BGI shall supply INEC Contract Capacities as follows:

Term	Contracted Capacity (kW)
Delivery Date until July 25, 2017	42,000
July 26, 2017 to December 25, 2017	42,000
December 26, 2017 to December 25, 2018	44,000

15.3 Outages. Except as in cases of Force Majeure affecting BGI and/or its Supplier or other causes, including safety, BGI shall have zero hours of allowed outages for both Planned Outages and Forced Outages and guarantees that in case of Planned Outages and/or Forced Outages of the Plant, BGI shall continue to supply all or part of the Contracted Capacity and its Associated Energy from the following sources at the BGI's option: its Plants or Third Party Suppliers and/or WESM at the rates provided in the PSA.

15.4 Charges. INEC shall pay the guaranteed Associated Energy which is the energy over a period of time expressed in kWh equal to 100% of Contracted Capacity multiplied by the number of Hours of the applicable Billing Period, subject to adjustment in kWh due to Force Majeure, or other causes, such as safety, as may be provided by law, rule, regulation or order of a competent authority. Subject to certain exceptions provided for in the PSA, INEC shall likewise pay all taxes and duties, charges, costs and fees.

15.4.1 The Associated Energy shall be charged at the Basic Energy Charge and adjusted for inflation in accordance with the following:

"BASIC ENERGY CHARGE

The Basic Energy Charge or BEC shall be equal to:

$$\begin{aligned}
 BEC_n = & FC_n + \left(\frac{CPI_n}{CPI_0} \times VC_1 \right) \\
 & + \left[\left(28.38\% \times \frac{LCP_n}{LCP_0} \right) + \left(27.86\% \times \frac{WPG_n}{WPG_0} \right) + \left(28.46\% \times \frac{WPM_n}{WPM_0} \right) + 15.29\% \right] \\
 & \times VC_2 + \left[\left(33.92\% \times \frac{CE_n}{CE_0} \right) + \left(11.26\% \times \frac{FCP_n}{FCP_0} \right) + 54.82\% \right] \times VC_3 \times FOREX
 \end{aligned}$$

Where:

*n = transaction period defined by the IMAK ECs
= defined below as:*

Transaction Period	Timeline
2017A	December 26, 2016 – July 25, 2017
2017B	July 26, 2017 – December 25, 2017
2018	December 26, 2017 – December 25, 2018

FC_n = Fixed Cost during period n

	2017A	2017B	2018
Fixed Cost	0.7857	0.9000	0.9340

CPI_n = Average Philippine Consumer Price Index (CPI) of year n-1, as published by Philippine Statistics Authority or its successor

CPI_o = Average Philippine Consumer Price Index (CPI) of year 2015, as published by Philippine Statistics Authority or its successor average equivalent to 141.58

VC_1 = Variable O&M

	2017A	2017B	2018
Variable Cost 1	1.1262	1.2900	1.3387

LCP_n = Consumer Price Index for National Capital Region, All Items (2006=100) as published by the National Statistics Office for the period of price determination.

LCP_o = Consumer Price Index for National Capital Region, All Items (2006=100) as published by the National Statistics Office for the month of September 2015 equivalent to 131.50.

WPG_n = Manufactured Goods Classified Chiefly by Materials Component of the General Wholesale Price Index for National Capital Region (1998=100) as published by the National Statistics Office for the period of price determination.

WPG_o = Manufactured Goods Classified Chiefly by Materials Component of the General Wholesale Price Index for National Capital Region (1998=100) as published by the National Statistics Office for the month of September 2015 equivalent to 176.70.

WPM_n = Machinery and Transport Equipment component of the General Price Index for National Capital Region (1998=100) as published by the National Statistics Office for the period of price determination.

WPM_o = Machinery and Transport Equipment component of the General Wholesale Price Index for National Capital Region (1998=100) as published by the National Statistics Office for the month of September 2015 equivalent to 159.70.

VC_2 = Variable Cost 2

	2017A	2017B	2018
Variable Cost 2	0.5318	0.4468	0.4215

CE_n = US Price Index for Capital Equipment, line 63 bb, International Financial Statistics (2010=100) for the period of price determination;

CE_o = US Price Index for Capital Equipment, line 63 bb, International Financial Statistics (2010=100) for month of September 2015 equivalent to 106.92;

FCP_n = US Consumer Price Index, All Items, line 64, International Financial Statistics (2010=100) for the period of price determination;

FCP_o = US Consumer Price index, All Items, line 64, International Financial Statistics (2010=100) for the month of September 2015 equivalent to 109.12;

VC_3 = Variable Cost 3

	2017A	2017B	2018
Variable Cost 3	0.0297	0.0249	0.0235

FOREX = Philippine Peso vs US Dollar Reference Rate as published by the Bangko Sentral ng Pilipinas at the last working day of the Billing Period under consideration;

The abovementioned indices shall be subject to any rebasing by PSALM. Any such rebasing shall be automatically applied to the foregoing formula, provided that SELLER shall give immediate notice and proof of such rebasing to BUYER.

Subject to the succeeding paragraph, any adjustment by PSALM on the indices of the Generation Payment Rate of any Invoice shall be passed on to the BUYER.

In the absence of published indices for the period of price determination, the most recent available published indices shall be used subject to adjustment in subsequent billings immediately after the published indices become available.

In the case of non-publication of any or all of the required indices for the reasonable period of time, a new Inflation Factor (In) that is mutually acceptable to PSALM and the SELLER shall be formulated, provided that SELLER shall, in good faith, negotiate with PSALM with the best interest of the BUYER in mind. Pending agreement regarding the new Inflation Factor between PSALM and the SELLER, the last prevailing Inflation Rate shall be used until a new Inflation Rate is agreed between PSALM and the SELLER. Such last prevailing Inflation Rate shall then be subject to retroactive adjustment. SELLER shall give due notice and sufficient proof of such agreed Inflation Factor.

In the event of discrepancies or need for reconciliation, the Metered Quantity for each Billing Period shall be adjusted, upward or downward, in the Generation Payment Rate for the Billing Period.

For purposes of calculating the total Generation Payment Rate for each of the billing month, the total payment shall be rounded off to the nearest two decimal digits.

GUARANTEED MONTHLY PAYMENT:

BUYER shall pay SELLER 100% of its generation, whether or not it is consumed. An illustration is shown below.

January 2017 as the assumed billing month.

$$n = 2017A$$

$$FC_{2017} = 0.7857$$

$$CPI_{2016} = 147.44$$

$$CPI_0 = 141.58.$$

$$VC_1 = 1.1262$$

$$LCP_{Jan2017} = 111.63$$

$$LCP_0 = 131.50$$

$$WPG_{Jan2017} = 186.00$$

$$WPG_0 = 176.70$$

$$WPM_{Jan2017} = 165.20$$

$$WPM_0 = 159.70$$

$$VC_2 = 0.5318$$

$$CE_{Jan2017} = 107.93$$

$$CE_0 = 106.92;$$

$$FCP_{Jan2017} = 111.63$$

$$FCP_0 = 109.121$$

$$VC_3 = 0.0297$$

$$FOREX_{Jan2017} = 47.80$$

From the BEC Formula:

BEC_{Jan2017}

$$\begin{aligned}
 &= 0.7857 + \left(\left(\frac{147.44}{141.58} \right) \times 1.1262 \right) \\
 &+ \left[\left(\left(28.38\% \times \frac{111.63}{131.50} \right) + \left(27.86\% \times \frac{186.00}{176.70} \right) + \left(28.46\% \times \frac{165.20}{159.70} \right) \right. \\
 &\left. + 15.29\% \right) \times 0.5318 \Big] \\
 &+ \left[\left(\left(33.92\% \times \frac{107.93}{106.92} \right) + \left(11.26\% \times \frac{111.63}{109.12} \right) + 54.82\% \right) \times 0.0297 \right. \\
 &\left. \times 47.80 \right]
 \end{aligned}$$

BEC_{Jan2017} = 3.91

Contracted Capacity (kW)	42,000
N, no. of hours in a Billing Period (kW)	744
k, no. of hours affected by force majeure (intervals)	0
EQ (kWh) (delivered to other INEC)	42,000
MQ (kWh) (consumed by INEC)	39,000

The following Guaranteed Monthly Payment shall apply:

$$\begin{aligned}
 \text{Guaranteed Monthly Payment (PhP)} &= 3.91 * 42,000 * 744 \\
 &= \mathbf{122,179,680.00}
 \end{aligned}$$

For avoidance of doubt BUYER shall pay SELLER at 100% Contracted Energy regardless of consumption.”

Attached as **Annex “V”** is an Executive Summary of the PSA.

Rate Impact

16. An analysis was conducted to determine the impact of the implementation of the PSA on INEC’s generation costs. Without the PSA, INEC may be exposed to the WESM, whose average price in 2014 was PhP 5.5083/kwh. The PSA enables INEC to reduce its generation cost by about PhP 0.3400/kwh to PhP 0.3757/kwh as shown in the table below:

Contract Period	WITHOUT PSA				WITH PSA				Rate Reduction, Php/kWh	% Reduction
	MHPP Effective Price, Php/kWh	Baseload Effective Price, Php/kWh	Peaking Effective Price, Php/kWh	Effective Gen. Rate, Php/kWh	MHPP Effective Price, Php/kWh	Baseload Effective, Php/kWh	Peaking Effective Price, Php/kWh	Effective Gen. Rate, Php/kWh		
2017A	2.8134	4.7113	5.4697	4.3931	2.8134	4.2917	5.4697	4.0531	0.3400	7.74%
2017B	2.8134	4.7113	5.4697	4.3931	2.8134	4.2568	5.4697	4.0248	0.3683	8.38%
2018	2.8134	4.7113	5.4697	4.3931	2.8134	4.2477	5.4697	4.0174	0.3757	8.55%

A copy of the foregoing analysis is attached and made an integral part hereof as **Annex “W”**

OTHER RELATED DOCUMENTS

17. In further support of the instant Joint Application, the Applicants most respectfully submit to the Honorable Commission, the following documents:

Annex	Information Provided
A	INEC Board Resolution No. 2016-02-21
B	BGI Board Resolution No. 30, Series of 2016
C and C-1	Articles of Incorporation and By-Laws of INEC
D	Document showing the Current Directors of INEC
E	Certificate of Registration with the National Electrification Administration of INEC
F	Certificate of Franchise from National Electrification Commission of INEC
G and G-1	Articles of Incorporation and By-Laws of BGI
H	Certificate of Incorporation issued by the Securities and Exchange Commission (SEC) of BGI
I	General Information Sheet – 2016 (showing the list of shareholders) of BGI
J	Board of Investments (BOI) Certificate of Registration of BGI
K	Joint Certificate of Turn-Over dated 3 September 2010 of BGI & PSALM
L and L-1	Environmental Compliance Certificate (ECC) of BGI
M	Certificate of Compliance issued by the ERC to BGI
N	Certificate of Receipt (Municipality of Dingras)
O	Certificate of Receipt (Province of Ilocos Norte)
P	Certificate of Receipt (City of Pasig)
Q	Affidavit of Publication from the Daily Tribune
R	Complete Copy of the Daily Tribune
S	Copy of the Power Supply Agreement between INEC and BGI
T	Yearly Supply and Demand Scenario and Average Daily Load Curves (INEC)
U to U-13	Competitive Selection Process – Supporting Documents (subject to a motion for confidential treatment of information)
V	Executive Summary of the PSA
V-1	BGI Bid Form (subject to a motion for confidential treatment of information)
W	Rate Impact Analysis - INEC
X	Details on Generation Rate (subject to a motion for confidential treatment of information)
Y	Audited Financial Statement of BGI (CY 2015)
Z	INEC's Distribution Development Plan (DDP) - Summary
AA to AA-6	Summary – Other Requirements (Annexes AA-5 and AA-6 are subject to a motion for confidential treatment of information)
BB	Affidavit (in support of the issuance of Provisional Authority)

18. INEC and BGI are reserving their right to submit other documents, either in the course of the hearing or as may be required by this Honorable Commission.

19. The Joint Application is consistent and in accordance with Section 2 of Republic Act No. 9136, or EPIRA, declaring as a policy of the State, among others, [to ensure the quality, reliability, security and affordability of the supply of electric power;] and Section 23 thereof, that "To achieve economies of scale in utility operations, distribution utilities may, after due notice and public hearing, pursue structural and operational reforms such as but not limited to, joint actions between or among the distribution utilities, subject to the guidelines issued by the ERC (which) . . . shall result in improved efficiencies, reliability of service, reduction of costs and compliance to the performance standards prescribed in the IRR of this Act" and that all distribution utilities shall have the obligation to supply electricity in the least-cost manner to its captive market subject

to the collection of retail rate duly approved by the Energy Regulatory Commission”

20. The Joint Application is likewise consistent with DOE Department Circular No. DC2015-06-0008 which mandates all distribution utilities to undergo Competitive Selection Process (CSP) in securing Power Supply Agreements (PSAs) which will ensure security and certainty of electricity prices of electric power to end-users in the long term, as well as with ERC Resolution No. 13, series of 2015, which requires that “PSA shall be awarded to the winning Generation Company following a successful transparent and competitive selection process . . . A CSP is successful if the DU receives at least two (2) qualified bids from entities with which the DU is not prohibited from entering into a contract for power supply in accordance with Rule 11, Section 5 (b) of the EPIRA IRR.”
21. The PSA with BGI was made to ensure the continuous supply of power to EC and due to the former’s competitive pricing structure and other favorable terms of its contract, which will redound to the benefit of the latter and its end-consumers in terms of reliable and affordable power supply.

**REQUEST FOR CONFIDENTIAL TREATMENT OF
INFORMATION**

22. Under Rule 4 of the ERC Rules of Practice and Procedure, a party to any proceeding before the Honorable Commission may request that certain information not be disclosed and be treated as confidential, by describing with particularity the information to be treated as confidential, specifying the ground for the claim of confidential treatment of the information and, if applicable, specifying the period during which the information must not be disclosed.
23. Applicant BGI requests for the confidential treatment of **Annexes “V-1”, “X”, “AA-5” and “AA-6** hereof, consisting of BGI Bid Form, Details on the Generation Rate, Geothermal Operating Contract, and Steam Supply Agreement, respectively. These annexes, exclusively owned by Applicant BGI, contain information which are considered part of its business and trade secrets. As such, BGI has the sole proprietary interest and will be unduly prejudiced should they be disclosed to the public.

These annexes contain numbers, data, formula, methodology, and calculations involving valuable and sensitive commercial, financial information reflecting BGI’s business operations and financial trade secrets. Therefore, BGI’s confidential, proprietary, and private information included in the aforesaid annexes should be protected from public dissemination. Otherwise, such information can be illegally and unfairly utilized by business competitors who may use the same for their own private gain and to the irreparable prejudice of

BGI. Negotiations with prospective customers may also be affected.

24. Similarly, Applicant INEC also requests for the confidential treatment of **Annexes “U” to “U-13”** hereof, consisting of the MOA among IMAK ECs, the Invitation to Bid as published in newspapers of general circulation, copies of the newspapers of general circulation, the Affidavits of Publication, the Information Memorandum, the Minutes of the Pre-Bid Conferences, the Final Instructions to Bidders, the Supplemental Bid Bulletins, the accomplished Bid Forms/Price Offers, the Bid Tally Sheet, the Notice of Lowest Calculated Bid, the Resolution of the IMAK Board confirming the BAC’s evaluation of the results of the bidding and the Notice of Award. These annexes show the details of the bidding, including the individual offers of the bidders which participated in the IMAK JCPSP. The IMAK ECs, INEC included, are bound by their undertaking to secure and keep in confidence the offers and the proposed terms of supply, so as not to prejudice or pre-empt any future CSPs in which these bidders will participate. Otherwise, INEC and the rest of the IMAK ECs may be held liable for damages for breach of confidentiality, and eventually, risk their good relations with the suppliers concerned.

25. Accordingly, it is respectfully submitted that Annex “V-1”, Annex “X”, Annexes “AA-5” and “AA-6”, and Annexes “U” to “U-13”, must be accorded confidential treatment. As such, they are to be used exclusively by the Honorable Commission and for the sole purpose of evaluating this Application, thereby protecting these data from unnecessary public disclosure.

PRAYER FOR ISSUANCE OF PROVISIONAL AUTHORITY

26. All the foregoing allegations are re-pleaded by reference in support of herein Prayer for the issuance of Provisional Authority to implement the subject PSA.

27. INEC and BGI pray for the issuance of a Provisional Authority or interim relief prior to final decision pursuant to Rule 14 of the ERC Rules of Practice and Procedure, to wit:

“Section 3. Action on the Motion. – Motions for provisional authority or interim relief may be acted upon with or without hearing. The Commission shall act on the motion on the basis of the allegations of the application or petition and supporting documents and other evidences that applicant or petitioner has submitted and the comments or opposition filed by any interested person, if there be any.”

28. In recognition of the fact that a substantial amount of time is customarily needed to evaluate the documents submitted to support the approval of herein Application, Applicants INEC and BGI seek the kind consideration of the Honorable

Commission to approve the instant Application, immediately, albeit, provisionally.

29. Owing to the short term of the contract, which is only for a period of two (2) years, a Provisional Authority is all the more imperative to allow the timely delivery of energy by BGI to INEC, which is set to start on 26 December 2016 at 12:00 A.M. in order to avoid their exposure to the WESM;
30. The power from BGI is needed to curtail any power interruptions that may be experienced by INEC's member-consumers due to inadequate power supply in the Region;
31. To further support the Prayer for Provisional Authority, an affidavit emphasizing the necessity thereof is attached hereto as **Annex "BB"**, to form an integral part hereof.

PRAYER

WHEREFORE, premises considered, applicants Ilocos Norte Electric Cooperative Inc. ("INEC") and Bac-Man Geothermal Inc. (BGI) respectfully pray of this Honorable Commission the following:

- a. Issue an Order i) treating Annexes "V-1", "X", "AA-5", "AA-6", and "U" to "U-13", and the information contained therein as confidential, ii) directing the non-disclosure of the information pursuant to Rule 4 of the ERC Rules, and iii) Prescribe the guidelines for the protection thereof;
- b. Issue a Provisional Authority (PA), authorizing i) INEC and BGI to implement the PSA, including the rates and ii) INEC to charge and collect fees under the PSA as well as authorize INEC to pass on the full amount to its consumers;
- c. After due notice and hearing and consideration, issue a final approval which approves the PSA between INEC and BGI and authorizes INEC to charge and collect fees under the PSA as well as authorize INEC to pass on the full amount to its consumers.

Other reliefs, just and equitable, are likewise prayed for.

Finding the said *Joint Application* sufficient in substance with the required fees having been paid, the same is hereby set for determination of compliance with the jurisdictional requirements, expository presentation, Pre-trial Conference, and presentation of evidence on **30 May 2017 (Tuesday) at ten o'clock in the morning (10:00 A.M.)**, at INEC's principal office at Brgy. Suyo, Dingras, Ilocos Norte.

Accordingly, INEC and BGI are hereby directed to:

- 1) Cause the publication of the attached Notice of Public Hearing in two (2) newspapers of nationwide circulation in the Philippines at their own expense, twice (2x) within two (2) successive weeks, the dates of publication not being less than seven (7) days apart and the date of the last publication to be made not later than ten (10) days before the date of the scheduled initial hearing;
- 2) Furnish with copies of this Order and the attached Notice of Public Hearing the Offices of the Provincial Governor, the City and Municipal Mayors, and the Local Government Unit (LGU) legislative bodies within the affected franchise area for the appropriate posting thereof on their respective bulletin boards;
- 3) Inform of the filing of the *Joint Application*, its reasons therefor, and of the scheduled hearing thereon the consumers within the affected franchise area, by any other means available and appropriate;
- 4) Furnish with copies of the *Joint Application*, and this Order and the attached Notice of Public Hearing the Office of the Solicitor General (OSG), the Commission on Audit (COA), and the Committees on Energy of both Houses of Congress. They are hereby requested, if they so desire to send their duly authorized representatives at the scheduled hearing; and
- 5) Furnish with copies of the *Joint Application* and its attachments all those making requests therefor, subject to reimbursement of reasonable photocopying costs.

On the date of the initial hearing Applicants must submit to the Commission their written compliance with the aforementioned jurisdictional requirements attaching therewith, methodically arranged and duly marked the following:

- 1) The evidence of publication of the attached Notice of Public Hearing consisting of affidavits of the Editors or Business Managers of the newspapers where the said Notice of Public Hearing was published, and the complete issues of the said newspapers;

- 2) The evidence of actual posting of this Order and the attached Notice of Public Hearing consisting of certifications issued to that effect, signed by the aforementioned Governor, Mayors, and LGU legislative bodies or their duly authorized representatives, bearing the seals of their offices;
- 3) The evidence of the means employed by Applicants to inform of the filing of the *Joint Application*, its reasons therefor, and of the scheduled hearing thereon, the consumers within the affected franchise area;
- 4) The evidence of receipt of copies of the *Joint Application*, and this Order and the attached Notice of Public Hearing by the Office of the Solicitor General (OSG), the Commission on Audit (COA), and the Committees on Energy of both Houses of Congress;
- 5) The evidence of receipt of copies of the *Joint Application* and its attachments by all those making requests therefor, if any; and
- 6) Such other proofs of compliance with the requirements of the Commission.

Applicants and all interested parties are also required to submit, at least five (5) days before the date of initial hearing and Pre-Trial Conference, their respective Pre-Trial Briefs containing, among others:

- 1) A summary of admitted facts and proposed stipulation of facts;
- 2) The issues to be tried or resolved;
- 3) The documents or exhibits to be presented, stating the purposes and proposed markings therefor; and
- 4) The number and names of the witnesses, with their written testimonies in a Judicial Affidavit form attached to the Pre-trial Brief.

Failure of Applicants to submit the required Pre-Trial Brief and Judicial Affidavits of their witnesses within the prescribed period shall be a ground for cancellation of the scheduled hearing, and the

resetting of which shall be six (6) months from the said date of cancellation.

INEC and BGI must also be prepared to make an expository presentation of the instant *Joint Application*, aided by whatever communication medium that they may deem appropriate for the purpose, in order to put in plain words and explain, for the benefit of the consumers and other concerned parties, what the *Joint Application* is all about and the reasons and justifications being cited in support thereof.

SO ORDERED.

Pasig City, 7 February 2017.



FOR AND BY AUTHORITY
OF THE COMMISSION:

JOSE VICENTE B. SALAZAR
Chairman and CEO

LS: JHH/LSP/KMB/APV

Copy Furnished:

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3. Ilocos Norte Electric Cooperative, Inc. (INEC)
Applicant
Brgy. Suyo, Dingras, Ilocos Norte
4. Bac-Man Geothermal, Inc. (BGI)
Applicant
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Ortigas Center, Pasig City
5. Office of the Mayor
Adams, Ilocos Norte
6. Office of the Local Government Unit (LGU) legislative body
Adams, Ilocos Norte
7. Office of the Mayor
Bacarra, Ilocos Norte
8. Office of the LGU legislative body
Bacarra, Ilocos Norte

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9. Office of the Mayor
Badoc, Ilocos Norte
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Bangui, Ilocos Norte
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Bangui, Ilocos Norte
13. Office of the Mayor
Banna, Ilocos Norte
14. Office of the LGU legislative body
Banna, Ilocos Norte
15. Office of the Mayor
Burgos, Ilocos Norte
16. Office of the LGU legislative body
Burgos, Ilocos Norte
17. Office of the Mayor
Carasi, Ilocos Norte
18. Office of the LGU legislative body
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Currimao, Ilocos Norte
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Dingras, Ilocos Norte
22. Office of the LGU legislative body
Dingras, Ilocos Norte
23. Office of the Mayor
Dumalneg, Ilocos Norte
24. Office of the LGU legislative body
Dumalneg, Ilocos Norte
25. Office of the Mayor
Marcos, Ilocos Norte
26. Office of the LGU legislative body
Marcos, Ilocos Norte
27. Office of the Mayor
Nueva Era, Ilocos Norte
28. Office of the LGU legislative body
Nueva Era, Ilocos Norte
29. Office of the Mayor
Pagudpud, Ilocos Norte
30. Office of the LGU legislative body
Pagudpud, Ilocos Norte
31. Office of the Mayor
Paoay, Ilocos Norte

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Pinili, Ilocos Norte
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Sarrat, Ilocos Norte
42. Office of the LGU legislative body
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Solsona, Ilocos Norte
44. Office of the LGU legislative body
Solsona, Ilocos Norte
45. Office of the Mayor
Vintar, Ilocos Norte
46. Office of the LGU legislative body
Vintar, Ilocos Norte
47. Office of the City Mayor
Batac, Ilocos Norte
48. Office of the LGU legislative body
Batac, Ilocos Norte
49. Office of the City Mayor
Laoag, Ilocos Norte
50. Office of the LGU legislative body
Laoag, Ilocos Norte
51. Office of the Governor
Ilocos Norte
52. Office of the LGU legislative body
Ilocos Norte
53. Office of the Solicitor General
134 Amorsolo Street, Legaspi Village, Makati City
54. Commission on Audit
Commonwealth Avenue, Quezon City

55. Senate Committee on Energy
GSIS Bldg. Roxas Blvd., Pasay City
56. House Committee on Energy
Batasan Hills, Quezon City
57. Philippine Chamber of Commerce and Industry (PCCI)
3rd Floor, Chamber and Industry Plaza (CIP), 1030 Campus Avenue corner Park Avenue,
McKinley Town Center, Fort Bonifacio, Taguig City
58. PSA-TWG
Energy Regulatory Commission, Pacific Center, San Miguel Avenue, Pasig City