Attachment B

Draft No. 2 Rules Governing the Procurement, Execution, and Evaluation of Power Supply Agreements Entered into by DUs for the Supply Of Electricity to their Captive Market

How a DU should proceed with its CSP

a. **Financial Proposal Requirement**: Bidder shall provide:

   i. Latest three (3) years and complete sets of Audited Financial Statements of the Generation Company (Balance Sheet, Income Statement, Statement of Changes in equity, Statement of Cash Flows, Notes to Financial Statement, Statement of Management Responsibility for Financial Statement, Financial Ratios indicating liquidity measurement ratio, debt ratio, profitability ratio, and operating performance ratio)
   ii. Statement of Management Responsibility in the Financial Statement
   iii. Annual Income Tax Return
   iv. BIR Registration (TIN, VAT) Form No. 2303
   v. Bank certifications of long-term loans including schedule of original loan (principal amount, interest payable, term of the loan); updated balances (principal amount, interest payable, penalties, if any, remaining term of the loan)
   vi. Schedule of liabilities (name of creditor, type of credit, credit terms)
   vii. Documentation on the financial track record of the Generation Company and its principal stockholder
   viii. Letter of undertaking/support from parent company
   ix. Omnibus Loan and Security Agreement between Generation Company and Senior Lenders for the Generating Facility

b. **Method and Criteria for Evaluation**: Bids will be evaluated using the Long-Term Levelized Rate (LTLR) methodology. The LTLR evaluation takes into account all costs germane to the 20-year PSA:

   i. **All-in Cost Evaluation**:
      - Tariff Charges and related adjustments for inflation, fuel price movement, forex rate and heat rate
      - Interconnection Facilities payment
      - Reimbursables (eg, ER 1-94) and VAT, RPT)
      - Replacement & Backup power costs
      - Line rentals

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ii. **Long-term Levelized Rate Methodology**: Evaluation is reduced to a rate, stated in PhP/kwh which is explicable to a casual observer

- Evaluation considers the various components of the costs to supply a buyer's contract capacity and the expected energy dispatched therefrom over the long term.
- The buyer specifies the Contract Capacity and the expected annual Total Energy Requirements for its base-load requirements.

Total Requirements = Associated Energy + Replacement Power

- The all-in long-term costs corresponding to such Total Requirements are taken into account. These long-term costs include the fees and charges from the generator for the supply of Associated Energy, the Replacement Power cost during a generator's allowed outages, the incidental costs (such as VAT, WESM and NGCP charges), and line rental charges.
- These costs (which are variously denominated in Dollars and Pesos and which escalate over time) are brought to present value at certain discounts rates.
- Different discount rates are used to reflective of currency which the projected cost streams are denominated (discount rate difference reflects forex risk)
- The sum of the present values of all the costs are then expressed as an annuity amount (annuity rate corresponding to currency)

- When such annuity amount is divided by the annual Total Energy Requirement from the contract capacity, the resulting number is the Long-term Levelized Rate expressed in PhP/kWh.