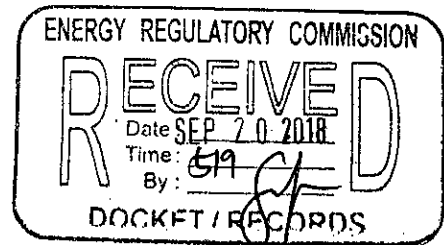


Republic of the Philippines
ENERGY REGULATORY COMMISSION
San Miguel Avenue, Pasig City

IN THE MATTER OF THE JOINT APPLICATION FOR THE APPROVAL OF THE POWER SUPPLY AGREEMENT (PSA) BETWEEN PAMPANGA II ELECTRIC COOPERATIVE, INC. (PELCO II) AND BACMAN GEOTHERMAL, INC. (BGI), WITH PRAYER FOR PROVISIONAL AUTHORITY

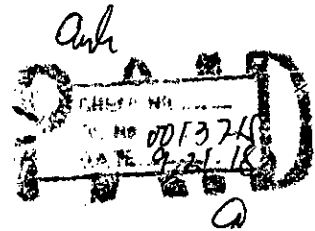


ERC CASE NO. 2018 - 097 RC

PAMPANGA II ELECTRIC COOPERATIVE, INC. (PELCO II)
AND BACMAN GEOTHERMAL, INC. (BGI)

Applicants.

X-----X



JOINT APPLICATION
(with Prayer for Provisional Authority)

Applicants Pampanga II Electric Cooperative, Inc. ("PELCO II") and Bacman Geothermal, Inc. ("BGI"), by and through the undersigned counsels, and unto this Honorable Commission most respectfully state that:

1. Applicant PELCO II is a non-stock, non-profit electric cooperative (EC) duly organized and existing under and by virtue of the laws of the Republic of the Philippines, with principal main office at San Roque, Guagua, Pampanga 2003, where it may be served with summons and other legal processes, represented in this instance by its General Manager, AMADOR T. GUEVARRA, of legal

age, Filipino, married and with office address also at PELCO II Main Office. Copies of the Articles of Incorporation, Amended By-laws and the List of PELCO II Directors are hereto attached as **Annexes “A”, “B”, and “C”,** respectively.

2. Applicant BGI is a corporation duly organized and existing under the laws of the Republic of the Philippines, with principal office address at the 38th Floor, One Corporate Center, Julia Vargas corner Meralco Avenue, Ortigas Center, Pasig City, 1605 Philippines where it may be served with summons and other legal processes, represented in this case by its Vice President, ERWIN O. AVANTE, of legal age, Filipino, married and also with office address at the 38th Floor, One Corporate Center, Julia Vargas corner Meralco Avenue, Ortigas Center, Pasig City, 1605 Philippines. Copies of BGI's amended Articles of Incorporation, Certificate of Registration issued by the Securities and Exchange Commission (“SEC”), Articles of Incorporation and By-laws, latest General Information Sheet (“GIS”) showing the list of shareholders and Board of Investments (“BOI”) Certificate of Registration are attached hereto as **Annexes, “D”, “E”, “F”, “G”, and “H”,** respectively;

2.1 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”).

2.2 Pursuant to the Honorable Commission's Resolution No. 02, Series of 2015 requiring distribution utilities (“DUs”) and generation companies (“GCs”) to jointly file applications for the approval of power supply agreements, BGI has joined in this Application as a co-applicant.

2.3 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.

3. Applicant PELCO II is the exclusive franchise holder of a Certificate of Franchise issued by the National Electrification

Commission (“NEC”) of the National Electrification Administration (“NEA”) to operate an electric light and power services in the city and municipalities in the Province of Pampanga, namely: 1) Guagua, 2) Bacolor, 3) Porac, 4) Sasmuan, 5) Lubao, 6) Sta. Rita, and 7) Mabalacat City. A copy of PELCO II’s Certificate of Franchise is attached as **Annex “I”**;

4. Included in the areas being served by Applicant PELCO II are other locations outside of NEA grant pursuant to government interventions and these are 1) Palmayo Resettlement and 2) Barangay Anon, Floridablanca, Pampanga; and 3) Sta. Lucia Resettlement, Magalang, Pampanga. The first two (2) areas are part of the franchise of Porac while the last resettlement is within the franchise area of Mabalacat City;

5. Applicant BGI is a wholly owned subsidiary of Energy Development Corporation (“EDC”) Geothermal, Inc., which in turn is wholly-owned by 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, duly marked as **Annex “J”**. 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 Energy (“DOE”) Endorsement, the Department of Environment and Natural Resources (“DENR”) and ERC Certificate of Compliance (“COC”) issued to BGI are attached hereto as **Annexes “K”, “L” and “L-1” and “M”**, respectively;

6. Applicant PELCO II is in need of a 30 MW baseload power supply for the period covering the date, December 26, 2017 – December 25, 2027. The 30 MW comprised of two (2) components, viz, 1) the first twenty (20) MW is a replacement of the power supply requirements currently served by BGI through a two and a half (2^{1/2}) year power supply agreement (“PSA”) pursuant to ERC Case No. 2016-175 RC and which is set to expire effective December 26, 2018, 2) the next ten (10) MW, on the other hand, will serve the power needs of the escalating demand of the cooperative brought about by

increase in load and number of consumers as shown in PELCO II's 2017 distribution development plan ("DDP") and the latest submission, 2018 DDP. Copies of the 2017 and 2018 DDP's portion of DDP Summaries are attached as **Annexes "T" and "T-1"**.

7. The primary sources of PELCO II's electricity requirements presently are the following: 1) the 1,200 MW coal-fired thermal power plant, located in Sual, Pangasinan, whose contracted capacity is being administered by San Miguel Electric Corporation (the "Sual Power Plant") thru a five (5) year thirty (30) MW power supply contract (PSC) and set to expire effective December 26, 2019, and; 2) the 60 MW Unit 1, 60 MW Unit 2 and 20 MW Unit 3, located at Palayan Bayan, Manito, Albay/ Barangay Basud, Sorsogon City (the "Bacon-Manito Power Plant") thru a two and a half (2.5) year twenty (20) MW PSA and set to expire effective December 26, 2018, which is intended for replacement as indicated in Statement No. 6, and; 3) in excess of the contracted capacities, power requirements is sourced from the wholesale electricity spot market or WESM.

8. For the forthcoming period of expiration of the PSA with BGI and the upward trend in power requirements of Applicant PELCO II starting December 26, 2017 to December 25, 2027, a supply gap is inevitable if no pro-active measure is undertaken by the cooperative. To maintain an uninterrupted and reliable power supply of its existing demand during the affected period, Applicant PELCO II decided to source the needed power at affordable and cheaper generation rates through the competitive selection process or CSP.

9. Pursuant to ERC Resolutions No. 13, Series of 2015 and No. 1, Series of 2016, "*A Resolution Directing All Distribution Utilities (DU's) to Conduct a Competitive Selection Process (CSP) in the Procurement of their Power Supply to the Captive Market*" and "*A Resolution Clarifying the Effectivity of ERC Resolution No. 13, Series of 2015*", respectively, and further the issuances of NEA Memorandum No. 2017-003, "*Policy in the Conduct of Competitive Selection Process (CSP) of the ECS' Power Supply Agreement (PSA)*" and NEA Memorandum 2017-005, "*Publication to the NEA Website of the Notice of Invitation To Bid of Procurements or Contracts*", and furthermore, the suppletory application of the latest issuance of NEA Memorandum No. 2017-019, "*Revised Procurement Guidelines and Simplified Bidding Procedures for Electric Cooperatives IRR-RA10531 (2017)*", Applicant PELCO II had

conducted a public bidding to solicit the most competitive offer/s for the replacement power of 20 MW and additional 10 MW or a total of 30 MW baseload requirement. After careful evaluation and review of the terms of the bid offers, Applicant PELCO II deemed that the proposal of Applicant BGI is the most advantageous and beneficial for its end consumers. Therefore, co-applicants, PELCO II and BGI, executed this PSA on June 6, 2018. The relevant documents on the details of the procurement process for the PSA are attached as **Annexes “N”**.

10. Applicants PELCO II and BGI come now to this Honorable Commission for the approval of the PSA, in compliance with the implementing rules and regulations (IRR) of Republic Act (R.A.) 9136 or the Electric Power Industry Reform Act of 2001 otherwise known as EPIRA and the rules and guidelines issued by the Energy Regulatory Commission (ERC). A copy of the PSA is attached as **Annex “O”**.

ABSTRACT OF THE POWER SUPPLY AGREEMENT AND RELATED INFORMATION

11. **Executive Summary.** Under the PSA, Seller BGI shall supply power to Buyer PELCO II for a term of ten (10) years or one hundred twenty (120) consecutive months. The Contract Capacity is fixed on a monthly basis covering 120 periods.

11.1 **Term of Agreement.** The PSA shall take effect on the Effective Date and shall continue and remain effective up to December 25, 2027, subject to the Conditions Precedent of “Section 3.1” of the PSA;

11.2 **Supply of Energy.** Buyer PELCO II’s Contract Capacity is ten thousand kilowatts (10,000 kW) for the first (1st) year, December 26, 2017 to December 25, 2018 and thirty thousand kilowatts (30,000 kW) for the next nine (9) years, December 26, 2018 to December 25, 2027, as specified in Annex “C” – Schedule of Contracted Capacity of the PSA;

- 11.3 **Availability of Energy.** Seller BGI shall supply Buyer PELCO II the Contracted Capacity from the Plant ("Section 1.1.29" of the PSA), and in lieu thereof, the WESM or third-party source subject to prudent utility practice and applicable laws and regulations in accordance to "Section 5" of the PSA;
- 11.4 **Sale and Purchase of Contract Capacity and Associated Energy.** At the start of the subject contract on the Effective Date, Seller BGI shall supply to Buyer PELCO II the Contract Capacity (Annex "C" of the PSA) specified therein at the agreed variable and fixed rates in terms of capacity and energy fees based on the agreed formula and sample computations (Annexes "D" [1 of 3], [2 of 3] & [3 of 3] of the PSA).
- 11.5 **Nomination and Declaration Protocol.** Buyer PELCO II shall comply with the protocol for the nomination and declaration to the WESM of the bilateral contract quantities, and the coordination procedures and activities between the Parties with respect to WESM transactions in accordance with Section 4 and (Annexes "G" [1 of 4], [2 of 4], & [3 of 4] and [4 of 4] of the PSA).
- 11.6 **Adjustment in Contract Capacity.** In the event of any public exigency or emergency such as any unforeseen increase in power demand, Buyer PELCO II and Seller BGI may enter into another agreement through good faith negotiations for an increase in Contract Capacity in accordance with "Section 4.9" of the PSA. Further, "Section 4.9.(b)" of the PSA, Buyer PELCO II, in no less than or at least sixty (60) days prior to the intended implementation of the increase in Contract Capacity may be allowed as such, subject to the following constraints; a) the Plant's technical limits, relating to transmission lines, substations and other facilities, b) the capacity constraints of the Plant, and c) the availability of

energy and/or capacity from other Suppliers or other third party sources that may be utilized to serve the increase in the Maximum Demand and Contracted Capacity, and d) such other terms and conditions as the Parties may agree upon.

As conditions precedent of the increase in Contract Capacity ("Section 4.9" of the PSA), Buyer PELCO II shall seek the written approval and certification from NGCP confirming that there is/are no transmission constraint/s, which written approval is required before implementation of the increase. Buyer PELCO II shall make a written application to Seller BGI. Seller BGI shall duly evaluate and inform Buyer PELCO II of its decision on the application in accordance with "Section 4.10.(a)" of the PSA.

Seller BGI may unilaterally waive the requirement of "Sections 4.9" and "4.10" of the PSA, in whole or in part.

11.7 Reduction in Contracted Capacity. Buyer PELCO II shall be entitled to a reduction in Contracted Capacity in the event it results due to switching of a Contestable Customer subject to the conditions precedent in accordance to "Section 5.3" of the PSA. Buyer PELCO II shall notify Seller BGI of any impending reduction in the energy consumption as a result of the occurrence of event described in this section. Otherwise, Buyer PELCO II shall not be entitled to any reduction in the Contracted Capacity.

11.8 Charges and Adjustments. Upon the start of Supply Effective Date, Buyer PELCO II, under "Section 6" and Annex "A" of the PSA, shall pay Seller BGI of the sum of the Monthly Total Fixed Charges and Variable Charges of the Contract Capacity and in excess, the charges shall be in accordance with "Sections 6.1, 6.2, 6.3, 4.3, and 4.4" of the PSA, respectively. Any adjustment/s in

the Fixed and Variable Charge shall be translated on the formulae in Annex “B” of the PSA.

- 11.9 **Capacity and Energy Fees.** The provision for Capacity and Energy Fees is covered under “Section 6 – 6.1, 6.2, & 6.3” of the PSA. Annexes “A”, “B” & “3” of the PSA provide the formulae for the computation of the basic energy charge and adjustments to fixed Operation & Maintenance (O & M) and variable charges, respectively, to wit:

**ANNEX “A” of the PSA
Schedule of Basic Energy Charge**

	Fees	Units
1. Fixed Charge		
(a) Capacity Charge	883.0000	Php/kW/month
(b) Fixed Operation and Maintenance (FOM) Charge	927.1189	Php/kW/month
Total Fixed Charge	1,810.1189	Php/kW/month
2. Variable Charge	1.6177	Php/kWh

The Basic Energy Charge is composed of the Fixed Charge and the Variable Charge on a peso per kilowatt-hour basis.

The Total Fixed Charge is equal to the sum of the Capacity Charge and Fixed Operation and Maintenance Charges.

The complete schedule of Basic Energy Charge is attached as Annex “A” of the PSA.

- 11.10 **Adjustment to the Fixed O&M Charge and Variable Charge.** The provision for Adjustment of the Fixed O&M and Variable Charges are covered under the formulae in the said Annex “B” of the PSA, as follows:

**ANNEX “B” of the PSA
Schedule to the Adjustment to Fixed
O&M Charge and Variable Charge**

Fixed O&M Charge

$$\text{Adjusted Fixed O\&M Charge}_n = \text{Fixed O\&M Charge}_{n-1} * I_n$$

Where:

$$I_n = \text{CPI}_{n-1} / \text{CPI}_{n-2}$$

Where:

CPI_{n-1} = average CPI of year n minus 1, as published by the Philippine Statistics Authority (PSA)

CPI_{n-2} = average CPI of year n minus 2, as published by the PSA

**Sample Computation of the Adjusted
Fixed O&M Charge:**

Year <i>n</i>	2017
Previous Year (2017) Fixed O&M Charge, PhP/kW/Mo. (effective December 26, 2016 to December 25, 2017)	927.1189
CPI_{n-1}	148.11
CPI_{n-2}	142.02
Increase	4.2881%
Adjusted Fixed O&M Charge, PhP/kW/Mo. (effective December 26, 2017 to December 25, 2018)	966.8749

Variable Charge

$$\text{Adjusted Variable Charge}_n = \text{Variable Charge}_{n-1} * I_n$$

Where:

$$I_n = \text{CPI}_{n-1} / \text{CPI}_{n-2}$$

Where:

CPI_{n-1} = average CPI of year n minus 1, as published by the PSA
 CPI_{n-2} = average CPI of year n minus 2, as published by the PSA

Sample Computation of the Adjusted Variable Charge:

Year <i>n</i>	2017
Previous Year (2017) Variable Charge, PhP/kWh (effective December 26, 2016 to December 25, 2017)	1.6177
CPI _{n-1}	148.11
CPI _{n-2}	142.02
Increase	4.2881%
Adjusted Variable Charge, PhP/kWh (effective December 26, 2017 to December 25, 2018)	1.6871

11.11 **Monthly Fees.** The Monthly Fee shall be the sum of the Total Fixed Charge and the Total Variable Charge payable in Philippine Peso (PHP). The provision for charges of monthly fees is under "Section 6.3" of the PSA, to wit:

A. **TOTAL FIXED CHARGE** in Php is equal to the Contracted Capacity in kilowatts multiplied by the sum of the Capacity Charge in Peso per kilowatt-month and Fixed O & M Charge in Peso per kilowatt per month.

$$\text{Total Fixed Charge, PhP} = \text{Contract Capacity, kW} \times (\text{Capacity Charge, PhP/kW/Mo.} + \text{Fixed O\&M Charge, PhP/kW/Mo.})$$

B. **TOTAL VARIABLE CHARGE** in Php is equal to the Variable Charge in peso per kilowatt-hours multiplied by the actual kilowatt-hour energy consumed within the Contracted Capacity.

Total Variable Charge, PhP = Variable Charge, PhP/kWh x actual kWh energy consumed

11.12 Capacity Utilization Discounts and Load Factor. Under "Section 4.5" of the PSA, Seller BGI shall extend to Buyer PELCO II a capacity utilization discounts (CUD) for every kilowatt-hour consumed corresponding to the applicable load factor set forth in Annex "A" of the PSA, provided, if the Basic Energy Charge (BEC) approved by the ERC is less than the BEC as agreed upon by the Parties, the CUD may accordingly be reduced or may not be extended to Buyer PELCO II. The minimum load factor which should not be lower than sixty percent (60%) based on the computation of applicable ratio.

**ANNEX "ii – A" of the PSA
Applicable Load Factor**

Applicable Load Factor	Discount PhP/kW
90.00% to 100.00%	0.3818
80.00% to 89.99%	0.3318
70.00% to 79.99%	0.2818
60.00% to 69.99%	0.2318

11.13 Prompt Payment Discounts. Seller BGI shall extend a prompt payment discounts (PPD) to Buyer PELCO II in accordance to "Section 9.19" and Annex "A" of the PSA. Provided, however, i) the BEC is made in full on the 10th day of the month following the end of the Billing Period, and (ii) BUYER has no disputed amounts or invoices, other outstanding amounts due, or unpaid invoices or debit memos for any charge, penalty, or interest. In the event of BUYER does not receive SELLER's invoice within the period stated in "Section 9.3" of the PSA, the PPD due date shall be extended by the same number of days receipt of the invoice is delayed.

11.14 **Security Deposit.** The security deposit (SD) to be imposed by Seller BGI to Buyer PELCO II is waived for the Term of the Agreement of the PSA subject to condition precedents of "Section 8" of the PSA. The SD maybe in any form of negotiable instrument mutually acceptable by both Parties of the PSA and renewable on an annual basis.

12. The charges on Fixed and Variable Fees (Annex "A" and "Section 6.3" of the PSA) and discounts on capacity utilization and prompt payment (Annex "A" and "Sections 4.5 and 9.19" of the PSA) will result to lower generation cost charges of PELCO II. Below is an analysis of the rate impact:

RATE IMPACT ANALYSIS

Year	PELCO II Projected Energy Requirements (kWh)	Scenario 1		Scenario 2		Scenario 3	
		Current Setup		50MW @ NPC-TOU Rate until Dec. 25, 2027 Remaining Requirements @ WESM Rate		With BGI _{New} Proposal	
		20MW @ BGI _{Old} Rate until Dec. 25, 2018 30MW @ NPC-TOU Rate until Dec. 25, 2019 Remaining Requirements @ WESM Rate				20MW @ BGI _{Old} Rate until Dec. 25, 2018 30MW @ NPC-TOU Rate until Dec. 25, 2019 Remaining Requirements @ WESM Rate	
		Blended Generation Rate (Php/kWh)		Blended Generation Rate (Php/kWh)		Blended Generation Rate (Php/kWh)	
		Future Worth	Present Worth	Future Worth	Present Worth	Future Worth	Present Worth
2018	587,791,784	5.0260	5.0260	5.1327	5.1327	5.0252	5.0252
2019	644,482,629	5.1127	4.9189	5.1861	4.9895	4.8736	4.6889
2020	706,514,911	4.4253	4.0961	5.2386	4.8490	4.2222	3.9081
2021	771,180,280	4.5326	4.0364	5.2960	4.7163	4.3360	3.8614
2022	837,859,771	4.6399	3.9754	5.3592	4.5917	4.4493	3.8121
2023	906,241,213	4.7473	3.9132	5.4277	4.4740	4.5621	3.7605
2024	975,900,061	4.8518	3.8478	5.4976	4.3599	4.6718	3.7050
2025	1,046,859,004	4.9592	3.7838	5.5745	4.2533	4.7836	3.6498
2026	1,124,135,136	5.0665	3.7192	5.6519	4.1489	4.8957	3.5938
2027	1,203,139,254	5.1738	3.6540	5.7324	4.0485	5.0075	3.5365
Total	8,804,104,043	4.8736	4.0097	5.4526	4.4797	4.7000	3.8673

Year	Rate Reduction			
	Scenario 3 vs Scenario 1		Scenario 3 vs Scenario 2	
	Future Worth	Present Worth	Future Worth	Present Worth
2018	(0.0008)	(0.0008)	(0.1075)	(0.1075)
2019	(0.2391)	(0.2300)	(0.3125)	(0.3006)
2020	(0.2031)	(0.1880)	(1.0164)	(0.9409)
2021	(0.1966)	(0.1750)	(0.9600)	(0.8549)
2022	(0.1906)	(0.1633)	(0.9099)	(0.7796)
2023	(0.1852)	(0.1527)	(0.8656)	(0.7135)
2024	(0.1800)	(0.1428)	(0.8258)	(0.6549)
2025	(0.1756)	(0.1340)	(0.7909)	(0.6035)
2026	(0.1708)	(0.1254)	(0.7562)	(0.5551)
2027	(0.1663)	(0.1175)	(0.7249)	(0.5120)
Total	(0.1736)	(0.1424)	(0.7526)	(0.6124)

Scenario 3 of the analysis of the rate impact reveals that the resultant generation charge (GC) is lower and, thus, offers the best competitive and affordable price. Lower GC translates to the same passed-on charges to the benefit and interest of Applicant PELCO II's end consumers. Therefore, the approval for the implementation of the PSA is imperative and essential because of the lower GC that will redound to the cooperative's stakeholders.

The projected energy requirements of Applicant PELCO II are based on the 2018 DDP, hence, are applied as determinants in the rate impact analysis during the contract term of the PSA.

The complete rate impact analysis and supporting computations are collectively attached as **Annex "P"**.

13. At present, Independent Power Producer Administrator (IPPA) and Successor Generation Company (SGC), San Miguel Energy Corporation (SMEC) and IPP Bacman Geothermal, Inc. (BGI) are the power suppliers of Applicant PELCO II. SGC SMEC's supply is through an extension of the contract for the supply of electric energy (CSEE) by way of a Letter of Amendment (LOA) of the Transition Supply Contact (TSC) with erstwhile supplier, the National Power Corporation (NPC). In the same period, Applicant PELCO II has an approved power supply contract (PSC) with SMEC (ERC Case No. 2015-029 RC) for a 30 MW load capacity, which is under a motion for reconsideration. Applicant PELCO II's total supply is up to

the contracted capacity of 30 MW pegged at NPC-TOU rate on a best effort basis.

14. BGI's supply is through a provisionally approved PSA (ERC Case No. 2016-175 RC) for a 20 MW baseload capacity of two and a half (2.5) years, subject to final approval by the Honorable Commission in its Order dated December 6, 2016. Further, in its latest Decision dated November 17, 2017, the Honorable Commission extended the provisional authority (PA) granted to BGI and PELCO II in its Order dated December 6, 2016 until revoked or made permanent.

15. In excess of the total contracted capacity of 50 MW, Applicant PELCO II sources the needed power from the wholesale electricity spot market or WESM. Effective December 4, 2017, the Philippine Electricity Market Corporation (PEMC) approved Applicant PELCO II's application as a Direct WESM Participant.

OTHER RELATED DOCUMENTS

16. In further support of the instant application, Applicants PELCO II and BGI most respectfully submit to the Honorable Commission, the following documents in compliance with the Guidelines for the Recovery of Costs for the Generation Component of the Distribution Utilities' Rates (ERC Resolution No. 19, Series of 2009):

ANNEX	NATURE OF DOCUMENTS
A	Articles of Incorporation of PELCO II
B	By-laws of PELCO II
C	List of PELCO II Directors
D	Amended Articles of Incorporation of BGI
E	Securities and Exchange Commission (SEC) Certificate of Registration of BGI
F	Articles of Incorporation and By-Laws of BGI
G	Latest General Information Sheet of BGI
H	Board of Investment (BOI) Certificate of Registration of BGI
I	Certificate of Franchise of PELCO II
J	Joint Certificate of Turn-Over dated September 3, 2010 of BGI and PSALM
K	DOE Certificate of Endorsement
L and L-1	Environmental Compliance Certificate (ECC) issued by the Department of Environment and Natural Resources (DENR)
M	ERC Certificate of Compliance issued to BGI

N	Summary of PELCO II Competitive Selection Process (CSP) and Supporting Documents
O	Power Supply Agreement ("PSA") between PELCO II and BGI dated June 6, 2018
P	PELCO II Rate Impact Analysis
Q	PELCO II Existing and Forecast Demand
R	Executive Summary of the PSA
S	Calendar Year 2017 Audited Financial Statement ("AFS") of BGI
T and T-1	Load forecast projections in accordance with the 2017 Distribution Development Plan (DDP) and latest 2018 DDP of PELCO II with DDP Summaries inclusive of the following: (a) 2017 Poof of Submissions to DOE, ERC and DMC, (b) 2017 DDP One-Page Summary Grid, (c) 2017 DU Load Curve_Grid, (d) 2017 Monthly_Sup-Dem_Grid, (e) 2017 Annual Sup-Dem_Grid, (f) 2017 DDP Data Summary_Grid (g) 2018 Poof of Submissions to DOE, ERC and DMC, (h) 2018 DDP One-Page Summary Grid, (i) 2018 DU Load Curve_Grid, (j) 2018 Monthly_Sup-Dem_Grid, (k) 2018 Annual Sup-Dem_Grid, and (l) 2018 DDP Data Summary_Grid
U to U-3	Board Resolutions (BR) Applicant PELCO II a) BR No. 076-18 b) BR No. 077-18 c) BR No. 078-18 d) BR No. 079-18
V	BGI's Secretary's Certificate
W	PELCO II Demand Side Management (DSM) Activities
X	Summary – Other Requirements
Y	Certification of Receipt from Sangguniang Bayan of Guagua, Pampanga
Y-1	Certification of Receipt from Sangguniang Panlalawigan of Pampanga
Y-2	Certification of Receipt from Sangguniang Panlungsod of Pasig
Z	Affidavit of Publication by Sunstar Pampanga
Z-1	Complete Copy of Newspaper Publication
AA	Summary of Proposals (subject to a motion for confidential treatment)
BB	BGI Rate Calculations (subject to a motion for confidential treatment)

CC, CC-1 and - CC-2	BGI Bank Certifications (subject to a motion for confidential treatment)
DD	BGI's Steam Supply Agreement (subject to a motion for confidential treatment)
EE	BGI's Geothermal Operating Contract (subject to a motion for confidential treatment)
FF	BGI's Transmission Service Agreement
GG	Affidavit in Support of the Provisional Authority (PA)

COMPLIANCE WITH PRE-FILING REQUIREMENTS

17. In Compliance with the ERC Rules of Practice and Procedure, Applicants have furnished the legislative bodies of the municipality and province wherein the principal place of business of PELCO II is located, a copy of the present Joint Application with all its annexes and accompanying documents. Copies of the certifications of receipt from the Presiding Officer or Secretary of the legislative bodies of the municipality of Guagua, Pampanga and the Province of Pampanga, or from their duly authorized representatives, attesting to the fact of service are attached hereto as **Annexes "Y" and "Y - 1"**, respectively.

18. Likewise, a copy of the present Joint Application with all its annexes and accompanying documents was furnished to the City of Pasig where BGI's principal place of business is located. Copy of the certification of receipt from the Presiding Officer or Secretary of the legislative body of the City of Pasig, or from their duly authorized representatives attesting to the fact of service are attached hereto as **Annex "Y - 2"**.

19. Applicants have also caused the publication of the present Joint Application in a newspaper of general circulation within the Franchise Area of PELCO II. Copies of the corresponding duly notarized Affidavit of Publication and the newspaper publication are attached hereto as **Annexes "Z" and "Z - 1"**, respectively.

REQUEST FOR CONFIDENTIAL TREATMENT OF INFORMATION

20. Applicants BGI and PELCO II respectfully request that the information in the documents, attached hereto in a sealed

envelope, containing proposals of other generation companies (GENCOs) to PELCO II and BGI's rate calculations, bank certifications, Steam Supply Agreement, and Geothermal Operating Contract duly marked as **Annexes "AA", "BB", "CC", "CC-1", CC-2", "DD", and "EE"** respectively, be treated as confidential in nature.

21. Applicants BGI and PELCO II treats other GENCO proposals, bank certifications, and rate calculations, and agreements as not generally available to the public on a non-confidential basis, as the same involve trade secrets reflecting BGI's investment and business calculations and the Parties are similarly bound to third parties to keep the information and documents confidential. 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. BGI's Rate Calculations are duly marked as **Annexes "AA" and "BB"**, the bank certifications duly marked as **Annexes "CC" to "CC-2"**, the Steam Supply Agreement duly marked as **Annex "DD"**, and the Geothermal Operating Contract duly marked as **Annex "EE"**, be treated as confidential in nature.

22. This request is likewise being made by virtue of Section 1 (b), Rule 4 of the ERC Rules of Practice and Procedure under which the Honorable Commission may, upon request of a party and determination of the existence of conditions which would warrant such remedy, treat certain information submitted to it as confidential.

MOTION FOR ISSUANCE OF PROVISIONAL AUTHORITY

23. As can be gleaned from the three (3) comparative scenarios of the Rate Impact Analysis, clearly and without iota of doubt, Scenario 3 which is the subject of this Joint Application reflects the most beneficial and cheaper generation charges at a reduced rate of Php 4.7000/kWh for the ten (10) year term of the PSA. The resultant reduction is Php 0.1736/kWh from Scenario 1 – Php 4.8736/kWh vis-à-vis Scenario 3 - Php 4.7000/kWh. This is the

levelized generation charge at Php/kWh for the duration of the entire Ten (10) Year contract term.

24. Applicant PELCO II's present power supply requirements is serve by its two (2) suppliers, SGC SMEC and IPP BGI. Of these two, IPP BGI's term will expire effective December 26, 2018. With the expected volatility of WESM generation prices, upon the expiration of IPP BGI PSA, the status of power supply of Applicant PELCO II will be critical as it will make or break the basic delivery of services to the end consumers. The supply gap, if no pro-active action is undertaken, will consequently pose an adverse effect on the current generation charge (GC) of PELCO II to the prejudice of the same end consumers. Therefore, the implementation of the PSA with BGI will temper the impact of WESM price volatility that will afford the affected stakeholders a stable supply and affordable rates.

25. Thus, in view of the urgency above-mentioned, Applicant PELCO II respectfully moves for the issuance of a provisional authority (PA) in this instant case in order to immediately proceed in implementing the PSA, and for the lower rate and benefits derived therein can immediately be enjoyed by the consumers of PELCO II. A copy of the affidavit in support of the prayer for issuance of provisional authority is attached hereto as **Annex "GG"**.

26. Applicant PELCO II understands that whatever rate that may be fixed and approved by the Honorable Commission under the PA shall be without prejudice to whatever rights and legal remedies which BGI may have under the law and the PSA, and the implementation of the PA shall be conditioned upon the acceptance by the Parties of the terms thereof.

27. Finally, Applicant PELCO II would like to emphasize that should a PA be issued and accepted by the Parties, and the PSA is provisionally implemented, Section 3 of the PSA will accordingly be amended to the effect that the PSA becomes effective already between the Parties. Consequently, the Terms of the PSA will be deemed amended to the effect that the ten (10) year contract term shall start from the first day of delivery of power by BGI to PELCO II under the PA.

PRAYER

WHEREFORE, premises considered, applicants Pampanga II Electric Cooperative, Inc. (PELCO II) and Bacman Geothermal, Inc. (BGI) respectfully pray of this Honorable Commission the following;

- a. Immediately issue a Provisional Authority (PA), authorizing BGI and PELCO II to implement the PSA, including the rates;
- b. Treat the documents duly marked as **Annexes “AA”, “BB”, “CC-1”, “CC-1, “CC-2”, “DD” and “EE”** as confidential; and
- c. After due notice and hearing and consideration, the Provisional Authority be made permanent.

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

Cainta, Rizal for Pasig City, September 6, 2018.

Pasig City for Pasig City, September 6, 2018.

**PAMPANGA II ELECTRIC COOPERATIVE, INC. (PELCO II)
San Roque Guagua, Pampanga**

And

**BACMAN GEOTHERMAL, INC. (BGI)
38th Floor, One Corporate Center, Julia Vargas corner Meralco
Avenue, Ortigas Center, Pasig City, 1605 Philippines**

Applicants



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By:



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ROLL OF ATTORNEYS NO. 25410
MCLE COMPLIANCE NO. V-0013987; 4/14/2019
PTR NO. 3897178; 1/10/2018
PASIG CITY
IBP NO. 020857; 1/04/2018
QUEZON CITY



MIGUEL K. MATHAY

ROLL OF ATTORNEYS NO. 43982
MCLE COMPLIANCE NO. VI-0010308; 4/14/2022
PTR NO. 3897179; 1/10/2018
PASIG CITY
IBP NO. 020858; 1/04/2018
RSM



GIANNA MARIA C. COMSTI

ROLL OF ATTORNEYS NO. 63071
MCLE COMPLIANCE NO. V-0011903; 4/14/2019
PTR NO. 3897411; 1/19/2018
PASIG CITY
IBP NO. 020865; 1/04/2018
RSM

In The Province of Pampanga)
Municipality of Guagua) S.S.

VERIFICATION/CERTIFICATION

I, **AMADOR T. GUEVARRA**, of legal age, Filipino, married and with office address located at San Roque, Guagua, Pampanga, after having been sworn to in accordance with law, hereby depose and states:

1. That I am the General Manager of Pampanga II Electric Cooperative, Inc. (PELCO II);
2. That I have caused the preparation and filing of this Joint Application for Approval of the Power Supply Agreement (PSA) Between Pampanga II Electric Cooperative, Inc. and Bacman Geothermal, Inc. (BGI) with respect only to portion pertaining wholly to PELCO II;
3. That I have read and know the contents of the aforesaid Joint Application pertaining to PELCO II as true and correct to the best of my knowledge;
4. That I hereby certify that I have not theretofore commenced by any other action or proceeding involving the same in the Supreme Court, the Court of Appeals or any other tribunal or agency;
5. That to the best of my knowledge, no such action or proceeding is pending in the Supreme Court, the Court of Appeals or any other tribunal or agency;
6. That if there is such action or proceedings which is either pending or may have been terminated, I must state the status thereof, and;
7. That should I thereafter learn that a similar action or proceeding has been filed or pending before the Supreme Court, the Court of Appeals or any other tribunal or agency, I will undertake to report that fact within five (5) days therefrom to the Court or agency wherein the original pleading has been filed.


AMADOR T. GUEVARRA
Affiant

SUBSCRIBED AND SWORN to before me this 6th of September, 2018 in Guagua, Pampanga, Philippines, affiant exhibited to me his Driver's License No. C-02-05-087292 issued at Guagua, Pampanga on March 9, 2017 and PELCO II ID No. 0426 as competent evidence of his identity.

Ricardo M. Sampang

RICARDO M. SAMPANG
NOTARY PUBLIC

Until December 31, 2018
PTR O/R No. 9075429 -01-09-2018
PTO - Pamp.

Doc. No. 316 ;
Page No. 65 ;
Book No. X ;
Series of 2018.

A

REPUBLIC OF THE PHILIPPINES)
PASIG CITY) S.S.

VERIFICATION/CERTIFICATION

I, **ERWIN O. AVANTE**, of legal age, Filipino, with office address located at 38th Floor One Corporate Centre, Julia Vargas corner Meralco Avenue, Ortigas Center, Pasig City, after having been sworn to in accordance with law, hereby depose and state that:

1. I am the Vice President of Bac-Man Geothermal, Inc. (BGI);
2. I have caused the preparation and filing of this Joint Application for Approval of the Power Supply Agreement (PSA) Between Pampanga II Electric Cooperative, Inc. and Bac-Man Geothermal, Inc. (BGI);
3. I have read, and know the contents of the aforesaid Joint Application pertaining to BGI as true and correct to the best of my knowledge;
4. I hereby certify that I have not theretofore commenced by any other action or proceeding involving the same in the Supreme Court, the Court of Appeals or any other tribunal or agency;
5. To the best of my knowledge, no such action or proceeding is pending in the Supreme Court, the Court of Appeals or any other tribunal or agency;
6. If there is such action or proceedings which is either pending or may have been terminated, I must state the status thereof, and;
7. Should I thereafter learn that a similar action or proceeding has been filed or pending before the Supreme Court, the Court of Appeals or any other tribunal or agency, I will undertake to report that fact within five (5) days therefrom to the Court or agency wherein the original pleading has been filed.




ERWIN O. AVANTE

Affiant

SUBSCRIBED AND SWORN to before me this 06 SEP 2018 of _____, 2018 in Pasig City, affiant exhibited to me his Passport No. P5645446A issued at DFA NCR EAST with expiration date of January 6, 2028 as competent evidence of his identity.

NOTARY PUBLIC

Doc. No. 113;
Page No. 104;
Book No. I;
Series of 2018.


ROCHEZNA BIANCA R. BELTRAN
NOTARY PUBLIC
FOR AND IN THE CITY OF PASIG AND SAN JUAN
AND IN THE MUNICIPALITY OF PATEROS
UNTIL DECEMBER 31, 2019
PTR NO. 3897190; 1/10/2018; PASIG CITY
IBP NO. 020867; 1/04/2018; RSM
ROLL NO. 65974/ APPOINTMENT NO. 35 (2018-2019)
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