

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

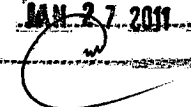
IN THE MATTER OF THE
APPLICATION FOR APPROVAL OF
ELECTRICITY SALES AGREEMENT
BETWEEN ILOILO I ELECTRIC
COOPERATIVE, INCORPORATED
AND GREEN POWER PANAY
PHILIPPINES, INCORPORATED,
WITH PRAYER FOR PROVISIONAL
AUTHORITY

ERC CASE NO. 2010-083 RC

ILOILO I ELECTRIC COOPERATIVE,
INCORPORATED (ILECO I) AND
GREEN POWER PANAY
PHILIPPINES, INCORPORATED
(GPPPI),

Applicants.

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DOCKED
Date: JAN 27 2011
By: 

NOTICE OF PUBLIC HEARING

TO ALL INTERESTED PARTIES:

Notice is hereby given that on July 7, 2010, Iloilo I Electric Cooperative, Incorporated (ILECO I) and Green Power Panay Philippines, Incorporated (GPPPI) filed a joint application for approval of their Electricity Sales Agreement (ESA), with prayer for provisional authority.

In the said application, ILECO I and GPPPI alleged, among others, that:

The Applicants

1. 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. It 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 (Franchise Area).

2. GPPPI 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. Road, Ortigas Center, Pasig City. It is a wholly owned and operated subsidiary of Global Green Power PLC Corporation (GPPC). It 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.

Nature of the Application

3. Pursuant to Rule 20 (B) of the ERC Rules of Practice and Procedure, approved by the Commission on June 22, 2006 in Resolution No. 38, Series of 2006, this application is submitted to the Commission for its review and approval of the ESA executed by and between ILECO I and GPPPI. A copy of the ESA is attached to the application.

Compliance with Pre-Filing Requirements

4. In compliance with Rule 6 of the aforementioned Rules, they 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 to the application.
5. Furthermore, they 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, likewise, attached to the application.

Statement of Facts

6. **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 the Commission. By the end of 2010, the dependable capacity in the Grid will no longer be sufficient to meet the peak demand.
7. 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 1,000 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.

8. ILECO I's power requirements are currently supplied by Green Core Geothermal, Incorporated (GCGI) and Panay Energy Development Corporation (PEDC). Its Transition Supply Contract (TSC) with the National Power Corporation (NPC) has already expired, and the latter will no longer renew the same.
 - 8.1. GCGI supplies power from geothermal generation facilities. PEDC currently supplies power from its diesel plants, and will eventually supply power from coal-based generation.
9. **Public Competitive Process Undertaken by Electric Cooperatives.** The electric cooperatives of Panay and nearby Guimaras Island, including ILECO I and Iloilo II Electric Cooperative, Incorporated (ILECO II), formed the Panay-Guimaras Power Supply Consortium (Consortium) to undertake, in behalf of its member-cooperatives, the procurement of the necessary electricity supply through a public and competitive process.
 - 9.1. In June 2008, the Consortium published an Invitation to Bid, calling all prospective suppliers of electricity to submit offers for the supply of its electricity requirements. Thereafter, it issued a Request for Offers (RFO) whereby it solicited expressions of interest for the supply of electric power to its member cooperatives.
 - 9.2. Pursuant to the RFO, GPPPI submitted its proposal to supply electricity from multi-fuel biomass generation. It 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.
 - 9.3. Based on GPPPI's computations, the equivalent rates, as of 2008, were: a) PhP5.28/kWh for the first option; and b) PhP4.88/kWh for the second option.
10. **Lowest Available Price of Electricity.** After receipt of the proposals, the Consortium requested GPPPI to match the lowest price submitted, projected to 2011, at PhP5.90/kWh.
 - 10.1. Considering a modified price of PhP4.88/kWh for the full contracted capacity of one (1) 17.5 MW biomass plant, instead to two (2) as earlier proposed, GPPPI projected such modified price to 2011 using available index values, arriving at PhP6.14/kWh.
11. Although its price projected at 2011 stood at PhP6.14/kWh, GPPPI agreed to match the lowest price submitted, resulting in the base contract price provided for in the subject ESA of PhP5.90/kWh, applicable in January 2011. Hence, the rate of PhP5.90/kWh at

which it will supply power to ILECO I, was the best available generation rate in Panay.

12. After a thorough evaluation of all proposals submitted to the Consortium, ILECO I determined that GPPPI's proposal satisfies fully its need for economically advantageous and reliable supply of electric power and recognized that, because the latter 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 GPPPI as its supplier of its electricity requirements.
13. On December 16, 2008, they executed the ESA, subject of the present application, whereby GPPPI will supply and ILECO I will purchase electricity for its power needs. Later, on December 17, 2008, GPPPI executed a similar contract with the same generation rate with ILECO II.

The Project

14. To supply power under the ESAs with ILECO I and ILECO II, GPPPI will build, own, operate, maintain and support a generation facility (Mina Biomass Plant) to be located in the Municipality of Mina, Iloilo (Project), within the franchise area of ILECO II.
15. **Environmentally Friendly Power Generation.** The Mina Biomass Plant is a 17.5 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.
 - 15.1. 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.
 - 15.2. 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.
 - 15.3. 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.
16. **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.

- 16.1. The supply of biomass to be used for power generation is expected to inject as much as PhP9 Billion into the local community over the twenty-five (25)-year life of the ESAs through biomass and ancillary services supply such as transport, storage and biomass fuel preparation.
- 16.2. The Project is also expected to provide around 900 direct and indirect jobs. It will also provide the local farming community with additional income from the purchase of agricultural residues and waste for use in power generation.
17. 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.
18. With the Plant, GPPPI shall supply ILECO I a base load capacity of 3 MW under the ESA subject of the present case. It shall also supply ILECO II a base load capacity of 7 MW under its ESA with the latter.
19. **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.
20. Under Republic Act No. 9136, otherwise known as the Electric Power Industry Reform Act of 2001 or the EPIRA, 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, R.A. 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, R.A. No. 9513*).

Abstract of the ESA and Related Information

21. **Salient Features of the ESA.** Under the ESA, GPPPI shall supply and ILECO I shall purchase a base load capacity of 3,000 kW from the Mina Biomass Plant operating at ninety percent (90%) of plant capacity except during periods of allowed downtime.
 - 21.1. **Operation Period.** The terms of supply and purchase under the ESA shall be for a period of twenty-five (25) years.

21.2. **Fixed Capacity and Flexible Off-take.** GPPPI shall provide and make available a fixed base load capacity of 3,000 kW. There is no take-or-pay arrangement for energy delivered; billing for energy is based on actual metered off-take.

21.3. **The Commission's Approval.** As agreed upon by them, the approval by the 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 their obligations thereunder.

22. **Purchased Power Rate.** Under the ESA, ILECO I shall pay a Contract Price of PhP5.90/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 (CPI). The adjustment formulae are as follows:

A. Capacity Fee (CF)

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

Where:

CPI = Monthly 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 = CPI value used for the billing month (n). The CPI_n value is the CPI value three (3) months prior to the last day of the billing month (n-3).

CPI_o = CPI value at the Base Month. The Base Month is January 2008. The CPI_o for January 2008 is 146.8.

CFM = Capacity Fee Multiplier. The CFM value is PhP2,597.00 per kW-month.

Capacity = 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 un-contracted 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 = Fuel, Light and Water (FLW) Index component of the CPI of the Philippines (all items). The FLW index value is based on information from the NEDA. Other official sources of the same information include the NSO and the NSCB.
- FLW_n = FLW Index value used for the billing month (n). The FLW_n value is the FLW Index value three (3) months prior to the last day of the billing month (n-3).
- FLW_o = FLW Index value at the Base Month. The Base Month is January 2008. The CPI_o for January 2008 is 189.2.
- EFM = Energy Fee Multiplier. The EFM value is PhP0.8800/kWh.
- Off-take = Actual energy off-take for the Billing Period in kWh. The minimum off-take is ninety percent (90%) capacity factor at any time.

The energy factor [FLW_n x 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 formulae:

$$Adjusted\ CFR = CFM \times \frac{CPI_n}{CPI_o}$$

$$Adjusted\ EFR = EFM \times \frac{FLW_n}{FLW_o}$$

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 January 31, 2011, the applicable

Contract Price shall not exceed PhP5.90/kWh. Thereafter, the adjusted Contract Price shall not be less than PhP5.90/kWh. Such calibration is by reason of the agreement between them that GPPPI shall match the lowest price submitted during the bidding, projected at PhP5.90/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 to the application.

- 22.1. **Lowest Available Price of Power.** As discussed earlier, GPPPI matched the lowest submitted price of PhP5.90/kWh, applicable in January 2011.
- 22.2. 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 PhP5.90/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.
- 22.3. 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.
- 22.4. Hence, they submit that the Contract Price of PhP5.90/kWh, applicable in January 2011, is very fair and reasonable and greatly beneficial to the public within the Franchise Area.
- 22.5. GCGI supplies ILECO I electricity from geothermal generation facilities at the rate of PhP4.88/kWh as of the billing month of April 2010. It must be noted that it did not participate in the bidding conducted by the Consortium. Further, it cannot supply ILECO I any more that what it has already contracted with the latter.
- 22.6. **Indexation of Power Rate Components.** As stated above, the components of the Contract Price are adjusted based on CPI and the FLW 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.
- 22.7. ILECO I and its consumers are protected from foreign exchange (forex) fluctuations.
 - 22.7.1. 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).

- 22.7.2. Be that as it may, and even though GPPPI incurs costs in foreign currency, it assumes the risk of forex fluctuation and does not pass it on to the consumers.
- 22.8. 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.
- 22.9. **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 CFM with a value of PhP2,597.00 of per kW-month, which shall be applied to the committed capacity. The Energy Fee is based on an EFM with a value of PhP0.8800/kWh, which shall be applied to the actual off-take.
- 22.10. In accordance with the commitment of GPPPI to match the lowest available price of PhP5.90/kWh, applicable on January 2011, the pricing formula shall be recalibrated on January 2011 to ensure that the applicable Contract Price shall not exceed PhP5.90/kWh.
23. **Sources of Funds/Financial Plans.** The cost of the Project will be funded from loans to be extended by local financial institutions to GPPPI and from equity. As discussions with its lenders are ongoing, the indicative debt-equity ratio for the Project is 75:25.
- 23.1. **Project Cost.** The project cost is estimated at US\$52 Million or PhP2,340.9 Million (at an exchange rate of PhP45.00=\$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 and 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, value-added 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 to the application.

23.2. **Annual Interest.** GPPPI is currently discussing with prospective lenders for the project finance, with indicative rates at about eleven percent (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.

23.3. For purposes of determining the Contract Price, it applied an estimated interest rate of eleven percent (11%) per annum. The relevant assumptions on the project finance are, likewise, attached to the application.

23.4. **Computation of Return on Investment/Weighted Average Cost of Capital.** The average Return on Investment (ROI) over twenty-five (25) years is sixteen percent (16%). 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 attached to the application.

24. **Cash Flow.**

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

O&M Costs	Year 3 Million
Cost of sales	PhP358.7
Operating Costs	PhP55.4
Total	PhP414.1

A more detailed breakdown of the projected operating expenses is attached to the application. A detailed breakdown showing the operating expenses for the power plant and general and administrative expenses are, likewise, attached to the application.

25. **Application for Certificate of Compliance.** On March 18, 2010, GPPPI filed with the Commission an application for the issuance of a Certificate of Compliance (COC) for the Mina Biomass Plant.
26. **Environmental Compliance Certificate.** On July 6, 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 GPPPI.
27. **Fuel Procurement.** GPPPI 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.
 - 27.1. In order to ensure the long-term sustainable supply of biomass fuel, GPPPI 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.
 - 27.2. To support its feedstock generation strategy, GBC has signed a Memorandum of Agreement (MOA) with the Philippine Agriculture Development and Commercial Corporation (PADCC), a government-owned and controlled corporation associated with the Department of Agriculture (DA), 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.
28. **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. GPPPI 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. It undertakes to submit the certification to the Commission once it is obtained.

29. **DOE Certification.** On April 30, 2010, the DOE issued Certificate of Endorsement No. 2010-04-01, certifying that the Mina Biomass Plant is consistent with the Power Development Plan (PDP).
30. **ILECO I's Load Forecast Projections.** A copy of ILECO I's Distribution Development Plan (DDP) showing its load forecast projections is attached to the application.

Rate Implications of the ESA

31. As stated earlier, ILECO I currently sources its power requirements from two (2) other suppliers. The table below shows a comparison of the Contract Price in its ESA with GPPPI and the generation charges of its existing suppliers, using actual data from the billing month of April 2010. It also shows the effective generation rate as of April 2010, at PhP5.85/kWh.

Particulars	GCGC (April 2010)	PEDC (April 2010)	Proposed Contract Price	Current Effective Rate (GCGI and PEDC)
Type of Plant	Geothermal	Diesel	Biomass	
Generation Charge ¹	PhP4.88/kWh ²	PhP11.91/kWh ³	PhP5.90/kWh	PhP5.85/kWh ⁴
Effective	April 2010	April 2010	January 2011	April 2010

- ¹ With Prompt Payment Discount (PPD) where applicable
- ² GCGI did not participate in the bidding conducted by the Consortium
- ³ Subject to VAT
- ⁴ Computed based on Annex "Z", attached to application

32. It must be noted that the generation charges of the other suppliers and the overall rate of PhP5.85/kWh are effective on April 2010. On the other hand, the proposed Contract Price of PhP5.90/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.
33. 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.
34. ILECO I currently pays twelve percent (12%) VAT 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.
35. 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 PhP5.8518/kWh for April 2010 in comparison to the estimated effective rate of PhP6.0005/kWh for 2012.

Future Price Mix From All Contracted Power Sources							
Time	Existing			Future Scenario (2012)			
	GCGI		PEDC (Pavia)	GCGI	GPPPI	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
Mix Generation Charge			5.8518				6.0005

- 35.1. 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.
36. 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 to the application.

Allegations in Support of the Prayer for Provisional Authority

37. 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.
38. The Mina Biomass Plant is expected to provide much needed generation capacity to ILECO I and the rest of Panay.
39. As the Project will be funded primarily through financing to be provided by lenders, it is imperative that GPPPI 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.
40. As financial closure with its lenders is essential for it 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.
41. It 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

42. Thus, they pray that the Commission:
- 42.1. Immediately issue an Order provisionally approving the ESA dated December 16, 2008, subject of the present application, as well as the generation rate and adjustment mechanism indicated therein.
 - 42.2. After due hearing, render judgment making such provisional approval permanent.

The Commission has set the application for initial hearing, expository presentation, pre-trial conference and evidentiary hearing on **February 17, 2011 (Thursday) at nine o'clock in the morning (9:00 A.M.) at ILECO I's Main Office, Tigbauan, Iloilo.**

All persons who have an interest in the subject matter of the proceeding may become a party by filing, at least five (5) days prior to the initial hearing and subject to the requirements in the ERC's Rules of Practice and Procedure, a verified petition with the Commission giving the docket number and title of the proceeding and stating: (1) the petitioner's name and address; (2) the nature of petitioner's interest in the subject matter of the proceeding, and the way and manner in which such interest is affected by the issues involved in the proceeding; and (3) a statement of the relief desired.

All other persons who may want their views known to the Commission with respect to the subject matter of the proceeding may file their opposition to the application or comment thereon at any stage of the proceeding before the applicants conclude the presentation of their evidence. No particular form of opposition or comment is required, but the document, letter or writing should

contain the name and address of such person and a concise statement of the opposition or comment and the grounds relied upon.

All such persons who may wish to have a copy of the application may request the applicants, prior to the date of the initial hearing, that they be furnished with a copy of the application. The applicants are hereby directed to furnish all those making such request with copies of the application and its attachments, subject to reimbursement of reasonable photocopying costs. Likewise, any such person may examine the application and other pertinent records filed with the Commission during the usual office hours.

WITNESS, the Honorable Chairperson, **ZENAIDA G. CRUZ-DUCUT**, and the Honorable Commissioners, **MARIA TERESA A.R. CASTAÑEDA**, and **JOSE C. REYES**, Energy Regulatory Commission, this 26th day of January, 2011 at Pasig City.


ATTY. FRANCIS SATURNINO C. JUAN
Executive Director III