Draft Copy of the Publication of Notice re: Filing (EXHIBIT 1)

THIS PRELIMINARY PROSPECTUS AND THE INFORMATION CONTAINED HEREIN ARE SUBJECT TO COMPLETION OR AMENDMENT WITHOUT NOTICE. THE OFFER SHARES MAY NOT BE SOLD NOR MAY AN OFFER TO BUY BE ACCEPTED PRIOR TO THE TIME THAT THE PRELIMINARY PROSPECTUS IS ISSUED NI FINAL FORM. UNDER NO CIRCUMSTANCES SHALL THIS PRELIMINARY PROSPECTUS CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY ANY OFFER SHARES NOR SHALL THERE BE ANY OFFER SOLICITATION OR SALE OF THE OFFER SHARES IN ANY JURISDICTION IN WHICH SUCH OFFER, SOLICITATION OR SALE WOULD BE UNLAWFUL PRIOR TO REGISTRATION OR QUALIFICATION UNDER THE SECURITIES LAWS OF SUCH JURISDICTION

AMENDED PROSPECTUS

KING ENERGY GENERATION INC.

(Power Generation Company)

The Offer Shares consists of Four Million Five Hundred (4,500,000) common stock with a par value of PhP100.00 per share, to be offered at Net Asset Value Per Share.

Main Office: Misamis Oriental Power Plant (MOPP1), Along National Highway, Brgy. San Luis, Gingoog City, Misamis Oriental, Philippines, 9000

Satellite Office Address:
KEGI Building, Purok 10, Tepolo Street,
Baloy, Tablon, Cagayan de Oro City

kegi@kingenergy.info

Contact No. +639-17-839-1071

The date of this Prospectus is 31 December 2023

A REGISTRATION STATEMENT RELATING TO THESE SECURITIES HAS BEEN FILED WITH THE SECURITIES AND EXCHANGE COMMISSION, BUT HAS NOT YET BEEN DECLARED EFFECTIVE. NO OFFER TO BUY THE SECURITIES CAN BE ACCEPTED AND NO PART OF THE PURCHASE PRICE CAN BE RECEIVED UNTIL THE REGISTRATION STATEMENT HAS BECOME EFFECTIVE THEREBY, AND ANY SUCH OFFER MAY BE WITHDRAWN OR REVOKED, WITHOUT OBLIGATION OR COMMITMENT OF ANY KIND. AT ANY TIME PRIOR TO THE NOTICE OF ITS ACCEPTANCE AN INDICATION OF INTEREST IN RESPONSE THERETO INVOLVES NO OBLIGATION OR COMMITMENT OF ANY KIND. THIS PROSPECTUS SHALL NOT CONSTITUTE AN OFFER TO SELL OR BE CONSIDERED A SOLICITATION OF AN OFFER TO BUY.

NOTICE OF FILING

KING ENERGY GENERATION INC. (KEGI) HAS FILED ITS REGISTRATION STATEMENT AND AMENDED PROSPECTUS WITH THE SECURITIES AND EXCHANGE COMMISSION FOR THE SALE OF A PORTION OF ITS SHARES OF STOCKS TO THE PUBLIC.

Latest (A) Articles of Incorporation (B) By-laws.

(EXHIBIT 2)

EXHIBIT 2

REPUBLIC OF THE PHILIPPINES
SECURITIES AND EXCHANGE COMMISSION
Ground Floor, Secretariat Building, PICC
City Of Pasay, Metro Manila

COMPANY REG. NO. CS201019693

CERTIFICATE OF FILING OF AMENDED BY-LAWS

KNOW ALL PERSONS BY THESE PRESENTS:

THIS IS TO CERTIFY that the Amended By-Laws of

KING ENERGY GENERATION INC.

copy annexed, adopted on December 03, 2021 by majority vote of the Board of Directors and by the vote of the stockholders owning or representing a majority of the outstanding capital stock, and certified under oath by the Corporate Secretary and majority of the said Board was approved by the Commission on this date pursuant to the provisions of Section 47 of the Revised Corporation Code of the Philippines, Republic Act No. 11232, which took effect on February 23, 2019, and copies thereof are filed with the Commission.

IN WITNESS WHEREOF, I have set my hand and caused the seal of this Commission to be affixed to this Certificate at Pasay City, Metro Manila, Philippines, this 16 day of February, Twenty Twenty Two.

DANIEL F. GABUYO
Assistant Director
SO Order 1188 Series of 2018

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COVER SHEET

for Application at

COMPANY REGISTRATION AND MONITORING DEPARTMENT (CRMD)

Nature of Application	SEC Registration Number
AMENDED BY LAWS	CS201019693

KING ENERGY GENERATION, INC.

AMENDED TO:

New Company Name

Principal Office (No./Street/Barangay/City/Town/Province)

MISAMIS ORIENTAL POWER PLANT (MOPP1) BRGY SAN LUIS, GINGOOG CITY

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number/s	Company's Fascimile Number/s
kegi@kingenergy.info	N/A	N/A

Contact Person Information

Name of Contact Person	Email Address	Telephone Number	Facsimile Number
ROSALIE A. SALVAME	kegi@kingenergy.info	0917-8024216	N/A

Contact Person's Address

176 2nd Street, 6th Ave., Grace Park, Caloocan City

To be accomplished by CRMD Personnel

	Date	Signature
Assigned Processor:		

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Received by **Corporate Filing and Records Division (CFRD)**

Forwarded to:

- ☐ Corporate and Partnership Registration Division (CPRD)
- ☐ Green Lane Unit (GL)
- ☐ Financial Analysis and Audit Division (FAAD)
- ☐ Licensing Unit (LU)
- ☐ Compliance Monitoring Division (CMD)

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AMENDED

BY - LAWS

OF

KING ENERGY GENERATION, INC.
(Name of Corporation)

ARTICLE I

SUBSCRIPTION, ISSUANCE AND TRANSFER OF SHARES

Section 1. Subscription - Subscribers to the capital stock of the corporation shall pay to the corporation the subscription value or price of the stock in accordance with the terms and conditions prescribed by the Board of Directors. Unpaid subscription shall not earn interest unless determined by the Board of Directors.

Section 2. Certificate - The stockholder shall be entitled to one or more certificates for fully paid stock subscription in his name in the books of the corporation. The certificates shall contain the matters required by law and the Articles of Incorporation. They shall be in such form and design as may be determined by the Board of Directors and numbered consecutively. The certificates, which must be issued in consecutive order, shall bear the signature of the President, countersigned by the Secretary or Assistant Secretary, and sealed with the corporate seal.

Section 3. Transfer of Shares - Subject to the restrictions, terms and conditions contained in in the Articles of Incorporation, shares may be transferred, sold, assigned or pledged by delivery of the certificates duly indorsed by the stockholder, his attorney-in-fact, or other legally authorized person. The transfer shall be valid and binding on the corporation only upon record thereof in the books of the corporation. The Secretary shall cancel the stock certificates and issue New certificates to the transferee.

Prior to selling, assigning, or transferring any of its shares, the Selling Shareholder must first offer in writing to sell the shares to the other shareholders. The Selling Shareholder must state the price and other terms and conditions for the sale or transfer of his shares. If the other shareholders do not accept the offer within 30 days from the date the offer was received by the said shareholder, the selling shareholder may sell or transfer the shares to third parties on terms and condition no more favourable than those offered to other stockholders, provided such third party or parties thereupon agree, by writing delivered to each party hereto, to be bound by all the terms and provisions of the Articles of Incorporation and by-Laws of the Corporation.

No shares of stock against which the corporation holds unpaid claim shall be transferable in the books of the corporation.

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All certificates surrendered for transfer shall be stamped "Cancelled" on the face thereof, together with the date of cancellation, and attached to the corresponding stub with the certificate book.

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Section 4. Lost Certificates - In case any stock certificate is lost, stolen, or destroyed, a new certificate may be issued in lieu thereof in accordance with the procedure prescribed under Section 72 of the Revised Corporation Code. (As Amended on Dec. 3, 2021)

ARTICLE II

MEETING OF STOCKHOLDERS

Section 1. Annual/Regular Meetings - The annual/regular meetings of stockholders shall be held at the principal office every 11th day of March of each year, if a legal holiday or a non-working day then on the day following.

Section 2. Special Meeting - The special meetings of stockholders, for any purpose or purposes, may at any time be called by any of the following: (a) Any of the Board of Directors, at his/her own instance, or at the written request of stockholders representing a majority of the outstanding capital stock; (b) the President. (As Amended on Dec. 3, 2021)

Section 3. Place of Meeting - Stockholders' meetings, whether regular or special, shall be held in the principal office of the corporation or at any place designated by the Board of Directors in the city or municipality where the principal office of the corporation is located.

Section 4. Notice of Meeting - Notices for regular meetings of stockholders may be sent by the Secretary by the personal delivery or by mail or fascimile, or thru electronic mail or such other manner as the Securities and Exchange Commission shall allow under its guidelines, at least two (2) weeks prior to the date of the meeting to each stockholder of record at his last known post office address or by publication in a newspaper of general circulation. (As Amended on Dec. 3, 2021)

Notices for special meetings of stockholders may be sent by the Secretary by the personal delivery or by mail or fascimile, or thru electronic mail or such other manner as the Securities and Exchange Commission shall allow under its guidelines, at least one (1) week written notice prior to the date of the meeting to each stockholder of record at his last known post office address or by publication in a newspaper of general circulation. (As Amended on Dec. 3, 2021)

The notice shall state the place, date and hour of the meeting, and the purpose or purposes for which the meeting is called. In cases of special meetings of the stockholder, the one (1) week prior notice to each stockholder may be waived in urgent and/or emergency cases, in which case a one (1) day written notice prior to the meeting may be sent to the stockholders. (As Amended on Dec. 3, 2021)

Further, notice of any meeting may be waived, expressly or impliedly, by any stockholder/s. (As Amended on Dec. 3, 2021)

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When the meeting of stockholders is adjourned to another time or place, it shall not be necessary to give any notice of the adjourned meeting if the time and place to which the meeting is adjourned are announced at the meeting at which the adjournment is taken. At the reconvened meeting, any business may be transacted that might have been transacted on the original date of the meeting.

Section 5. Quorum- Unless otherwise provided by law, in all regular or special meetings of stockholders, a majority of the issued and outstanding capital stock must be present or represented in order to constitute a quorum. If no quorum is constituted, the meeting shall be adjourned until the requisite amount of stock shall be present.

Section 6. Conduct of Meeting - Meeting of the Stockholders shall be presided over by the Chairman of the Board, or in his/her absence, the President, or if none of the foregoing is in office and present and acting, by a Chairman to be chosen by the stockholders. The Secretary shall act as Secretary of every meeting, but if not present, the Chairman of the meeting shall appoint a Secretary of the meeting. The Chairman of the meeting may adjourn the meeting from time to time, without notice other than as announced at the meeting.

The regular and/or special meeting/s may also be conducted through teleconferencing, web conferencing, video conferencing and other remote or electronic means. (As Amended on Dec. 3, 2021)

Section 7. Manner of Voting - At all meetings of stockholders, a stockholder may vote in person or by proxy executed in writing by the stockholder of his/her duly authorized attorney-in-fact. Unless otherwise provided in the proxy, it shall be valid only for the meeting at which it has been presented to the Secretary.

All proxies must be in the hands of the Secretary before the time set for the meeting. Such proxies filed with the Secretary may be revoked by the stockholders either in an instrument in writing duly presented and recorded with the Secretary prior to a scheduled meeting or by their personal presence at the meeting.

Stockholders may also vote through remote communication or in absentia or through teleconferencing, web conferencing, video conferencing and other remote or electronic means provided the votes are received before the corporation finishes the tally of the votes. (As Amended on Dec. 3, 2021)

A stockholder/s who participates through remote communication or in absentia or through teleconferencing, web conferencing, video conferencing and other remote or electronic means shall be deemed present for purposes of quorum, and his/her presence thereat presumed receipt of prior notice of such meeting, and shall likewise waived and/or cure any defect, if any, in the notice made. (As Amended on Dec. 3, 2021)

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Section 8. Closing of Transfer Books for Filing of Record Date – For the purpose of determining the stockholders untitled to notice of, or to vote ar, any meeting of stockholders or any adjournment thereof/or to receive payment of any dividend, the Board of Directors may provide that the stock and transfer Books be closed for ten (10) days immediately preceding such meeting.

ARTICLE III

BOARD OF DIRECTORS

Section 1. Powers of the Board - Unless otherwise provided by law, the corporate powers of the corporation shall be exercised, all business and all property of the controlled and held by the Board of Directors to be elected by and from among the stockholders. Without prejudice to such general powers and such other powers as may be granted by law, the Board of Directors shall also have the following powers:

a. From to time, to make and change rules and regulations not inconsistent with these by-laws for the management of the corporation's business affairs;

b. To purchase, receive, take or otherwise acquire in any lawful manner, for and in name of the corporation, any and all properties rights, interest or privileges, including securities and bonds of other corporations, as the transaction of the business of the corporation may reasonably and necessarily require, for such consideration and upon such terms and conditions as the Board may deem proper or convenient;

c. To invest the funds of the corporations in other corporations or business or for any other purposes other than those for which the corporation was organized, whenever in the judgment of the Board of Directors the interest of the corporation would thereby be promoted, subject to such stockholders' approval as may be required by law;

d. To incur such indebtedness as the Board may deem necessary and, for such purpose, to make and issue evidence of such indebtedness including, without limitation, notes, deed of trust, bonds, debentures or securities, subject to stockholders approval as may be required by law, and/or pledge, mortgage or otherwise encumber all or part of the of the properties of the corporation;

e. To establish pension, retirement, bonus, profit-sharing or other types of incentives or compensation plans for the employees, including officers and directors of the corporation and to determine the persons to participate in any such plans and the amount of their respective participations;

f. To prosecute, maintain, defend, compromise or abandon any lawsuit in which the corporation or its officer are either plaintiffs or defendants in connection with the business of the corporation.

g. To delegate, from time to time, any of the powers of the Board which may lawfully be delegated in the course of the current business or businesses of the corporation to any

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standing or special committee or to any officer or agent and to appoint any person to be agent of the corporation with such powers (including the power to sub-delegate), and upon such terms, as may be deemed fit;

h. To approve, amend, revise, pre-terminate or cancel any contract (excluding recruitment of employee) with a value Ten Thousand US dollars (USD 10,000);

i. To approve, revise, or amend, the yearly budget of the Company;

j. To review the annual compensation and bonuses of the Company's employees;

k. To implement these by-laws and to act on matter not by these by-laws, provided such matter does require the approval or consent of the stockholders under the Corporation Code.

Section 2. Election and Term - The Board of Directors shall be elected during each regular meeting of stockholders and shall office for (1) year until their successors are elected and qualified.

Section 3. Vacancies - Any vacancy occurring in the Board of Directors other than by removal by the stockholders or by expiration of term, may be filled by the vote of at least a majority of the remaining directors, if still constituting a quorum; otherwise, the vacancy must be filled by the stockholders at a regular or at any special meeting of stockholders called for the purpose. A director so elected to fill a vacancy shall be elected only for the unexpired term of his predecessor in office.

The vacancy resulting from the removal of a director by the stockholders in the manner provided by law may be filled by election at the same meeting of stockholders without further notice, or at any regular or at any special of stockholders called for the purpose, after giving notice as prescribed in these by-laws.

Section 4. Meetings - The Board of Directors shall hold one regular meeting every year and special meetings as warranted. The meeting venue shall be any place within the Philippines as as determined by the Board.

The meetings of the Board of Directors may be conducted through officially authorized modern technologies such as, but not limited to, teleconferencing, video-conferencing, web conferencing and other remote or electronic means. Also, the Board of Directors may participate and vote through the aforementioned modern technologies and/or remote communication such as video-conferencing, teleconferencing, web conferencing or other alternative modes of communication that allows them reasonable opportunity to participate. The Board of Director/s may also affix their respective signature/s in the board resolution/s via wet signature or electronic signature. A printed copy of the said board resolution containing originally signed signatures of the respective board of director/s may follow for record purposes of the corporation, and/or in cases where original signature/s are required. Board Resolution containing originally signed and/or via wet signature or electronic signature of the Board of Director/s are valid and binds the corporation. (As Amended on Dec. 3, 2021)

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The Secretary shall take the minutes of the meeting and the same may be distributed to all directors using electronic mail or any other means within two (2) days from the date of meeting. The Secretary may require all the Directors who attended the meeting, whether personally or through tele/video/web conferencing, to sign the minutes via wet signature or electronic signature of meeting to dispel all doubts on matters taken up during the meeting. A printed copy of the said board resolution containing originally signed signatures of the respective board of director/s may follow for record purposes of the corporation, and/or in cases where original signatures are required. (As Amended on Dec. 3, 2021)

Section 5. Notice - Notice of the regular or special meeting of the Board, specifying the date, time and place of the meeting, shall be communicated by the Secretary to each director personally, or by telephone, mail, or by written message, fascimile or through electronic email, teleconferencing, web conferencing, video conferencing or such other manner as the Securities and Exchange Commission shall allow under its guidelines at least two (2) days prior to the scheduled meeting. A director may waive this requirement, either expressly or impliedly. (As Amended on Dec. 3, 2021)

The Notice to be sent to the Director shall include an inquiry on whether the Director will physically or through tele/video/web conferencing, contact number/s of the Secretary and/or office staff whom the director may call to notify and state whether he/she shall be physically or attend through tele/video/web conferencing, and agenda of the meeting. In both regular/special meetings of the Board of Director, the at least two (2) days notice to each director may be waived expressly/impliedly. Further, such at least two (2) days notice may also be waived in urgent and/or emergency cases. (As Amended on Dec. 3, 2021)

If the Director chooses tele/video/web conferencing, he/she shall give notice at least one (1) day prior to the scheduled meeting to the Secretary. The latter shall be informed of his/her contact number/s. In the same way, the Secretary shall inform the director concerned the contact number/s he/she will call to join the meeting. The Secretary shall keep the records of the details, and on the date of the scheduled meeting, confirm and note such details as part of the minutes of the meeting. (As Amended on Dec. 3, 2021)

Section 6. Quorum - A majority of the number of directors as fixed in the Articles of Incorporation shall constitute a quorum for the transaction of corporate business, and every decision of at least a majority of the directors present at a meeting at which there is a quorum shall be valid as a corporate act. The vote of a majority of all the members of the Board shall be required for the election of corporate officers.

Also, a majority of the directors present at which there is a quorum can ratify previous actions, transactions, decisions and/or corporate business which may later on be discovered as defective or invalid by mere issuance of a board of resolution ratifying the such previous actions, transactions, decisions and/or corporate business. (As Amended on Dec. 3, 2021)

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Section 7. Conduct of the Meetings - Meetings of the Board of Directors shall be presided over by the Chairman of the Board, or in his absence, by any other director chosen by the Board. The Secretary shall act as secretary of every meeting, if not present, the Chairman of the meeting shall appoint a secretary of the meeting.

Section 8. Compensation - By resolution of the Board, each director shall receive a reasonable per diem allowance for his/her attendance at each meeting of the Board. As compensation, the Board shall receive and allocate an amount of not more than ten percent (10%) of the net income before income tax of the corporation during the preceding year. Such compensation shall be determined and apportioned among the directors in such manner as the Board may deem proper, subject to the approval of stockholder representing at least a majority of the outstanding capital stock at a regular or special meetings of the stockholders.

ARTICLE IV

OFFICERS

Section 1. Election/Appointment - Immediately after their election, the Board of Directors shall formally organize by electing the President, the Vice- President, the Treasurer, and the Secretary at said meeting.

The Board may, from time to time, appoint such other officers as it may determine to be necessary or proper. Any two (2) or more positions may be held concurrently by the same person, except that no one shall act as President and Treasurer or Secretary at the same time.

Section 2. President - The President shall be the Chief Executive Officer of the corporation and shall exercise the following functions:

a. To preside at meetings of the Board of Directors and of the stockholders in the absence of the Chairman of the Board of Directors;

b. To initiate and develop corporate objectives and policies and formulate long range projects, plans and programs for the approval of the Board of Directors, including those for executive training, development and compensation;

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c. To supervise and manage the business affairs and property of the corporation upon the direction of the Board of Directors;

d. To implement the administrative and operational policies of the corporation under his/her supervision and control;

e. To appoint, remove, suspend or discipline employees of the corporation, prescribe their duties, and determine their salaries;

f. To oversee the preparation of the budgets and the statement of accounts of the corporation;

g. To represent the corporation at all functions and proceedings;

h. To execute on behalf of the corporation all contracts, agreements and other instruments affecting the interests of the corporation which require the approval of the Board of Directors;

i. To make reports to the Board of Directors and stockholders;

j. To sign certificated of stock;

k. To perform such other duties as are incident to his/her office or are entrusted to him/her by the Board of Directors.

Section 3. The Vice-President - If one or more Vice-Presidents are appointed, he/she/they, if qualified, act as President in the absence of the latter. He/She/They shall have such powers and duties as may from time to time be assigned to him/her/they by the Board of Directors or by the President. (As Amended on Dec. 3, 2021)

Section 4. The Secretary - The Secretary must be a resident and a citizen of the Philippines. He/She shall be the custodian of and shall maintain the corporate books and record and shall be the recorder of the corporation's formal actions and transactions. He/She shall have the following specific powers and duties: (As Amended on Dec. 3, 2021)

a. To record and see to the proper recording of the minutes and transactions of all meetings of the directors and the stockholders and to maintain minute books of such meetings in the form and manner required by law;

b. To keep or cause to be kept record books showing the details required by law with respect to the stock certificates of the corporation, including ledgers and transfer books showing all shares of the corporation subscribed, issued and transferred;

c. To keep the corporate seal and affix it to all papers and documents requiring a seal, and to attest by his/her signature all corporate documents requiring the same;

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d. To attend to the giving and serving of all notices of the corporation required by law or these by-laws to be given;

e. To certify to such corporate acts, countersign corporate documents or certificates, and make reports or statements as may be required of him/her by law or by government rules and regulations;

f. To act as inspector at the of directors and, as such, to the number of shares of stock outstanding and entitled to vote, the shares of stock represented at the meeting, the existence of a quorum, the validity and effect of proxies, and to receive votes, ballots or consents, hear and determine questions in connection with the right to vote, count and tabulate all votes, ballots or consents, determine the result, and do such acts as are proper to conduct the election or vote. The Secretary may assign the exercise or performance of any or all of the foregoing duties, powers and functions to any other person or persons, subject always to his/her supervision and control;

g. To perform such offer duties as are to his/her office or as may be assigned to him/her by the Board of Directors or the President.

Section 5. The Treasurer - The Treasurer of the corporation shall have the following duties:

a. To keep full and accurate accounts of receipts and disbursements in the books of the corporation;

b. To have custody of, and be responsible for, all the funds, securities and bonds of the corporation;

c. To deposit in the name and to the credit of the credit of the corporation, in such bank as may be designated from time to time by the Board of Directors, all the moneys, funds, securities, bonds, and similar valuable effects belonging to the corporation which may come under his/her control; (As Amended on Dec. 3, 2021)

d. To render an annual statement showing the financial condition of the corporation and such other financial reports as the Board of Directors, or the President may, from time to time require;

e. To prepare such financial reports, statements, certifications and other documents which may, from time to time, be required by government rules and regulations and to submit to the proper government agencies;

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f. To exercise such powers and perform such duties and functions as may be assigned to him/her by the President. (As Amended on Dec. 3, 2021)

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Section 6. Term of Office - The term of office of all officers shall be for a period of one (1) year and until their successors are duly elected qualified. Such officers may however be sooner removed for cause.

Section 7. Vacancies - If any position of the officers becomes vacant by reason of death, resignation, disqualification or for any cause, the Board of Directors, by majority vote may elect a successor who shall hold office for the unexpired term.

Section 8. Compensation - The by-laws officers shall receive such remuneration as the Board of Directors may determine. All other officers shall receive such remuneration as the Board of Directors may determine upon recommendation of the President. A director shall not be precluded from serving the corporation in any capacity as an officer, agent or otherwise and receiving compensation therefor.

ARTICLE V

OFFICES

Section 1. The principal offices of the corporation shall be located the place in Article III of the Articles of Incorporation. The corporation may have such branch offices, either within or outside the Philippines as the Board of Directors may designate.

ARTICLE VI
AUDIT OF BOOKS FISCAL YEAR AND DIVIDENDS

Section 1. External Auditor - At the regular stockholders' meeting, the external auditor of the corporation may be appointed. The external auditor shall examine, verify and and report on the earnings and expenses of the corporation.

Section 2. Fiscal Year - The fiscal year of the corporation shall begin on the first day of January and end on the last day of December of each year.

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Section 3. Dividends - Dividends shall be declared and paid out of the unrestricted retained earnings which shall be payable in cash, property or stock to all stockholders on the basis of outstanding stock held by them, as often and at such times as the Board of Directors may determine and in accordance with law.

ARTICLE VIII

AMENDMENTS

Section 1. These by-laws may be amended or repealed by the affirmative vote of at least a majority of the Board of Directors and the stockholders representing a majority of the outstanding capital stock at any stockholders' meeting called for that purpose. However, the power to amend, modify, repeal or adopt new by-laws may be delegated to the Board of Directors by the affirmative vote of stockholders representing not less than two-thirds of the outstanding capital stock; provided, however, that any such delegation of powers to the Board of Directors to amend, repeal or adopt new by-laws may be revoked only by the vote of stockholders representing a majority of the outstanding capital stock at a regular or special meeting.

ARTICLE VIII

SEAL

Section 1. Form and Inscriptions - The corporate seal shall be determined by the Board of Directors.

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IN WITNESS WHEREOF, we have hereunto set our hands, this 15TH day of SEPT 2010 at QUEZON CITY.

SGD
Edgardo L. Salvame
TIN 213-368-028

SGD
Rosalie A. Salvame
TIN 109-022- 270

SGD
Zhuang Fei Long
Passport No. K01362627

SGD
Chong Man Ping
Passport No. K00110354

SGD
Raymond Ang
TIN 167-682-065

SGD
Sally Ang
TIN 923-609-539

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(STOCK CORPORATION)

DEC 20 2021
RECEIVED
By: Time:

DIRECTORS' CERTIFICATE

KNOW ALL MEN BY THESE PRESENTS:

We, the undersigned majority of the Board of Directors and the Corporate Secretary of

KING ENERGY GENERATION INC., do hereby certify that the **BY- LAWS** of said corporation was amended by a majority vote of the directors and the vote of stockholders representing a majority of the outstanding capital stock at a special meeting called for the purpose held on December 03, 2021, via video conferencing.

The amended provisions of the attached Amended By-Laws of the Corporation refer to:

To: Amended By-Laws Article II, Article III and Article IV

We further certify that the attached Amended By-Laws is true and correct copy thereof.

In Witness Whereof, we have hereunto signed this certificate this _____ day of _____ 2021 at _____.

DEC 09 2021

EDGARDO L. SALVAME
TIN No. 213-368-028
Chairman/CEO

ROSALIE A. SALVAME
TIN No:109-022-270
Corporate Director/Treasurer

RAYMOND B. ANG
TIN No: 167-682-065
Board of Director

SALLY O. ANG
TIN No: 923-609-539
Board of Director

ZHUANG FEI LONG
TIN No: 420-706-544
Board of Director

CHONG MAN PING
TIN No: 420-706-896
Board of Director

12rtdiango 08:14:34 AM 03/23/2022

SECURITIES AND EXCHANGE COMMISSION
CAGAYAN DE ORO EXT OFFICE
CERTIFIED TRUE COPY
PAGE 15 OF 16 PAGE(S)
VERIFIED BY:

SUBSCRIBED AND SWORN to before me this [illegible] day of _____, 2021 in QUEZON CITY by the above-named persons who exhibited to me their respective TIN as follows:

NAME OF DIRECTORS	TIN NUMBER
EDGARDO L. SALVAME	213-368-028
ROSALIE A. SALVAME	109-022-270
RAYMOND B. ANG	167-682-065
SALL O. ANG	923-609-539
ZHUANG FEI LONG	420-706-544
CHONG MAN PING	420-706-896

Doc. No. 281;
Page No. 78;
Book No. 76;
Series of 2021

ATTY. [illegible] P. VILLARENA
Notary Public for Quezon City
Until Dec[illegible] 31, 2021
PTR No. [illegible]/ QC
IBP No. [illegible]/ QC
Roll [illegible]
MCLE [illegible] 2-21-2020
[illegible] (2020-2021)
[illegible]

12rtdiango 08:14:34 AM 03/23/2022

SECURITIES AND EXCHANGE COMMISSION
CAGAYAN DE ORO EXT. OFFICE
CERTIFIED TRUE COPY
PAGE 16 OF 16 PAGES
VERIFIED BY:

EXHIBIT 2

REPUBLIC OF THE PHILIPPINES
SECURITIES AND EXCHANGE COMMISSION
Ground Floor. Secretariat Building, PICC
City Of Pasay, Metro Manila

COMPANY REG. NO. CS201019693

CERTIFICATE OF FILING
OF
AMENDED ARTICLES OF INCORPORATION

KNOW ALL PERSONS BY THESE PRESENTS:

This is to certify that the amended articles of incorporation of the

KING ENERGY GENERATION INC.

(Amending Article VI thereof)

copy annexed, adopted on May 13, 2022 by majority vote of the Board of Directors and by the vote of the stockholders owning or representing at least two-thirds of the outstanding capital stock, and certified under oath by the Corporate Secretary and a majority of the Board of Directors of the corporation was approved by the Commission on this date pursuant to the provision of Section 15 of the Revised Corporation Code of the Philippines, Republic Act No. 11232, which took effect on February 23, 2019, and copies thereof are filed with the Commission.

Unless this corporation obtains or already has obtained the appropriate Secondary License from this Commission, this Certificate does not authorize it to undertake business activities requiring a Secondary License from this Commission such as, but not limited to acting as: broker or dealer in securities, government securities eligible dealer (GSED), investment adviser of an investment company, close-end or open-end investment company, investment house, transfer agent, commodity/financial futures exchange/broker/merchant, financing/lending company and time shares/club shares/membership certificates issuers or selling agents thereof; nor to operate a fiat money to virtual currency exchange. Neither does this Certificate constitute as permit to undertake activities for which other government agencies require a license or permit.

IN WITNESS WHEREOF, I have set my hand and caused the seal of this Commission to be affixed to this Certificate at Pasay City, Metro Manila, Philippines, this 17th day of June, Twenty Twenty Two.

GERARDO E. DEL ROSARIO
Director
Company Registration and Monitoring Department

MCF/qba

COVER SHEET

for Application at

COMPANY REGISTRATION AND MONITORING DEPARTMENT (CRMD)

Nature of Application

AMENDED ARTICLE VI

SEC Registration Number

CS201019693

KING ENERGY GENERATION INC.

AMENDED TO:

New Company Name

Principal Office (No./Street/Barangay/City/Town/Province)

MISAMIS ORIENTAL POWER PLANT (MOPP1) BRGY SAN LUIS, GINGOOG CITY

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number/s	Company's Fascimile Number/s
kegi@kingenergy.info	N/A	N/A

Contact Person Information

Name of Contact Person	Email Address	Telephone Number	Facsimile Number
ROSALIE A. SALVAME	kegi@kingenergy.info	09178024216	N/A

Contact Person's Address

176 2nd St. 6th Ave. Grace Park, Caloocan City

To be accomplished by CRMD Personnel

		Date	Signature
Assigned Processor:			
Document I.D.			
Received by Corporate Filling and Records Division (CFRD)			

Forwarded to:

- ☐ Corporate and Partnership Registration Division (CPRD)
- ☐ Green Lane Unit (GL)
- ☐ Financial Analysis and Audit Division (FAAD)
- ☐ Licensing Unit (LU)
- ☐ Compliance Monitoring Division (CMD)

(STOCK CORPORATION)

SECURITIES AND EXCHANGE COMMISSION
CRMD
13 JUN 2022
RECEIVED
By: Time:

DIRECTORS' CERTIFICATE

KNOW ALL MEN BY THE THESE PRESENTS:

We, the undersigned majority of the directors and the Corporate Secretary of **KING ENERGY GENERATION INC.,** do hereby certify that the Articles of Incorporation of said corporation was amended by a majority vote of the directors and the vote of stockholders representing at least two-thirds (2/3) of the outstanding capital stock at a meeting held on May 13, 2022, at the principal office of the corporation.

The amended provisions of the attached Amended Articles of Incorporation refer to:

ARTICLE VI- Change Number of Directors to NINE (9)

We further certify that the attached Amended Articles of Incorporation is true and correct copy thereof.

In witness whereof, we have hereunto signed this certificate this 19th day of MAY 2022 at QUEZON CITY.

EDGARDO L. SALVAME
Director
TIN: 213-022-028

CHONG MAN PING
Director
TIN: 420-706-896

ZHUANG FEI LONG
Director
TIN: 420-706-544

ROSALIE A. SALVAME
Corporate Secretary/Director
TIN: 109-022-270

RAYMOND B. ANG
Director
TIN: 167-682-065

SALLY O. ANG
Director
TIN: 923-609-539

SUBSCRIBED AND SWORN to before me this _____ day of MAY 19 2022, 2022 in QUEZON CITY by the above-named persons who exhibited to me their TIN Nos as follows:

NAME	VALID ID/ TIN NUMBER
EDGARDO L. SALVAME	213-368-028
CHONG MAN PING	420-706-896
ZHUANG FEI LONG	420-706-544
ROSALIE A. SALVAME	109-022-270
RAYMOND B. ANG	167-682-065
SALLY O. ANG	923-609-539

Doc. No. 387
Page No. 79
Book No. I
Series of 2022

NOTARY PUBLIC

ATTY. ROGELIO J. BOLIVAR
NOTARY PUBLIC IN QUEZON CITY
AM Adm. Matter No. 20[illegible] June 21, 2021 to Dec. 31, 2022
IBP O.R. No. 132134 MD 2021 & IBP O.R. No. 133076 MD 2022
PTR O.R. No. 0695412 D 1/4/21 Roll No. 30832 / TIN# 129-87[illegible]09
MCLE No. VI-0028883 Valid from 12/18/[illegible]
Address: 31-F Mariposa St., Cubao, Q.C.

Republic of the Philippines)
_____) S.S.
QUEZON CITY

SECRETARY'S CERTIFICATE

I, ROSALIE A. SALVAME of legal age, Filipino and resident of 176 2nd St. 6th Ave. Grace Park, Caloocan City, after being duly sworn, depose and state that:

1. I am the duly elected and qualified Corporate Secretary of **KING ENERGY GENERATION INC.**, a stock corporation duly organized and existing under and by virtue of the Republic of the Philippines, with principal office address at Misamis Oriental Power Plant (MOPP1) Brgy San Luis, Gingoog City.

2. To the best of my knowledge, no action or proceeding has been filed or is pending before any Court involving an intra-corporate dispute and/or claim by any person or group against the Board of Directors, individual Directors and/or major corporate officers of the Corporation as its duly elected and/or appointed directors of officers or vice versa.

QUEZON CITY
_____ City , _____ th day of MAY 19 2022 2022

ROSALIE A. SALVAME
Corporate Secretary

MAY 19 2022
QUEZON CITY
SUBSCRIBED AND SWORN TO before me on this _____ day of _____ 2022, in _____ Philippines, affiant exhibiting to me her TIN No. 109-022-270

ATTY. ROGELIO J. BOLIVAR
NOTARY PUBLIC IN QUEZON CITY
AM Adm. Matter No. 204 June 21, 2021 to Dec. 31, 2022
IBP O.R. No. 132134 MD 2021 & IBP O.R. No. 133078 MD 2022
PTR O.R. No. 0695412 D 1/4/21 Roll No. 33832 / TIN# 129-871-909
MCLE No. VI-0025693 Valid from 12/16/19 Valid until 04/14/22 Quezon City
Address; 31-F Harvard St, Cubao, Q.C.

Doc. No. 308
Page No. 79
Book No. I
Series of 2022.

AMENDED

ARTICLES OF INCORPORATION

OF

KING ENERGY GENERATION INC.

(Name of Corporation)

Known All Men by These Presents:

That we, all of legal age and majority of whom are residents of the Philippines, have this day voluntarily associated ourselves together for the purpose of forming a corporation under the laws of the Philippines.

THAT WE HEREBY CERTIFY:

FIRST: That the name of the said corporation shall be:

KING ENERGY GENERATION INC.

SECOND: A. That the purpose for which the said corporation is formed are:

To carry on the business of exploring, developing and utilizing renewable energy, such as but not limited to biomass, biogas, hydro-power, geothermal, wind, solar energy including operating, managing, maintaining and rehabilitating renewable energy systems. (As Amended on November 9, 2015)

SECONDARY PURPOSE

1. To build construct, erect, own, equip, install, operate, maintain, sell, and lease power generation plants and related facilities, machineries, equipment for the generation and supply of electric power utilizing any fuel or energy source; to provide ancillary services and to supply services such as billing, collection, customer services, energy trading and electricity sale for the contestable market and/or customer, including but not limited to, electric cooperatives and private distribution utilities; (As Amended on November 9, 2015)

2. To purchase, acquire, own, lease, sell and convey real properties such as lands, building, factories, warehouse, machineries, equipment and other personal properties situated in any part of the world as may be necessary or incidental to the conduct of the corporate business, without engaging in retail business, and to pay in cash, share of its capital stock, debentures and other evidences of indebtedness, or other securities as may be deemed expedient for any business or property acquired by the Corporation;

3. To borrow or raise money necessary to meet the financial requirement of its business by the issuance of bonds, promissory notes and other evidences of indebtedness and to secure the repayment thereof by mortgage, pledge, deed of trust or lien upon the

properties of the Corporation or to issue pursuant to law shares of its capital stock, debentures and other evidence of indebtedness in payment for properties acquired by the Corporation or for money borrowed in the prosecution of its lawful business;

4. To invest and deal with the money and properties of the Corporation in such manner as may from time to time be considered wise or expedients for the advancement of its interest and to sell, dispose of or transfer the business, properties and goodwill of the Corporation or any part thereof for such consideration and under such terms as it shall see fit to accept;

5. To aid in any manner any corporation, association, or trust estate, domestic or foreign, or any firm or individual, any share of stock in which or any bonds, debentures, notes, securities evidences of indebtedness, contracts, or obligations of which, are held by or for the Corporation, directly or indirectly or through other corporations or otherwise;

6. To enter into any lawful arrangement for sharing profits, union of interest, utilization or farm out agreement, reciprocal concession, or cooperation, with any corporation, association, partnership, syndicate, entity person or governmental, municipal or public authority, domestic or foreign in the carrying on of any business or transaction deemed necessary, convenient to carrying out any of the purposes of the Corporation;

7. To acquire or obtain from any government or authority, national, provincial, municipal or otherwise, or any corporation, company or partnership or person, such charter, contracts, franchise, privileges, exemption, licenses and concessions as may be conductive to any of the objects of the Corporation;

8. To establish and operate one or more branch offices or agencies and to carry on any or all of its operations and business without any restrictions as to place or amount including the right to hold, purchase or otherwise acquire, lease, mortgage, pledge and convey or otherwise deal in and with real and personal property anywhere in the Philippines;

9. To distribute the surplus profits of the Corporation to the stockholder thereof in kind, namely; properties of the Corporation, particularly any shares of the stock, debentures or securities of other companies belonging to the Corporation;

10. To engage in the general business of providing management and/or consultancy services either as principals, advisers, representatives, or agents for any individuals, firm, partnership, association, or corporation engaged in any business and any industry including, but not limited to, holding title to property, real or personal, and entering into arrangements of technical assistance and providing management services for the various aspects of the business of others;

11. To purchase, import, acquire, own lease, sell and convey machineries, equipment, parts, power generation facilities and other personal properties as may be necessary or incidental to the conduct of the corporate business, without engaging in retail business, and to pay in cash, shares if its capital stock, debentures and other evidence of indebtedness or other securities, as may be deemed expedient, for any business or properties acquired by the Corporation;

12. To conduct and transact any all lawful activities and to do or cause to be done any one or more of the acts and things herein set forth as its purpose, within or without the Philippines, and in any and all foreign countries, and to do everything necessary, desirable or incidental to the accomplishment of the purpose of the exercise of any one or more of the powers herein enumerated or which shall at any time appear conducive to or expedient for the protection or benefit of the Corporation.

B. That the corporation shall have all the express power of a corporation as provided for under Section 36 of the Corporation Code of the Philippines.

THIRD: That the place where the principal office of the corporation is to be established or located is at MISAMIS ORIENTAL POWER PLANT (MOPP1), BRGY. SAN LUIS, GINGOOG CITY. (As Amended on December 12, 2014)

FOURTH: That term for which said corporation id to exist is FIFTY (50) years from and after the date of incorporation.

FIFTH: That the names, nationalities, and residences of the incorporators are as follows:

Name	**Nationality**	**Residence**
Edgardo L. Salvame	Filipino	176 2nd St. 6th Avenue, Grace Park, Caloocan City
Rosalie A. Salvame	Filipino	176 2nd St. 6th Avenue, Grace Park, Caloocan City
Zhuang Fei Long	Chinese	3315 Hoi Lam HSE, Hoi Fu CRT, Mongkok Kowloon, Hongkong
Chong Man Ping	Chinese	3315 Hoi Lam HSE, Hoi Fu CRT, Mongkok Kowloon, Hongkong
Raymond B. Ang	Filipino	16 Tepolo St. Baloy Tablon, Cagayan De Oro City
Sally O. Ang	Filipino	16 Tepolo St. Baloy Tablon, Cagayan De Oro City

SIXTH: That the number of director of the corporation shall be **NINE (9)** and the names, nationalities and residences of the first directors, who are able to serve until their successor are elected and qualified as provided by the by-laws are as follow;

(As Amended on May 13, 2022)

Name	**TIN**	**Nationality**	**Residence**
Edgardo L. Salvame	213-368-028	Filipino	176 2nd St. 6th Avenue, Grace Park, Caloocan City
Rosalie A. Salvame	109-022-270	Filipino	176 2nd St. 6th Avenue, Grace Park, Caloocan City
Zhuang Fei Long	420-706-544	Chinese	3315 Hoi Lam HSE, Hoi Fu CRT, Mongkok Kowloon, Hongkong
Chong Man Ping	420-706-896	Chinese	3315 Hoi Lam HSE, Hoi Fu CRT, Mongkok Kowloon, Hongkong
Raymond B. Ang	167-682-065	Filipino	16 Tepolo St. Baloy Tablon, Cagayan De Oro City
Sally O. Ang	923-609-539	Filipino	16 Tepolo St. Baloy Tablon, Cagayan De Oro City

SEVENTH: That the authorized capital stock of the corporation is **THREE BILLION PESOS (P3,000,000,000.00) Philippines Currency,** and said capital is divided into **THIRTY MILLION (30,000,000)** shares with the par value of **ONE HUNDRED PESOS (P100.00)** per share.

(As Amended on December 4, 2020)

EIGHT: That the amount of said capital stock which has been actually subscribed in Two Million Pesos (Php2,000,000.00), and the following persons have subscribed to the number of shares and the amount of capital stock indicated opposite their respective names;

NAME	Nationality	No of Shares Subscribed	Amount Subscribed
Edgardo L. Salvame	Filipino	6,000	P600,000.00
Rosalie A. Salvame	Filipino	5,000	500,000.00
Zhuang Fei Long	Chinese	3,000	300,000.00
Chong Man Ping	Chinese	3,000	300,000.00
Raymond B. Ang	Filipino	2,000	200,000.00
Sally O. Ang	Filipino	1,000	100,000.00
	Total:	20,000	2,000,000.00

Prior to selling, assigning, or transferring any of its shares, the selling Shareholders must first offer in writing to sell the shares of the other shareholders, The selling Shareholders must state the price and other terms and conditions for the sale of transfer of his shares, If the other shareholders do not accept the offer within 30 days from the date the offer was received by the said shareholders, the selling shareholders may sell or transfer the shares to third parties on term and condition no more favorable than those offered to the shareholders, provided such third party or parties thereupon agree, by writing delivered to each party hereto, to be bound by all the terms and provisions of the Articles of Incorporation and By-Laws of the Corporation.

NINTH: That the following persons have paid on the shares of capital stock for which they have subscribed, the amount set out after their respective names;

NAME	Nationality	Amount Paid
Edgardo L. Salvame	Filipino	P 150,000.00
Rosalie A. Salvame	Filipino	125,000.00
Zhuang Fei Long	Chinese	300,000.00
Chong Man Ping	Chinese	300,000.00
Raymond B. Ang	Filipino	50,000.00
Sally O. Ang	Filipino	25,000.00
	Total:	P950,000.00

TENTH: That no issuance of transfer of shares of stock of corporation which would reduce the stock ownership of Filipino citizens to less than the percentage of the outstanding capital stock required by the law to be owned by Filipino citizens, shall be allowed or permitted to recorded in the books of corporation. This restriction shall be allowed or permitted to be recorded in the books

of corporation. This restriction shall be allowed or indicated in all certification of stock to be issued by the corporation.

ELEVENTH: That Rosalie A Salvame (TIN 109-022-270) has been elected by the subscribers as treasurer of the corporation to act as such until his/her successor is duly elected and qualified in accordance with By-Laws; and that as such Treasurer, he/she has been authorized to receive for the corporation, and to issue in its name receipts for all subscriptions paid in by the subscribers.

IN WITNESS WHEREOF, we have hereunto set our hands this 15th day of Sept. 2010 at Quezon City.

(SGD)
Edgardo L. Salvame
TIN: 213-368-028

(SGD)
Rosalie A. Salvame
TIN: 109-022-270

(SGD)
Zhuang Fei Long
Passport#K0136227
HK China 10/29/09

(SGD)
Chong Man Ping
Passport#K00110354
HK China, 04/04/07

(SGD)
Raymond Ang
TIN: 167-662-065

(SGD)
Sally Ang
TIN: 923-609-539

Signed in the Presence of:

_____ _____

ACKNOWLEDGMENT

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

BEFORE ME, a Notary Public, in and for QUEZON CITY, Philippines this day of Sept. 15, 2010 personally appeared:

NAME	CTC No.	Date & Place Issued
Edgardo L. Salvame	XX4601313	Pasay City 9/18/09
Rosalie A. Salvame	XX557964469	Pasay City 2/22/10
Zhuang Fei Long	K01362627	HK China 10/29/09
Raymond B. Ang	XX34544536	CDO 04/14/09
Sally O. Ang	XX39320155	CDO 06/10/09

All known to me and to me known to be the same persons who executed the foregoing Articles of Incorporation and they acknowledged to me that the same is their free and voluntary act and deed.

IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed my notarial seal on the date and at the place first above written.

Doc. No. 448
Page No. 19
Book No. 550
Series of 2010

JOEL L. MA. SANTOS
Notary Public
Comm Expires on NP-020
Comm No. NP-020
PTR No. 3175793 QC 1/4/10
TIN: 133-063-043

Instruments Defining the Rights of Security Holders of common shares being registered (copy of stock certificates) (EXHIBIT 3)

EXHIBIT 3

INCORPORATED UNDER THE LAWS OF

No

Shares

This Certifies that _____ is the owner of

_____ Shares of the Capital Stock of

transferable only on the books of the Corporation by the holder hereof in person or by Attorney upon surrender of this Certificate properly endorsed.

In Witness Whereof, the said Corporation has caused this Certificate to be signed by its duly authorized officers and to be sealed with the Seal of the Corporation this _____ day of _____ A.D. _____

Shares _____ Each.

TROJAN 166

SUBSCRIPTION CONTRACT

KNOW ALL PERSONS BY THESE PRESENTS:

This subscription contract is made and entered this _____ day of _____ by and between:

KING ENERGY GENERATION INC., a corporation duly organized and existing under the laws of the Philippines, and with principal address at Misamis Oriental Power Plant (MOPP1), Brgy. San Luis, Gingoog City, Misamis Oriental, duly represented by its President, **ENGR. EDELYN JANE A. SALVAME,** and Treasurer, **JODETTE P. ELLO, CPA**, and hereinafter referred to as **"KEGI."**

-and-

_____, of legal age, Filipino, single and a resident of _____, and hereinafter referred to as the **"SUBSCRIBER".**

-WITNESSETH: THAT-

WHEREAS, KEGI has an authorized capital stock of _____ (P_____);

WHEREAS on _____, the Board of Directors and Stockholders of KEGI have approved the Increase of its authorized capital stock to _____ (P_____) divided into _____ (P_____) shares with a par value of _____ (P_____), per share;

WHEREAS, KEGI has offered to sell shares of stock from the said increase of capital and the Subscriber is willing and ready to buy the same.

NOW THEREFORE, in consideration of the foregoing and the subscription price indicated hereunder:

1. KEGI has issued to the Subscriber the following shares of its common capital stock:

NO. OF SHARES	**SUBCRIPTION PRICE**
_____	_____

2. Of the subscription price, the Subscriber has paid to KEGI the amount of _____ (P_____) in CASH.

3. That said amount paid was duly received by the Treasurer of KEGI.

4. In making this subscription, the corresponding certificate of stock covering the aforesaid shares of stocks shall not be issued, made and delivered unless and until full payment thereof has been made.

IN WITNESS WHEREOF, we have hereunto set our hands this _____ day of _____, 2022 at _____.

KING ENERGY GENERATION INC.
TIN ID NO. 007-935-629

_____
SUBSCRIBER
TIN ID NO: _____

Represented by :

ENGR. EDELYN JANE A. SALVAME
PRESIDENT
TIN ID NO: _____

SUBSCRIBED AND SWORN TO before me, a Notary Public, for and in _____, Philippines, this day of _____at Cagayan de Oro City, Philippines.

Doc. No._____;
Page No._____;
Book No._____;
Series of 2024.

Opinion re: Legality in conformity with the attached Template. (EXHIBIT 4)

DABA LAW OFFICE
Tax | Corporate | Real Estate
CNETI Incorporation Property Appraisal
Structuring Corporate Housekeeping Due Diligence
Tax Planning Corporate Secretaryship Reinsurance/Reconstitution
Estates Resident Agency Highest and Best Use
PEZA Corporate Disputes Land Disputes
Main Office - Cagayan de Oro
Satellite Offices - Bukidnon

24/04/2024

SECURITIES AND EXCHANGE COMMISSION
MARKETS AND SECURITIES REGULATION DEPARTMENT
SEC Headquarters, 7907 Makati Avenue
Salcedo Village, Makati City

Re: Opinion on the Legality of the Proposed Registration of Securities

Gentlemen:

I have been requested to provide a formal legal opinion concerning: (a) the legality and validity of the registration of Four Million Five Hundred (4,500,000) shares of KING ENERGY GENERATION INC. (hereafter referred to as the "Issuer"); and the (b) the accuracy of the information on tax matters set out in the Preliminary Prospectus dated December 31, 2023 appended to the Registration Statement filed by the Issuer with the Securities and Exchange Commission (the "Commission").

The total number of shares for registration is broken down as follows:

The IPO Shares consist of the 4,500,000 shares of Common Stock to be sold by the Company in the public offering under the Registration Statement and IPO Prospectus.

Based upon and subject to the foregoing, it is my opinion that the IPO Shares have been duly authorized and when issued and paid for as described in the Registration Statement and IPO Prospectus, will be, validly issued, fully paid and non-assessable.

As independent counsel, I have examined the originals or copies, electronic copies, photocopies, certified or otherwise, identified to my satisfaction, of the Registration Statement, the Prospectus and all documentary exhibits accompanying the Registration Statement, the relevant laws and regulations of the Philippines, the corporate and official records of the Issuer, and all such documents and matters I considered necessary or desirable in the opinions hereinafter expressed.

I have relied, as the basis for the opinion expressed herein, on the documents and information provided to me and do not assume any responsibility for any not provided, nor of any matter not disclosed to me.

In such examination, I have assumed the genuineness of the signatures and the authenticity of all documents submitted to me as originals, and in conformity with the originals of all documents submitted to me as copies. As to any other matters of fact material to the opinion expressed herein, I have relied upon certificates and representations of board members and officers and other representatives of the Issuer.

In relation to this opinion, I have also made the following assumptions:

(i) at the issuance of the Offer Shares, the Issuer shall have received cash as consideration therefor, and
(ii) that documentary stamp taxes due on the issuance of the Offer Shares shall be paid in full when due.

On the basis of such examination, I am of the opinion that:

1. The Issuer is a corporation duly incorporated, validly under and by virtue of the laws of the Philippines, with power and authority to conduct its business.

2. The Offer Shares form part of the authorized capital stock of the Issuer.

3. The Issuer has taken all corporate action required to legally and validly issue the Offer Shares.

4. Other than those required for the registration of the Offer Shares with the Commission, no licenses, validations, filings, recordings, consents, approvals, notices, acknowledgments, exemptions or other actions by or with any government agency or regulatory or other official body in the Philippines or other person are necessary for the legality and validity of the issue of the Offer Shares.

5. The issue of the Offer Shares does not conflict with or result in a breach of any provision of the constitution, any law, rule or regulation, or of any of the constitutional documents of the Issuer.

6. The Offer Shares, when sold in accordance with the terms of their registration, will be legally issued, fully paid and non-assessable; and

7. The description of the taxes applicable to the issuance of the Offer Shares and any subsequent disposition of such Offer Shares, as stated in the Prospectus fairly presents the taxes applicable to such original issuance and disposition.

I consent to the use of this opinion for purposes of the Registration Statement.

Prospectus, accurately represents the tax implications of such transactions.

This opinion is rendered pursuant to the requirements set forth in SEC Form 12-1 and may not be used or relied upon for any other purpose. This opinion is given as of the effective date of the Registration Statement, and I assume no obligation to update or supplement the opinions contained herein to reflect any facts or circumstances which may hereafter come to my attention or any changes in laws which may hereafter occur.

Respectfully submitted,

Atty. Albert Wences C. Daba III, REA, REB, REC

Opinion re: Tax Matters in conformity with the attached Template. (EXHIBIT 5)

24/04/2024

SECURITIES AND EXCHANGE COMMISSION
MARKETS AND SECURITIES REGULATION DEPARTMENT
SEC Headquarters, 7907 Makati Avenue
Salcedo Village, Makati City

Re: Opinion on Tax Matters Regarding the Proposed Registration of Securities

Ladies and Gentlemen:

This legal opinion seeks to answer the question on the applicable tax on Initial Public Offering and the related computation of the Tax Due.

KEGI is offering 4,500,000 of its common shares to the public in compliance with the mandate of Republic Act No. 9136, otherwise known as the Electric Power Industry Reform Act of 2001 (EPIRA), as well as its Implementing Rules and Regulation in which generation companies, where KEGI belongs, which are not publicly listed shall offer and sell to the public a portion not less than fifteen percent (15%) of their common shares.

Based upon and subject to the foregoing, it is my opinion that the applicable law on tax matters are the following:

Republic Act (RA) No. 7717 and RA No. 84244

The IPO taxation started in 1994, with the enactment of Republic Act (RA) No. 7717 or otherwise known as "An Act Imposing a Tax on The Sale, Barter or Exchange of Shares of Stock Listed and Traded Through The Local Stock Exchange or Through Initial Public Offering, Amending For The Purpose The National Internal Revenue Code, As Amended, By Inserting a New Section and Repealing Certain Subsections". It was later amended by RA No. 84244 otherwise known as the "Tax Reform Act of 1997".

The table below shows the changes introduced by RA No. 8424 in the IPO tax base.

Law	Tax Base	Tax Rate	Effectivity Date
RA No. 7717	Gross selling price or gross value in money of shares of		Approved: May 5, 1994

	stocks sold, bartered, exchanged or otherwise disposed in accordance with the proportion of stocks sold, bartered or exchanged or after listing in the stock exchange. • 33⅓% or below • Over 33⅓% but below 50% • Over 50%	 4% 2% 1%	Effective: May 28, 1994
RA No. 8424	Gross selling price or gross value in money of shares of stocks sold, bartered, exchanged or otherwise disposed in accordance with the proportion of stocks sold, bartered or exchanged or after listing in the stock exchange. • Up to 25% • Over 25% but not over 33⅓% • Over 33⅓%	 4% 2% 1%	Approved: December 11, 1997 Effective: January 1, 1998

In Section 127(B) of RA No. 8424 shows that tax is imposed on "every sale, barter, exchange or other disposition through initial public offering of shares of stock in closely held corporations":

"SEC. 127. Tax on Sale, Barter or Exchange of Shares of Stock Listed and Traded through the Local Stock Exchange or through Initial Public Offering. –

x x x x

(B) Tax on Shares of Stock Sold or Exchanged Through Initial Public Offering. - There shall be levied, assessed and collected on every sale, barter, exchange or other disposition through initial public offering of shares of stock in closely held corporations, as defined herein, a tax at the rates provided hereunder based on the gross selling price or gross value in money of the shares of stock sold, bartered, exchanged or otherwise disposed in accordance with the

proportion of shares of stock sold, bartered, exchanged or otherwise disposed to the total outstanding shares of stock after the listing in the local stock exchange:

Up to twenty-five percent (25%)	*4%*
Over twenty-five percent (25%) but not over thirty-three and one third percent (33 1/3%)	*2%*
Over thirty-three and one third percent (33 1/3%)	*1%"*

The word "every" precedes the word "sale." The use of such word is clear and leaves no room for interpretation. Each sale of shares of stock in closely held corporations through initial public offering is taxed under Section 127(B).

The tax on every sale under Section 127 (B) is in turn based on the "gross selling price or gross value in money of shares of stock sold, bartered, exchanged or otherwise disposed in accordance with the proportion of shares of stock sold, bartered, exchanged or otherwise disposed to the total outstanding shares of stock after the listing."

Since tax is imposed on every sale of shares of stock, there is a need to determine which sales are covered in the sale of shares through initial public offering. On this score, the second paragraph of Section 127(B) precisely provides for the types of sales involved: sale by the issuing corporation in primary offering, and sale by each of the corporation's shareholders in secondary offering:

"The tax herein imposed shall be paid by the issuing corporation in primary offering or by the seller in secondary offering."

Thus, every sale in Section 127(B) is referenced to the seller, i.e., the issuing corporation in case of primary offering, and each of the selling shareholders of the corporation in case of secondary offering. The sale contemplated is not a 1one, lump sum sale since more than one sale may transpire under Section 127(B).

Further, Section 127 (C) of the NIRC, expressly provides for a separate time and manner of payment of tax in primary and secondary offerings as well as the party liable to pay the corresponding tax:

"(C) Return on Capital Gains Realized from Sale of Shares of Stocks. -

(1) Return on Capital Gains Realized from Sale of Shares of Stock Listed and Traded in the Local Stock Exchange. - It shall be the duty of every stock broker who effected the sale subject to the tax imposed herein to collect the tax and remit the same to the Bureau of Internal Revenue within five (5) banking days from the date of collection thereof and to submit on Mondays of each week to the secretary of the stock exchange, of which he is a member, a true

and complete return which shall contain a declaration of all the transactions effected through him during the preceding week and of taxes collected by him and turned over to the Bureau of Internal Revenue.

(2) Return on Public Offerings of Shares of Stock. - In case of primary offering, the corporate issuer shall file the return and pay the corresponding tax within thirty (30) days from the date of listing of the shares of stock in the local stock exchange. In the case of secondary offering, the provision of Subsection (C) (1) of this Section shall apply as to the time and manner of the payment of the tax."

While the tax on sale of shares in primary offering should be filed and paid by the issuing corporation within thirty (30) days from the date of listing of the shares of stock in the local stock exchange or in our case upon initial public offering, the tax on sale of shares in secondary offering should be collected and remitted by KEGI within five (5) banking days from the date of collection thereof.

Section 6 (C) of BIR Revenue Regulation No. 06-2008

To implement Section 127(B), RR 06-2008 was issued by the CIR on April 22, 2008. Section 6(C) of RR 06-2008 illustrates how the tax under Section 127 (B) shall be separately computed for shares offered in primary and secondary offerings:

"SEC. 6. SALE, BARTER OR EXCHANGE, OR ISSUANCE OF SHARES OF STOCK THROUGH IPO. — There shall be levied, assessed and collected on every sale, barter, exchange or other disposition through initial public offering (IPO) of shares of stock in closely held corporations, as defined in Sec. 2(q) hereof, under the following rules:

x x x x

(c) Determination Of The Persons Liable To Pay The Tax. —

(c.1) Primary Offering. — The tax herein imposed shall be paid by the issuer corporation with respect to the Shares of Stock corresponding to the Primary Offering.

(c.2) Secondary Offering. — The tax herein imposed shall be paid by the selling shareholder(s) with respect to the Shares of Stock corresponding to the Secondary Offering.

(c.3) Illustration. — RFB Corporation, a closely-held corporation, has an authorized capital stock of 100,000,000 shares with par value of Php1.00/share as of January 1, 2008.

Of the 100,000,000 authorized shares, 25,000,000 thereof is subscribed and fully paid up by the following stockholders:

Mr. Estoy B. Zabala	*5,000,000*
Mrs. Rowena V. Posadas	*5,000,000*
Mr. Conrado G. Cruz	*5,000,000*
Mr. Benedict O. Sison	*5,000,000*
Mrs. Linda O. Evangelista	*5,000,000*
Total Shares Outstanding	*25,000,000*

RFB Corporation finally decides to conduct an IPO and initially offers 25,000,000 of its unissued shares to the investing public. After the IPO in March 2008, RFB Corporation's total issued shares increased from 25,000,000 to 50,000,000 shares.

At the IPO, one of the existing stockholders, Mrs. Linda O. Evangelista, has likewise decided to sell her entire 5,000,000 shares to the public. Thus, 25,000,000 shares have been offered in the primary offering and 5,000,000 shares in the secondary offering.

Computation of the percentage to be used. —

(i) Total Number of Shares Outstanding

Number of Shares issued by RFB prior to IPO	*25,000,000 shares*
Add: Number of Additional Shares Through Primary Offering for IPO	*25,000,000 shares*
Total Shares Outstanding after Listing at the Stock Exchange or IPO	*50,000,000 shares*

(ii) Computation of Percentage Ratio to the Total Outstanding Shares

(ii.a) For Primary Offering:

Number of Shares offered by RFB Corporation to the public	*25,000,000 shares*
Divide by the number of shares outstanding after the Listing at the Stock Exchange	*50,000,000 shares*
Ratio of Percentage	*50%*

Percentage Ratio is 50% which is over 33 1/3% so the Rate of Tax to be used for Primary Offering (IPO) of shares is 1%.

(ii.b) For Secondary Offering:

Number of Shares offered by existing

Stockholder of RFB Corporation to the public	*5,000,000 shares*
Divide by the number of shares outstanding after the Listing at the Stock Exchange	*50,000,000 shares*
Ratio of Percentage	*10%*

Percentage Ratio is 10% which is under 25% so the Rate of Tax to be used for Secondary Offering (IPO) of shares is 4%.

(iii) Computation of the Tax

(iii.a) RFB Corporation newly issued shares (25,000,000 shares x Php 1.50/share x 1%) = Php 375,000

(iii.b) Mrs. Linda O. Evangelista's shares (5,000,000 shares x Php 1.50/share x 4%) = Php 300,000

If in June 2008, RFB Corporation again decides to increase capitalization by offering another 30,000,000 of unissued shares to the public at Php 2.00/share consequently bringing the total issued shares to 80,000,000 shares, such follow-on/follow-through sale which are shares issued subsequent to IPO shall no longer be taxed pursuant to Section 6 hereof. The transaction, however, is subject to Documentary Stamp Tax similar to the transaction covered by Primary Offering as well as Secondary Offering of shares of stock.

Nonetheless, in case another existing shareholder decides to offer his existing shares to the public subsequent to IPO, as in the above illustration, if Mr. Benedict O. Sison ever decides to sell his 5,000,000 shares to the public at Php 2.00 per share (for the Php 10,000,000 he received as consideration for the shares he sold), he shall be taxed pursuant to Section 127(A) of the Tax Code as implemented by Sec. 5 of these Regulations which is ½ of 1% of the gross selling price or Php P50,000 (i.e., 5,000,000 shares x Php 2.00/share = Php10,000,000 x ½ of 1%)."

And as discussed above, Section 127(B) is clear in requiring a separate computation of tax on shares offered in primary and secondary offerings.

G.R. No. 209755, November 09, 2020

In the assailed decision of the Court of Tax Appeals, the CTA En Banc dismissed the Petition for Review filed by petitioner I-Remit, Inc. (I-Remit) for refund of excess taxes from respondent Commissioner of Internal Revenue (CIR). In its assailed Resolution, the CTA En Banc denied petitioner's Motion for Reconsideration for lack of merit.

This case involves the interpretation of Section 127(B) of the National Internal Revenue Code (NIRC), specifically on the computation of tax on sale of shares of stock sold or exchanged through initial public offering. Section 127(B) provides:

"SEC. 127. Tax on Sale, Barter or Exchange of Shares of Stock Listed and Traded through the Local Stock Exchange or through Initial Public Offering. –

x x x x

(B) Tax on Shares of Stock Sold or Exchanged Through Initial Public Offering. – There shall be levied, assessed and collected on every sale, barter, exchange or other disposition through initial public offering of shares of stock in closely held corporations, as defined herein, a tax at the rates provided hereunder based on the gross selling price or gross value in money of the shares of stock sold, bartered, exchanged or otherwise disposed in accordance with the proportion of shares of stock sold, bartered, exchanged or otherwise disposed to the total outstanding shares of stock after the listing in the local stock exchange:

Up to twenty-five percent (25%)	4%
Over twenty-five percent (25%) but not over thirty-three and one third percent (33 1/3%)	2%
Over thirty-three and one third percent (33 1/3%)	1%

The tax herein imposed shall be paid by the issuing corporation in primary offering or by the seller in secondary offering.

x x x x

Petitioner argues that the tax on sale of shares of stock sold or exchanged through initial public offering should be jointly computed for both sale of shares in primary offering, where the shares are offered by the issuing corporation, and in secondary offering, where the shares are offered by the selling shareholders of the corporation.

Respondent CIR counters that the tax should be separately computed for the sale for shares in the primary and secondary offerings.

The antecedents.

Petitioner I-Remit is a domestic corporation listed with the Philippine Stock Exchange.[8] It is principally engaged in the business of fund transfer and remittance services.

JPSA Global Services Co. (JPSA), JTKC Equities, Inc. (JTKC), and Surewell Equities, Inc. (Surewell), all constituted under the laws of the Philippines, are shareholders of petitioner and have constituted the latter as their attorney-in-fact for their claim for refund.

Respondent CIR is vested with the authority to decide, approve and/or grant refund of national internal revenue taxes.

On October 17, 2007, petitioner offered to the public 140,604,000 shares by way of an initial public offering at the offer price of P4.68 each share. Of these shares, 107,417,000 shares were offered in primary offering by petitioner as the issuing corporation, and 33,187,000 shares were offered in secondary offering by JTKC, JPSA, and Surewell, as selling shareholders of petitioner.

On November 19, 2007, in compliance with Section 127(B) requiring payment of tax in accordance with the "shares of stock sold, bartered, exchanged or otherwise disposed" in proportion to the "total outstanding shares of stock after the listing," petitioner paid the tax in the amount of P26,321,069.00, computed as follows:

Tax Base = Shares of stock sold, bartered,
exchanged or otherwise disposed Total outstanding shares of stock after listing
= 140,604,000
562,417,000
= 24.999%
Tax Rate = 4% (Corresponding tax rate to 24.999% Rate based on the schedule in Section 127 (B))
Amount of Tax = (Shares of stock sold, bartered, of Tax exchanged or otherwise disposed) (Offer Price) (Tax Rate)
= (P140,604,000) (P4.68) (4%)
= P26,321,069.00

The dividend used by I-Remit in arriving at the corresponding tax rate of 4% was 140,604,000, which was the total amount of shares sold to the public in both primary and secondary offerings. The divisor used was 562,417,000, which was obtained after adding 50,000 treasury shares to petitioner's 562,367,000 outstanding shares of stock.

On April 18, 2008, petitioner filed a claim for refund with the Revenue District Office No. 43 of Pasig City, and thereafter with the respondent. Petitioner believed that there was an overpayment in the amount of P13,160,534.06 resulting from the use of the 4% tax rate, which was in turn due to the addition of the 50,000 treasury shares to the 562,367,000 outstanding shares of stock. By excluding the 50,000 treasury shares from the divisor, the resulting tax rate would only be 2%.

On November 13, 2009, petitioner filed a Petition for Review before the CTA after the respondent failed to act on the claim for refund and in order to toll the running of the prescriptive period. Petitioner argued that the treasury shares should be excluded from the divisor. Further, petitioner stated that the tax under Section 127(B) should be based on the total shares sold in primary and secondary offerings in proportion to the total outstanding shares of stock of the corporation after listing.

This opinion is limited to the laws of the Philippines, including all applicable regulations related to and all reported judicial decisions interpreting those laws and provisions. I hereby consent to the filing of this opinion as an exhibit to the Registration Statement and to the reference made to this firm in the Registration Statement under the heading "Tax Matters."

This opinion is rendered pursuant to the requirements set forth in SEC Form 12-1 and may not be used or relied upon for any other purpose. This opinion is given as of the effective date of the Registration Statement, and we assume no obligation to update or supplement the opinions contained herein to reflect any facts or circumstances which may hereafter come to our attention or any changes in laws which may hereafter occur.

Respectfully submitted,

Atty. Albert Wences C. Daba III, REA, REB, REC

Material Contracts

(EXHIBIT 6)

EXHIBIT 6

ANCILLARY SERVICES PROCUREMENT AGREEMENT FOR KING ENERGY GENERATION, INC. MISAMIS OCCIDENTAL POWER PLANT 2

KING ENERGY GENERATION, INC.
By:
ENGR. GILBERT J. RODRIGUEZ
General Manager

This **ANCILLARY SERVICES PROCUREMENT AGREEMENT** (hereinafter referred to as the "Agreement") is entered into by and between:

The **NATIONAL GRID CORPORATION OF THE PHILIPPINES** (hereinafter referred to as "NGCP"), a corporation duly organized and existing under and by virtue of the laws of the Republic of the Philippines with principal office address at the NGCP Building, Quezon Avenue corner BIR Road, Diliman, Quezon City, represented herein by its President and Chief Executive Officer, **ANTHONY L. ALMEDA** who is duly authorized to represent NGCP in this Agreement;

- and -

KING ENERGY GENERATION, INC., also known as **KEGI** (hereinafter referred to as **"Service Provider"**), a corporation, duly organized and existing under and by virtue of the laws of the Republic of the Philippines, with office address at Brgy. San Luis, Gingoog City, Misamis Oriental, represented herein by its General Manager, **GILBERT J. RODRIGUEZ**, who is duly authorized to represent KEGI in this Agreement,

NGCP and Service Provider are hereinafter collectively referred to as "Parties" and individually as "Party":

Signed in the Presence of:

WITNESSETH:

WHEREAS, NGCP is the concessionaire which assumed the power transmission functions of the National Transmission Corporation ("TRANSCO") pursuant to Republic Act No. 9136, otherwise known as the "Electric Power Industry Reform Act of 2001" or EPIRA;

WHEREAS, on January 15, 2009, by virtue of the congressional franchise granted under Republic Act No. 9511, NGCP took over TRANSCO's power transmission business;

WHEREAS, as the system operator, shall be responsible for determining, acquiring, and dispatching the capacity needed to supply the Ancillary Services required to maintain power quality and the reliability and security of the nationwide grid;

WHEREAS, the Ancillary Services Procurement Plan ("ASPP") authorizes NGCP to enter into an "Ancillary Services Procurement Agreements" ("ASPA") with qualified generation companies to provide sufficient ancillary services to ensure the reliability and security of the grid;

WHEREAS, the Service Provider is the owner of the **Misamis Occidental Power Plant 2 (MOPP2)** generating facility in Brgy. Map-an, Panaon, Misamis Occidental

NATIONAL GRID CORPORATION OF THE PHILIPPINES
By:
ANTHONY L. ALMEDA
President and CEO

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KING ENERGY GENERATION, INC.
By:
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General Manager

(the "Generation Facility"), which was certified and accredited by NGCP to be capable of providing Ancillary Services as indicated in Schedule 1;

WHEREAS, the Parties have agreed to enter into this Agreement to set forth the terms and conditions: (a) under which NGCP shall procure Ancillary Services from the Service Provider, and (b) for the operation and dispatch of the Generation Facility in order to provide Ancillary Services to the Mindanao Grid, as may be deemed necessary;

WHEREAS, in accordance with the Ancillary Services Cost Recovery Mechanism ("AS-CRM"), the cost of acquiring Ancillary Services under this Agreement shall be a passed-through charge to the grid users; and

NOW THEREFORE, for and in consideration of the foregoing premises, NGCP and the Service Provider hereby stipulate and agree on the following:

1. Defined Terms

1.1 For purposes of this Agreement and the Schedules, the capitalized terms shall have the same meaning ascribed to them under Republic Act No. 9136 (EPIRA), the Philippine Grid Code (PGC), the OATS Rules, and the ASPP, unless otherwise defined in this Agreement.

2. Term and Effectivity

2.1 The term of this Agreement shall be for a period of five (5) years, subject to Clause 12 of this Agreement

2.2 The Agreement shall commence upon the receipt of a provisional approval (PA), or in the absence thereof, a final approval (FA) by the ERC, unless otherwise provided in the resolution.

2.3 In the event that the PA or FA, as the case may be, does not state a particular date of effectivity, the Agreement shall be effective on the date agreed upon by the Parties.

3. Provision of Ancillary Services

3.1 The Service Provider shall provide NGCP with the Ancillary Services specified in Schedule 1 of this Agreement, in accordance with the terms and conditions set out in this Agreement, the ASPP, AS-CRM, the OATS Rules, and all other relevant issuances of the ERC, including any amendments thereto, subject to Clause 12.3 (Material Adverse Change).

Signed in the Presence of:

NATIONAL GRID CORPORATION OF THE PHILIPPINES
By:
ANTHONY L. ALMEDA
President and CEO

OGC REVIEWED NGCP

KING ENERGY GENERATION, INC.
By:
ENGR. GILBERT J. RODRIGUEZ
General Manager

4. Nomination, Scheduling and Dispatch of Ancillary Services

The nomination, scheduling and dispatch of Ancillary Services shall be in accordance with the provisions of the Dispatch Protocol/Guidelines provided in Section 3.4.1 of the ASPP, and Schedule 2 of this Agreement.

5. Rates and Penalty

5.1 The Applicable Rates for the computation of AS payment cost shall be in accordance with Schedule 3 of this Agreement, unless such rates are subsequently amended by the Parties and the amended rates are duly approved by the ERC, in which case, the amended rates shall apply.

5.2 In the event that Service Provider failed to:

a. Make available its scheduled Non-firm capacity;
b. Comply with the Ancillary Services Standard Technical Requirements under Attachment 5 of the ASPP, as assessed by NGCP at the end of the billing period. Note that these technical requirements are not monitored by NGCP on a real-time basis, and is the responsibility of the Service Provider to ensure that provision of Ancillary Services are within the standards at all times;
c. Comply with the dispatch instruction from the System Operator in accordance with the ERC-approved ASPP, its Dispatch Protocol/Guidelines, and Schedule 2 of this Agreement,

NGCP shall not pay the Service Provider the Applicable Rate for the non-compliant interval/s. Further, NGCP shall deduct an amount equivalent to fifty percent (50%) of the Applicable Rate for that particular scheduled interval/s when the non-compliance occurred. Such deduction shall be applied to the payment of the monthly AS cost.

Signed in the Presence of:

6. Billing and Payment

Preparation of Billing

6.1. Each Statement of Provided Ancillary Services ("SPAS") shall indicate the Ancillary Service Fees due to the Provider covering the period beginning on the 26th day of the calendar month until the 25th day of the succeeding calendar month ("Billing Period"). It shall be based on NGCP's Notice of Ancillary Services Schedule (NASS) of the Service Provider's day-ahead ancillary services capacity nominations pursuant to Schedule 2 hereof.

6.2. Three (3) working days after each Billing Period, NGCP shall provide the Service Provider of its SPAS.

NATIONAL GRID CORPORATION OF THE PHILIPPINES
By:
ANTHONY L. ALMEDA
President and CEO

REVIEWED
NGCP

KING ENERGY GENERATION, INC.
By:
ENGR. GILBERT J. RODRIGUEZ
General Manager

For the avoidance of doubt, references to the approved Ancillary Services Provider Schedule or the AS schedule in this Agreement shall be deemed to refer to NGCP's NASS of day-ahead ancillary services capacity nominations, as applicable.

6.3. Within three (3) working days from receipt of the SPAS, the Service Provider shall submit to NGCP an Ancillary Services Power Bill (the "AS Power Bill") for the aggregate amount specified in the SPAS.

Notice of Claim

6.4. In case the Service Provider disputes any amount provided in the SPAS, the Service Provider shall submit the AS Power Bill as indicated in Clause 6.3 and additionally submit, not later than the 25th day of the calendar month immediately succeeding the subject Billing Period, a written Notice of Claim stating the amount/s disputed and the grounds relied upon therefore.

The Notice of Claim shall be subject to the billing and payment dispute mechanism set out in Clause 8 hereof.

Signed in the Presence of:

6.5. Should the Service Provider fail to submit a written Notice of Claim in accordance with Clause 6.4 above, it shall be deemed to have agreed with the accuracy of NGCP's SPAS.

Payment by NGCP to Service Provider

6.6 NGCP shall pay the amount provided in the AS Power Bill including Value Added Tax (VAT). The remittance of the VAT shall be in accordance with ERC Resolution No. 20, Series of 2005, as may be applicable and the protocol to be agreed upon by the Parties.

6.7 NGCP's payment for the Ancillary Services as described under Clause 6.1 to 6.3 shall be made by NGCP on the period and upon the terms provided for under this Agreement as they are collected by NGCP from the grid users, and in accordance with Clause 6.9. NGCP represents that it shall exert its best efforts to ensure the timely collection of the Ancillary Service charge from the grid users, and shall provide the Service Provider with relevant information of its collection efficiency in respect of each Billing Period.

NATIONAL GRID CORPORATION OF THE PHILIPPINES
By:
ANTHONY L. ALMEDA
President and CEO

6.8 All payments due to the Service Provider shall be paid by NGCP in accordance with this Agreement, provided that, at the Service Provider's option, such amounts received from NGCP may first be applied by the Service Provider against NGCP's prior Billing Periods starting from the oldest outstanding amounts payable.

For the avoidance of doubt, any payments made by NGCP shall be applied first against interest; then for the outstanding Ancillary Service Fees.

RECEIVED NGCP

KING ENERGY GENERATION, INC.
By:
ENGR. GILBERT J. RODRIGUEZ
General Manager

Payment Method and Timeline

6.9 NGCP shall pay the Service Provider on the last business day of the calendar month immediately succeeding the subject Billing Period. The Service Provider shall receive a pro-rata of NGCP's collection from its customers for the Ancillary Services cost less VAT, if any, on a per grid basis (the "AS Collection"). From the AS Collection, NGCP shall deduct payments due to existing service providers with as-billed payment arrangements (the "Net AS Collection").

NGCP shall pay Service Provider the latter's pro-rata share in the Net AS Collection as Service Provider's bill bears to the total sum due from NGCP to all existing service providers with as-collected payment arrangement.

6.10 In the event said due date falls on a holiday or a weekend, payment shall be made on or before 11:00 AM of the immediately preceding working day. Payments may be made through: (a) Checks payable to the Service Provider with readily available funds; or (b) via electronic transfer of funds to Service Provider's bank account as indicated in the subject Ancillary Service Power Bill, which transfer shall be duly communicated in writing by NGCP to the Service Provider, making appropriate references to the Ancillary Service Power Bill number against which payment is being made.

Signed in the Presence of:

6.11 The Parties shall not offset any payments made under this Agreement to any other account/s due from either Party, without the consent of the Service Provider.

6.12 If NGCP fails to pay in full the Ancillary Service Fees payable under Section 6.9 and Section 6.10 on the corresponding due dates, it shall pay interest per month equivalent to the 91-day T-bill rate (reckoned on a daily basis) based on the amount due, from the date when such payment is due until the date such amount is received in full by Service Provider.

7 ERC Approval

It shall be the Parties' joint obligation to submit this Agreement for approval of the ERC. All incidental expenses related to the securing of the ERC approval, including, but not limited to, the filing of the proper application/s with the ERC and/or the publication of this Agreement, shall be for the account of the Service Provider.

8 Dispute Resolution Procedures

8.1 Where the Service Provider submits a written Notice of Claim pursuant to Clause 6.3.b, disputing any sum included or referred to in the SPAS:

a. The Parties shall meet within a period of five (5) calendar days from NGCP's receipt of the Notice of Claim, and endeavour to resolve the dispute in good faith;

NATIONAL GRID CORPORATION OF THE PHILIPPINES
By:
ANTHONY L. ALMEDA
President and CEO

b. If the dispute remains unresolved after the lapse of forty five (45) calendar days from NGCP's receipt of the Notice of Claim, either Party may resort to the remedies provided in Module A9 of the OATS Rules;

c. Following resolution of a dispute, any amount agreed or determined to be payable shall be included in the payment of AS for the next Billing Period.

8.2 All disputes arising from this Agreement shall be subject to the pertinent provisions of Module A9 of the OATS Rules on Dispute Resolution Procedures, as the same may be amended from time to time.

9 Indemnity

In the event of a claim by a third party against a Party (the "Indemnified Party") arising from or in connection with any wilful act or omission of the other Party (the "Indemnifying Party") in violation of the Indemnifying Party's obligations under this Agreement, the Indemnifying Party shall indemnify the Indemnified Party against any liability, loss, costs, charges or expenses incurred in connection with such third party claim, subject to the incidents governed by Clause 5.2 and Clause 10 of this Agreement, provided that neither Party shall be liable to the other in any event for loss of profits, or for any indirect, special or consequential losses or damages, whether arising under tort, contract or otherwise, in respect of or in connection with this Agreement.

10 Force Majeure

Neither Party shall be considered in breach of its obligations under this Agreement if it is prevented from fulfilling such obligations due to a Force Majeure Event, as defined in the OATS Rules.

Where, by reason of the occurrence of any Force Majeure Event as described above, the Generation Facility in respect of an Ancillary Service is unavailable to provide such Ancillary Service in accordance with the provisions of this Agreement:

a. the Service Provider shall provide prompt written notice to NGCP of the circumstance which it considers to be a Force Majeure Event, the expected duration of the Force Majeure Event, the Ancillary Service which may become unavailable as a result of such Force Majeure Event, and other probable impact of the Force Majeure Event on its performance or compliance with its obligations in this Agreement; *Provided,* that where emergency conditions reasonably prevent the serving of written notice, the Service Provider may serve notice by telephone, electronic mail, telegram or facsimile, to be confirmed as soon as reasonably possible thereafter by formal written communication;

KING ENERGY GENERATION, INC.
By:
ENGR. GILBERT J. RODRIGUEZ
General Manager

Signed in the Presence of:

NATIONAL GRID CORPORATION OF THE PHILIPPINES
By:
ANTHONY L. ALMEDA
President and CEO

SAID

OGC REVIEWED NGCP

KING ENERGY GENERATION, INC.
By:
ENGR. GILBERT J. RODRIGUEZ
General Manager

b. this Agreement shall remain in full force and effect; *Provided*, *however*, that the Service Provider shall, in respect of the Ancillary Service affected thereby, be relieved from fulfilling its obligations under this Agreement for the duration of the Force Majeure Event and its effects;

c. the Service Provider shall not be responsible, or liable, to NGCP for any loss or damage which NGCP may incur as a result of its failure to deliver the Ancillary Services rendered unavailable by the Force Majeure Event;

d. the Service Provider shall, in accordance with Good Industry Practice, exert all reasonable efforts to reduce the consequences of the Force Majeure Event, remedy the unavailability of the Generation Facility in respect of the affected Ancillary Service, and resume full performance of its obligations which are not affected by the Force Majeure Event; and

e. the Service Provider shall promptly notify NGCP in writing upon cessation of the Force Majeure Event and resume the performance of its obligations under this Agreement as soon as possible.

Signed in the Presence of:

11 Annual Performance Evaluation

11.1 The performance of the Service Provider shall be evaluated annually to determine its capability to provide the Ancillary Services specified in Schedule 1 of this Agreement based on the standards set in Schedule 6 of this Agreement.

11.2 In the event that the Service Provider fails in any of the standards set in Schedule 6 of this Agreement, as a result of the annual evaluation, NGCP at its option, may exercise its right to terminate this Agreement upon written notice to the Service Provider.

12 Termination

12.1 Termination due to Default. The occurrence of any of the following Events of Default may be used by a non-defaulting Party to terminate this agreement:

a. The failure of a Party to comply with any provision of this Agreement which remains unremedied within thirty (30) days from receipt of the notice of default;

b. The failure of a Party to comply with the Dispatch Protocol/Guidelines in Schedule 2 of this Agreement and such which remains unremedied within fourteen (14) days from its receipt of notice of non-compliance; or

c. The termination of the Connection Agreement and/or Transmission Service Agreement of the Service Provider as a result of a breach or default by the Service Provider under said agreements.

NATIONAL GRID CORPORATION OF THE PHILIPPINES
By:
ANTHONY L. ALMEDA
President and CEO

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NGCP

12.2 Termination without Default. This Agreement shall be rendered inoperative upon the termination of any of the service agreements of the Service Provider with NGCP pursuant to the OATS Rules.

12.3 Termination due to Material Adverse Change

a. In the event of a material adverse change in law or regulation, including administrative and judicial rulings interpreting said laws or regulations, particularly those referred to in Clauses 3 and 4 hereof, which results in a material adverse effect on the rights and/or obligations of either Party under this Agreement, such Party shall have the right to terminate this Agreement by giving written notice to the other Party within thirty (30) days of such change, effective upon receipt of such notice.

b. The affected Party may, at its option and in lieu of termination, inform the other Party of such material adverse change within thirty (30) days thereof and its intention to discuss the terms by which this Agreement may continue. The Parties may consider amendments to this Agreement to address the effects of the Material Adverse Change to restore (in so far as possible) the same overall balance of benefits, liabilities and risks between the Parties in respect of the subject matter of this Agreement as applied immediately prior to the relevant Material Adverse Change. Despite best efforts, if the Parties fail to reach an agreement within thirty (30) days from the commencement of negotiations, or such extended period as may be agreed upon by the Parties, the Party adversely affected by the change in law may send a notice to the other Party terminating this Agreement effective on the date indicated in the termination notice.

c. For avoidance of doubt, a "material adverse change" in law or regulation contemplated in sub-clause (a) above shall include such changes which result or may result in:
   1. full or partial inability of a Party to perform or comply with any of its obligations or exercise any of its rights under this Agreement giving rise to the right of the other Party to terminate this Agreement;
   2. diminution of the rate under Schedule 4, including the effect of the ERC approval for this Agreement, giving rise to the right of Service Provider to terminate this Agreement;
   3. any significant change in the Dispatch Protocol/Guidelines under Schedule 2 giving rise to the right of Service Provider to terminate this Agreement;
   4. imposition of additional penalties or burden on the Service Provider not contemplated at the time of the execution of this Agreement giving rise to the right of Service Provider to terminate this Agreement.

12.4 Effect of Termination

In the event of termination or expiration of this Agreement, the Service Provider shall cease to provide Ancillary Services to NGCP. Termination shall be without prejudice

KING ENERGY GENERATION, INC.
By:
ENGR. GILBERT J. RODRIGUEZ
General Manager

Signed in the Presence of:

NATIONAL GRID CORPORATION OF THE PHILIPPINES
By:
ANTHONY L. ALMEDA
President and CEO

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KING ENERGY GENERATION, INC.
By:
ENGR. GILBERT J. RODRIGUEZ
General Manager

to any rights and obligations of any Party which may have accrued prior to the date of termination.

13. Assignment

13.1 The conditions under which Parties may assign the rights and obligations under this agreement (e.g. following a merger, sale or asset transfer) are set out in Module A of the OATS Rules.

13.2 Notwithstanding the other terms of this Agreement the Service Provider shall be permitted to assign, transfer, mortgage, charge or otherwise encumber all of its rights hereunder without the prior written consent of NCGP to the extent such assignment, transfer, mortgage, charge or encumbrance is made in favour of the Service Provider's lenders.

14. Non-Waiver of Rights

Any failure or delay by any Party in exercising its rights under this Agreement shall not operate as waiver by such Party, nor shall any single or partial exercise of such right preclude any further exercise of such right. No waiver by any Party to act in case of breach of this Agreement shall be deemed to be a waiver to act in any subsequent breach of this Agreement.

Signed in the Presence of:

15. Notices

Except as otherwise provided in law or regulation, all notices, demands, requests or communications to a Party under this Agreement, or any instrument or documentation required or permitted to be delivered by either Party to the other, shall be in writing, unless emergency conditions exist reasonably preventing such notice from being given.

The notices for **NGCP** shall be given at the following address:

Ma. Cynthia Y. Manrique
Vice President and Head, Revenue & Regulatory Affairs
National Grid Corporation of the Philippines
Quezon Avenue corner BIR Road,
Diliman, Quezon City
Phone: (02) 928-1861
Email Address: mymanrique@ngcp.ph
Back-up email: lgbacani@ngcp.ph

NATIONAL GRID CORPORATION OF THE PHILIPPINES
By:
ANTHONY L. ALMEDA
President and CEO

The notices for the Service Provider shall be given at both of the following addresses:

ENGR. GILBERT J. RODRIGUEZ
General Manager
King Energy Generation, Inc.
Brgy. San Luis, Gingoog City, Misamis Oriental
Phone: (088) 859-4532

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KING ENERGY GENERATION, INC.
By:
ENGR. GILBERT J. RODRIGUEZ
General Manager

Email Address: gjr@kingenergy.info
Back-up email: kegiptbd@kingenergy.info

A Party may change its address and contact numbers by notice to the other Party, and such changed address shall be effective for all purposes of this Agreement.

16. Governing Laws, Rules and Regulations

This Agreement shall be governed by and construed in accordance with the laws of the Republic of the Philippines and existing policies, rules and regulations, administrative orders, and other issuances of the Department of Energy and the ERC.

In carrying out the requirements of this Agreement, neither Party shall be required to take actions that would violate any provision of the reliability criteria, standards, guidelines and operating procedures of the OATS Rules or Grid Code, or applicable governmental laws or regulations. For this purpose, each Party hereby warrants that it has fully understood its rights and obligations under the OATS Rules, Grid Code, and other applicable rules and regulations, including Good Industry Practices, with respect to this Agreement.

Signed in the Presence of:

17. Amendments

This Agreement may be amended, superseded, cancelled, renewed or extended, and the terms hereof may be waived, only by a written instrument signed by the Parties, or, in the case of a waiver, by the Party waiving compliance. The failure of a Party to insist upon strict adherence to any term of this Agreement on any occasion shall not be considered a waiver, and shall not deprive that Party of the right thereafter to insist upon strict adherence to that term or any other term of this Agreement.

18. Application and Incorporation of the OATS Rules, Philippine Grid Code and Issuances.

The obligations of the Parties under this Agreement shall be governed by the OATS Rules, the Philippine Grid Code, and other relevant issuances, orders, rules and regulations as promulgated by proper government agencies and authorities as if they are originally written herein. This shall be understood to include all amendments and modifications thereof, as may be issued from time to time.

NATIONAL GRID CORPORATION OF THE PHILIPPINES
By:
ANTHONY L. ALMEDA
President and CEO

19. Severability

If any provision contained in this Agreement or any part thereof shall, for any reason, be held invalid or unenforceable in any respect under the laws of the Philippines or any other relevant jurisdiction, the remainder of the Agreement shall continue in full force and effect, to the extent permitted by law, and the Parties will negotiate in good faith to replace such provision in light of the intention of the Parties expressed herein.

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IN WITNESS WHEREOF, the Parties have executed this Agreement this ___ day of _____, 2019 in the Philippines.

NATIONAL GRID CORPORATION OF THE PHILIPPINES (NGCP)	**KING ENERGY GENERATION, INC (KEGI)**
ANTHONY L. ALMEDA President and CEO	**ENGR. GILBERT J. RODRIGUEZ** General Manager

Signed in the Presence of:

_____ _____

NGCP REVIEWED

KING ENERGY GENERATION, INC.
By:
ENGR. GILBERT J. RODRIGUEZ
General Manager

REPUBLIC OF THE PHILIPPINES)
QUEZON CITY) S.S

ACKNOWLEDGEMENT

I, _____, a Notary Public duly authorized in the city named above to take acknowledgments, certify that on this ____ day of SEP 11 2019, 201_, personally appeared the following who are identified by me through competent evidence of identity:

Name	Valid ID	Validity
NATIONAL GRID CORPORATION OF THE PHILIPPINES Represented by: Anthony L. Almeda	Driver's License D14-84017252 Issued at Quezon City	
KING ENERGY GENERATION INC. Represented by: Engr. Gilbert J. Rodriguez	Passport No P8062286A	23 July 2028

who represented themselves to be the same persons who executed this instrument and acknowledged the same to be their true and voluntary act and deed and of the corporation/s they represent, as applicable and who have satisfactorily proven their identities through the foregoing valid IDs.

This instrument, consisting of _____ (12) pages, including the page on which this acknowledgment is written, has been signed on the left margin of each and every page thereof by the concerned parties and their witnesses, and sealed with my notarial seal.

IN WITNESS WHEREOF, I have hereunto set my seal and signature.

Signed in the Presence of:

NATIONAL GRID CORPORATION OF THE PHILIPPINES
By:
ANTHONY L. ALMEDA
President and CEO

Doc. No. 462;
Page No. 94;
Book No. IV;
Series of 2019

Notary Public
Atty. Jules Boy R. Valdez, CPA
Notarial Commission No. 063 / 31 December 2019
PTR No. 7324896 / 01-04-2019 / Quezon City
Roll of Attorneys No. 63350
IBP Life Member Roll No. 012616 / Quezon City
MCLE Compliance No. VI-0012045 / 07-09-2018
3rd floor, NGCP Bldg. Quezon Ave. cor. BIR road, QC

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SCHEDULE 1: ANCILLARY SERVICES TO BE PROVIDED

Types of Ancillary Services (AS) that can be nominated

Non-Firm Contracted Capacity:

1. Reactive Power Support (RPS)

   Available Capacity of Reactive Power outside the range of 85% lagging and 90% leading power factor.

2. Dispatchable Reserve (DR)

   Available Capacity, up to 15.6 MW (Int. 1-9 and 18-24) with Bilateral Contracts from Int. 10-17.

   Once the Bilateral Contracts expire by Years 2020 and 2021, the available units may also be offered for DR.

Note that the capacities listed above are the maximum ancillary service capacity that can be provided for each unit. However, nomination and schedule shall be based on the latest AS Accreditation Certificate.

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SCHEDULE 2: DISPATCH PROTOCOL/OPERATING GUIDELINES

The Parties acknowledge that the current Dispatch Protocol/Guidelines is subject to revisions or amendments from time to time, based on mutual agreement of the Parties or changes in the market set-up, which shall form integral parts of and be deemed incorporated in this Agreement.

A. NOMINATION OF ANCILLARY SERVICE

1. Non-firm Contracted Capacity

   a. Submission by the Service Provider of Day-ahead Ancillary Services (AS) capacity nominations per type of service to NGCP shall be on a per unit basis not later than 2:00 pm of:

      (i) Weekdays for the next day nomination, except Friday
      (ii) Friday for Saturday, Sunday and Monday
      (iii) Working Day before Holiday until the next working day

   b. Submission by NGCP of Notice of Ancillary Services Schedule (NASS) shall be made not later than 5:00 pm to the Service Provider.

   c. Service Provider shall nominate the corresponding maximum reactiver power (kVAR) capability together with its Dispatchable Reserve nomination or energy supply nomination, on a single unit.

   d. The level of reactive power capability nomination shall be based on the unit's maximum kVAR capability at the minimum stable load of the unit (Pmin).

   e. Whenever deemed implemented, all day-ahead nomination and approvals shall be made electronically thru web facility provided by System Operations-NGCP. In case web facility is not available, fax or email shall be used.

B. RE-NOMINATION OF ANCILLARY SERVICE

1. Non-Firm Contracted Capacity

   a. Re-nomination shall be submitted by the Service Provider to NGCP and shall only be approved due to outage or de-ration of a certain generating plant/s providing ancillary services.

   b. Such re-nomination shall not be approved if any of the following reasons exist:

      (i) Non-compliance to dispatch instructions
      (ii) Change in unit assignment except Regulating Reserve
      (iii) Non-submission of Day-Ahead Nomination for a particular AS

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c. Re-nomination may be required by the System Operator for any of the following reasons:

(i) Outage of Transmission Lines or Substation facilities, including the transmission facilities of the Service Provider, that would result to Line Constraints or Islanding operation
(ii) Reduction of generation availability/supply capacity of Service Provider
(iii) Emergency security measures
(iv) Depleted or insufficient reserves
(v) Unavailability or Tripping of a particular restoration highway for the affected Service Provider
(vi) Unavailability or Tripping of Service Provider
(vii) Generation Deficiency exists
(viii) Critical Operating Reserve
(ix) Non-availability of Real time monitoring

d. The Service Provider shall be notified immediately through the issuance of the revised NASS of any changes or revisions as a result of cancellation of the approved AS Schedule due to any of the reasons as stated in Item 3 of Section D.

e. The Service Provider shall be required to submit the request for re-nomination through fax, email or web facilities.

f. The System Operator may opt to require the Service Provider to synchronize the generating unit for validation of the unit's availability prior to or upon approval of the request for re-nomination.

g. Dispatchable Reserve re-nomination shall be granted at least two (2) hours for Luzon and Visayas (market-based), while one (1) hour for Mindanao (non-market-based), before the requested interval unless required by the system, provided the generating unit is subject to its availability test as required by the System Operator.

C. ANCILLARY SERVICES SCHEDULING

1. Non-Firm Contracted Capacity

a. The following are considered in the preparation of Day-Ahead Ancillary Services Schedule (DASS):

(i) Daily submission of AS Providers' operational data (i.e., unit capability, reservoir elevation, fuel inventory, etc.)
(ii) Prolonged unavailability of SCADA system on a per unit basis
(iii) Reactive Power Support requirement of the system
(iv) Available restoration highways
(v) Current system condition
(vi) Required level of reserve and nomination of the AS providers per type of AS

(vii) Technical consideration (i.e., operating mode such as Free-Governor and Automatic Generation Control (AGC) in order of priority) shall be prioritized over commercial consideration (Merit Order Table)
(viii) Other consideration such as the Ancillary Services Procurement Agreement (ASPA) and AS accreditation effectivity and expiration dates, among others

b. The acceptance and scheduling of AS capacity nominations of a single provider shall be made at NGCP's prerogative under the following order of priority:

(i) Regulating Reserve (RR)
(ii) Contingency Reserve (CR)
(iii) Dispatchable Reserve (DR)

c. The required level of Reserve for RR shall be based on the projected demand.

d. The approval of the nomination of AS shall be based on the capacity and on a per-unit per type of Ancillary Services.

e. In cases where the nomination is more than the required level, the operating mode such as Free-Governor, AGC and Manual Control, and nominated price (in the order of priority) shall be considered.

f. Least scheduled capacity of Regulating Reserve and Contingency Reserve provider shall not be less than 22 MW for Luzon, 5 MW for Visayas, and 7 MW for Mindanao, on a per unit basis depending on the system condition.

g. Only when the Firm Contracted Capacity is not sufficient will the nominations from Non-Firm Contracted Capacity be considered. The scheduling shall be based on the technical considerations and least cost.

D. ANCILLARY SERVICES DISPATCH IMPLEMENTATION

1. In cases where the response of Service Provider is delayed due to plant's fault, payment shall be subject to Clause 5.2 (Penalty) of this Agreement for the affected interval hour/s.

2. The following events could trigger the re-dispatch and/or cancellation of approved AS schedule:

a. Outage of Transmission Lines or Substation facilities that would result to Line Constraints or Islanding operation.
b. Reduction of generation availability/supply capacity of provider
c. Emergency security measures
d. Depleted or insufficient reserves
e. Forecast error Intra-hour Variations in Demand
f. Unavailability or Tripping of AS provider during the interval
g. Critical Operating Reserve
h. Non-submission of nomination and/or request for re-nomination

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i. Non-compliance with the dispatch instructions
j. Non-compliance with the required scheduled nomination
k. Non-availability of real time monitoring except the current RR prior to the incident provided it would operate on free-governor mode for all throughout the interval/s.
l. Non-availability of the unit prior to or at the start of the interval

3. The following events will mean automatic cancellation of approved AS schedule except Regulating Reserve Services:

   a. Market Intervention
   b. Generation Deficiency exists
   c. Implementation of Manual Load Dropping
   d. Unavailability or Tripping of a particular restoration highway for the affected AS provider
   e. Total System Failure except Black-start Service schedule of the provider.
   f. Force majeure Event

4. NGCP shall inform the Service Provider of the automatic cancellation of the approved AS Schedule promptly when the cancellation occurred.

E. DISPATCHABLE RESERVE SERVICES

1. System Operator shall instruct the AS provider to synchronize the unit/s scheduled as Dispatchable Reserve to replenish the depleted Contingency Reserve. The AS provider shall immediately follow instruction when called upon without delay.

2. The System Operator shall require the Dispatchable Reserve provider to be on-line anytime as required by the system.

3. If in case the approved contingency reserve capacity is not sufficient to meet the requirement, the System Operator shall issue dispatch instructions to all approved Dispatchable Reserve provider to be on-line prior to or at the start of the scheduled interval.

4. Failure of Dispatchable Reserve provider to synchronize and dispatch from cold start shall be declared non-compliant and henceforth cancellation of schedule of all intervals prior to and after the non-compliant interval.

5. Failure of Dispatchable Reserve provider to provide continuous service when already being dispatched (e.g. the unit providing AS experiences tripping) shall be declared non-compliant on the affected interval and henceforth cancellation of schedule of all intervals after the non-compliant interval.

6. If AS Provider failed to comply with the dispatch instruction, AS Provider shall be declared non-compliant for the interval the instruction was issued, and the scheduled capacity shall be deemed cancelled for the succeeding intervals.

F. REACTIVE POWER SUPPORT SERVICES

1. System Operator shall monitor the voltage condition and implement voltage correction whenever violation arises in accordance with the operational procedure, as set.

2. The Reactive Support requirement shall be based on the result of the voltage simulation study.

3. The Service Provider shall ensure that the generation/absorption of the corresponding MVAR shall be beyond the 0.85 lagging and 0.90 leading power factor during the scheduled interval. Non-compliance with this requirement shall mean cancellation of such service during the said interval.

4. Non-compliance for Reactive Power Support shall be subject to non-payment but without penalty.

5. Failure of the Reactive Power Support Service Provider to provide services within the scheduled interval shall be declared non-compliant and henceforth, cancellation of schedule for the succeeding intervals.

6. If the Service Provider fails to comply with the dispatch instructions by the System Operator, the scheduled capacity shall be deemed cancelled from the time the instruction was issued and for the succeeding intervals.

G. COMPLIANCE MONITORING

Mindanao System Operations (MSO) shall monitor the compliance of KEGI in providing the scheduled capacity for AS using the following data from SCADA:

a. Breaker Status Report – to determine if KEGI provided the scheduled capacities from the start until the end of the scheduled interval hour(s).
b. Hourly Reactive Power Generation Profile – to determine the actual reactive power generation of KEGI.
c. Alternative of KEGI in the absence of SCADA data – Distributed Control System (DCS) Data or Intelligent Electronic Device (IED) Meter (with backup storage of generation profile, in per second resolution, thru local server or IED meter, or fixed type PQA).

MSO shall also verify the compliance of KEGI with the dispatch instructions Mindanao Regional Control Center (MRCC) through written records and documentation.

H. ADJUSTMENTS

Adjustments shall be made on a monthly basis should there be scheduled AS capacities that are dispatched within a billing month. Such adjustments shall be reflected on the Statement of Provided Ancillary Services (SPAS) of KEGI within ninety (90) days after the

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end of current billing month. KEGI shall only bill the adjustments that are reflected in the SPAS.

I. BILLING AND PAYMENT

a. NGCP and KEGI shall refer to the billing and payment provisions of the ASPA for the method of settlement on AS provisions of KEGI every billing month.
b. KEGI shall pick up the original copies of SPAS from the office of the Mindanao System Operations upon notice of its availability.
c. Soft copies shall be emailed by NGCP to the corresponding contact persons for advance copy.

J. METER QUANTITY DATA

KEGI shall allow NGCP to access its generating facility's Meter Quantity (MQ) data on a monthly basis throughout the duration of the ASPA. NGCP shall secure the MQ data for facilitating the billing process for the provided AS.

K. WAIVER FOR THE CONDUCT OF REGULAR AS CERTIFICATION TEST

For the conduct of regular AS certification of AS Provider's units, NGCP shall not be held liable for any damage that the tests may cause to the power plant. Moreover, the AS Provider shall hold NGCP free and harmless from any claims by third party that the test may cause.

L. CHANGE OF RULES IN ENERGY INDUSTRY

Both parties agree to revisit the Implementing Guidelines, in the event that there are changes in the rules and regulations in the energy industry that shall impact the same.

M. Any other technical requirements and operational details that may be necessary will be included in the Implementing Guidelines.

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SCHEDULE 3: APPLICABLE RATES

A. Non-Firm Contracted Capacity Applicable Rates:

1. Dispatchable Reserve: maximum of PhP 1.25/kW/hr
2. Reactive Power Support: PhP 4.00/kVARh

B. Incidental Energy Cost

The Cost of Incidental Energy ("IEmin") is the payment of minimum cost of actual energy generated for the Firm and Non-Firm Contracted Capacity which shall be paid and computed using the formula below:

Incidental Energy Cost

IE_{DR}= G x (AR + VOM + Actual Fuel Cost) – REV_{WESM}

Where:

G = Summation of energy generated or dispatched due to Non-Firm Scheduled Capacity, in kWh
AR = Applicable Rate per AS type
VOM = PhP 0.5/kWh
Actual Fuel Cost = rate of fuel in Php/kWh
REV_{WESM} = Summation of WESM revenue based on Final Ex-post market clearing price of the AS Provider's trading Node arising from G above, once WESM is implemented. This will be set to ZERO while WESM is not yet in place in the Mindanao Grid.

Reactive Power Support:

Payment of RPS = kVARh Payment + IE_{RPS}

kVARh Payment = Compensable kVARh x P4.00/kVARh

Compensable kVARh = Actual kVARh – Base kVARh

Where:

Actual kVAR = actual reactive power provided within each interval
Base kVARh = corresponding kVARh at 0.85 power factor lagging or 0.9 power factor leading, for the unit's MW loading. For clarity, the MW loading is the unit's Pmin, or RTD schedule, whichever is greater.

IE_{RPS} = Payment on Energy and Variables
= G*(VOM + Actual Fuel Cost) - REV_{WESM}

Where:

G = summation of energy dispatched to produce the scheduled kVar less the energy for the BCQ
VOM = PhP 0.5kWh
Actual Fuel Cost = rate of fuel in PhP/kWh

C. Submission of Documents for Computation of Fuel Costs

Service Provider shall submit the necessary documents detailing the actual fuel costs (e.g. invoice or official receipts) along with the bill.

NGCP shall provide due notice to Service Provider for any additional documents that may be required in relation to the computation of Actual Fuel Costs.

SCHEDULE 4: TESTING, MONITORING AND VERIFICATION OF ANCILLARY SERVICES

A. The Generation Facility shall be tested, to ensure its continuing capability to provide the Ancillary Services specified in Schedule 1 of this Agreement, in accordance with the requirements and procedures set out in Section 6.10 of the Grid Code and Schedule 3 of this Agreement.

B. The Service Provider shall submit to NGCP, within one (1) month from the effectivity of this Agreement as provided under Section 2.1 herein, its preferred schedule for the testing of the Generation Facility, which shall not be more than twice within a calendar year. NGCP shall then evaluate the submitted schedule based on its availability and in consideration to the system condition. The submitted schedule shall be mutually accepted by both NGCP and the service provider. Preferred schedule of testing shall be during weekdays.

C. Pursuant to Section 6.11.1.4 of the Grid Code, NGCP may at any time issue instructions requiring tests to be carried out on the Generation Facility. All such tests shall be of sufficient duration and shall be conducted not more than twice within a calendar year except when there are reasonable grounds to justify the necessity for further tests.

D. All relevant and incidental costs incurred in relation to the testing and certification activities in relation to Clause C above shall be approved and agreed upon by the Parties in writing within a reasonable time prior to the actual conduct of said activities, and shall be for the Service Provider's own account.

E. NGCP is not obligated to pay for the capacity of a specific unit of the Generation Facility during the period of testing pursuant to Section 5.3 above. Any incidental energy that may be injected to the Grid during such testing and certification activities in respect of such units shall be recovered from the WESM.

F. Subject to the procedures set out in the ASPP, NGCP shall regularly monitor the Generation Facility's performance to determine its capability of providing the Ancillary Services set out in Schedule 1 hereof.

G. NGCP may, at any time, and in accordance with the ASPP, verify whether the provision of an Ancillary Service is in accordance with this Agreement. At NGCP's request, the Service Provider shall provide and not unreasonably withhold, the results of any testing conducted which may have a Material Effect on the capability of the Generation Facility to meet its required performance level/s.

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SCHEDULE 5: ANNUAL PERFORMANCE EVALUATION

A. The Annual Performance Evaluation which is required by NGCP as a basis of monitoring and evaluating the performance of an Ancillary Service (AS) Provider for its provision of Ancillary Services shall be the following:

> The total number of Hours Complied by an AS Provider shall be at least 97% of the total number of Scheduled Hours in a year.
>
> Formula: (Total no. of Hours Complied in a year/total no. of hours scheduled in a year) x 100 ≥ 97%

B. For the purpose of this section:

1. "Hours Complied" means an hour where the Service Provider was able to provide the scheduled AS capacity following the current Dispatch Protocol, dispatch instruction from System Operator pursuant to the approved NASS, and the Ancillary Services Standard Technical Requirements.

2. "Scheduled Hours" means each hour when the Service Provider was scheduled to provide AS pursuant to the approved NASS.

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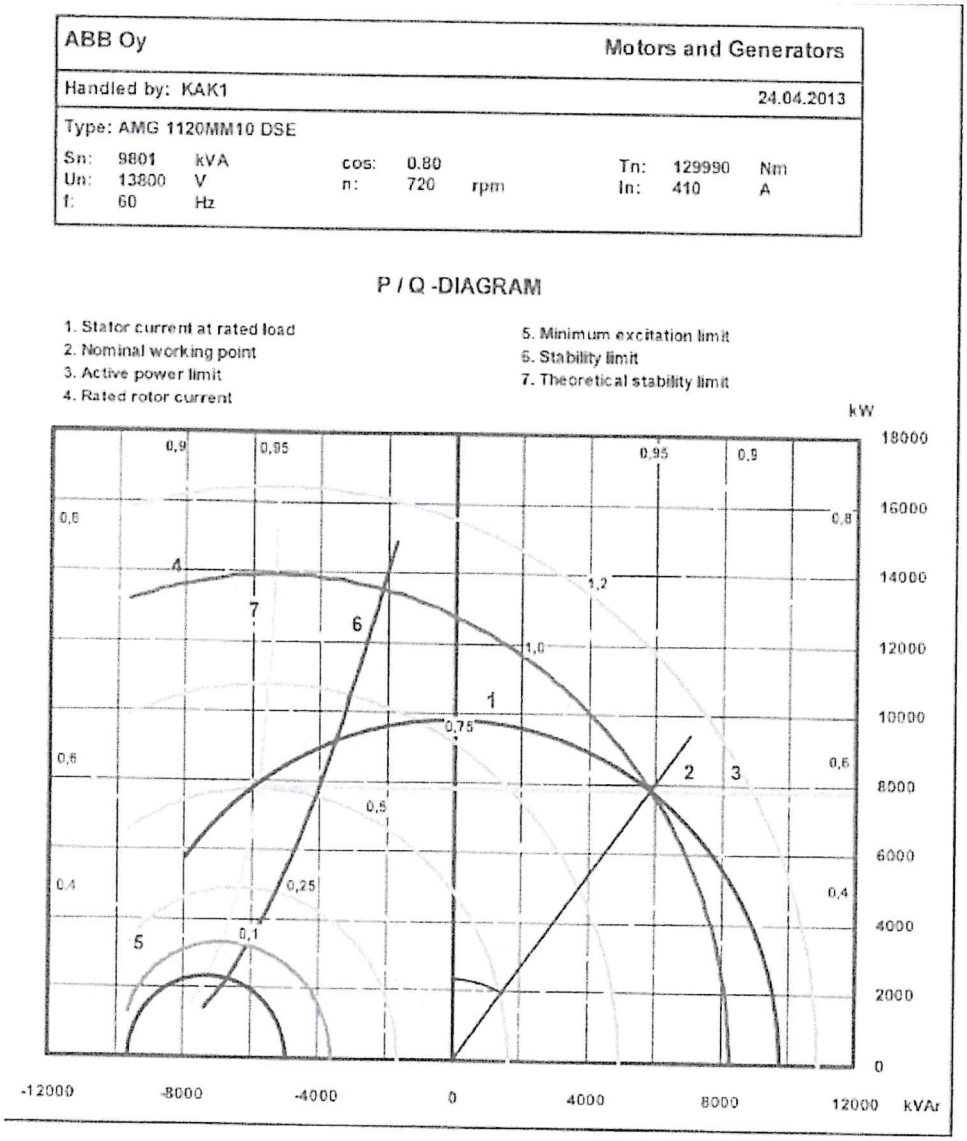
SCHEDULE 6: REACTIVE POWER CAPABILITY

Shown below is the Reactive Power Capability Curve for Service Provider's power plant:



Further, attached are the recent test results for the AS Certification for Reactive Power Support. Such test is conducted annually, and basis for RPS scheduling, dispatch and settlement shall be the most recent AS Certification for RPS.

EXHIBIT 6

ANCILLARY SERVICES PROCUREMENT AGREEMENT FOR KING ENERGY GENERATION, INC. MISAMIS OCCIDENTAL POWER PLANT 3

KING ENERGY GENERATION, INC.
By:
ENGR. GILBERT J. RODRIGUEZ
General Manager

This **ANCILLARY SERVICES PROCUREMENT AGREEMENT** (hereinafter referred to as the "Agreement") is entered into by and between:

The **NATIONAL GRID CORPORATION OF THE PHILIPPINES** (hereinafter referred to as "NGCP"), a corporation duly organized and existing under and by virtue of the laws of the Republic of the Philippines with principal office address at the NGCP Building, Quezon Avenue corner BIR Road, Diliman, Quezon City, represented herein by its President and Chief Executive Officer, **ANTHONY L. ALMEDA** who is duly authorized to represent NGCP in this Agreement;

- and -

KING ENERGY GENERATION, INC., also known as **KEGI** (hereinafter referred to as **"**Service Provider**"**), a corporation, duly organized and existing under and by virtue of the laws of the Republic of the Philippines, with office address at Brgy. San Luis, Gingoog City, Misamis Oriental, represented herein by its General Manager, **Engr. Gilbert J. Rodriguez**, who is duly authorized to represent KEGI in this Agreement,

NGCP and Service Provider are hereinafter collectively referred to as "Parties" and individually as "Party":

Signed in the Presence of:

WITNESSETH:

WHEREAS, NGCP is the concessionaire which assumed the power transmission functions of the National Transmission Corporation ("TRANSCO") pursuant to Republic Act No. 9136, otherwise known as the "Electric Power Industry Reform Act of 2001" or EPIRA;

WHEREAS, on January 15, 2009, by virtue of the congressional franchise granted under Republic Act No. 9511, NGCP took over TRANSCO's power transmission business;

WHEREAS, as the system operator, shall be responsible for determining, acquiring, and dispatching the capacity needed to supply the Ancillary Services required to maintain power quality and the reliability and security of the nationwide grid;

WHEREAS, the Ancillary Services Procurement Plan ("ASPP") authorizes NGCP to enter into an "Ancillary Services Procurement Agreements" ("ASPA") with qualified generation companies to provide sufficient ancillary services to ensure the reliability and security of the grid;

WHEREAS, the Service Provider is the owner of the **Misamis Occidental Power 3 (MOPP3)** generating facility in Brgy. San Isidro, Jimenez, Misamis Occidental (the

NATIONAL GRID CORPORATION OF THE PHILIPPINES
By:
ANTHONY L. ALMEDA
President and CEO

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"Generation Facility"), which was certified and accredited by NGCP to be capable of providing Ancillary Services as indicated in Schedule 1;

WHEREAS, the Parties have agreed to enter into this Agreement to set forth the terms and conditions: (a) under which NGCP shall procure Ancillary Services from the Service Provider, and (b) for the operation and dispatch of the Generation Facility in order to provide Ancillary Services to the Mindanao Grid, as may be deemed necessary;

WHEREAS, in accordance with the Ancillary Services Cost Recovery Mechanism ("AS-CRM"), the cost of acquiring Ancillary Services under this Agreement shall be a passed-through charge to the grid users; and

NOW THEREFORE, for and in consideration of the foregoing premises, NGCP and the Service Provider hereby stipulate and agree on the following:

1. Defined Terms

1.1 For purposes of this Agreement and the Schedules, the capitalized terms shall have the same meaning ascribed to them under Republic Act No. 9136 (EPIRA), the Philippine Grid Code (PGC), the OATS Rules, and the ASPP, unless otherwise defined in this Agreement.

2. Term and Effectivity

2.1 The term of this Agreement shall be for a period of five (5) years, subject to Clause 12 of this Agreement

2.2 The Agreement shall commence upon the receipt of a provisional approval (PA), or in the absence thereof, a final approval (FA) by the ERC, unless otherwise provided in the resolution.

2.3 In the event that the PA or FA, as the case may be, does not state a particular date of effectivity, the Agreement shall be effective on the date agreed upon by the Parties.

3. Provision of Ancillary Services

3.1 The Service Provider shall provide NGCP with the Ancillary Services specified in Schedule 1 of this Agreement, in accordance with the terms and conditions set out in this Agreement, the ASPP, AS-CRM, the OATS Rules, and all other relevant issuances of the ERC, including any amendments thereto, subject to Clause 12.3 (Material Adverse Change).

KING ENERGY GENERATION, INC.
By:
ENGR. GILBERT J. RODRIGUEZ
General Manager

Signed in the Presence of:

NATIONAL GRID CORPORATION OF THE PHILIPPINES
By:
ANTHONY L. ALMEDA
President and CEO

OGC REVIEWED NGCP

KING ENERGY GENERATION, INC.
By:
ENGR. GILBERT J. RODRIGUEZ
General Manager

Signed in the Presence of:

NATIONAL GRID CORPORATION OF THE PHILIPPINES
By:
ANTHONY L. ALMEDA
President and CEO

4. Nomination, Scheduling and Dispatch of Ancillary Services

The nomination, scheduling and dispatch of Ancillary Services shall be in accordance with the provisions of the Dispatch Protocol/Guidelines provided in Section 3.4.1 of the ASPP, and Schedule 2 of this Agreement.

5. Rates and Penalty

5.1 The Applicable Rates for the computation of AS payment cost shall be in accordance with Schedule 3 of this Agreement, unless such rates are subsequently amended by the Parties and the amended rates are duly approved by the ERC, in which case, the amended rates shall apply.

5.2 In the event that Service Provider failed to:

a. Make available its scheduled Non-firm capacity, if applicable;
b. Comply with the Ancillary Services Standard Technical Requirements under Attachment 5 of the ASPP, as assessed by NGCP at the end of the billing period. Note that these technical requirements are not monitored by NGCP on a real-time basis, and is the responsibility of the Service Provider to ensure that provision of Ancillary Services are within the standards at all times; or
c. Comply with the dispatch instruction from the System Operator in accordance with the ERC-approved ASPP and its Dispatch Protocol/Guidelines, and Schedule 2 of this Agreement,

NGCP shall not pay the Service Provider the Applicable Rate for the non-compliant interval/s. Further, NGCP shall deduct an amount equivalent to fifty percent (50%) of the Applicable Rate for that particular scheduled interval/s when the non-compliance occurred. Such deduction shall be applied to the payment of the monthly AS cost.

6. Billing and Payment

Preparation of Billing

6.1. Each Statement of Provided Ancillary Services ("SPAS") shall indicate the Ancillary Service Fees due to the Provider covering the period beginning on the 26th day of the calendar month until the 25th day of the succeeding calendar month ("Billing Period"). It shall be based on NGCP's Notice of Ancillary Services Schedule (NASS) of the Service Provider's day-ahead ancillary services capacity nominations pursuant to Schedule 2 hereof.

6.2. Three (3) working days after each Billing Period, NGCP shall provide the Service Provider of its SPAS.

REVIEWED NGCP

KING ENERGY GENERATION, INC.
By:
ENGR. GILBERT J. RODRIGUEZ
General Manager

Signed in the Presence of:

NATIONAL GRID CORPORATION OF THE PHILIPPINES
By:
ANTHONY L. ALMEDA
President and CEO

For the avoidance of doubt, references to the approved Ancillary Services Provider Schedule or the AS schedule in this Agreement shall be deemed to refer to NGCP's NASS of day-ahead ancillary services capacity nominations, as applicable.

6.3. Within three (3) working days from receipt of the SPAS, the Service Provider shall submit to NGCP an Ancillary Services Power Bill (the "AS Power Bill") for the aggregate amount specified in the SPAS.

Notice of Claim

6.4. In case the Service Provider disputes any amount provided in the SPAS, the Service Provider shall submit the AS Power Bill as indicated in Clause 6.3 and additionally submit, not later than the 25th day of the calendar month immediately succeeding the subject Billing Period, a written Notice of Claim stating the amount/s disputed and the grounds relied upon therefore.

The Notice of Claim shall be subject to the billing and payment dispute mechanism set out in Clause 8 hereof.

6.5. Should the Service Provider fail to submit a written Notice of Claim in accordance with Clause 6.4 above, it shall be deemed to have agreed with the accuracy of NGCP's SPAS.

Payment by NGCP to Service Provider

6.6 NGCP shall pay the amount provided in the AS Power Bill including Value Added Tax (VAT). The remittance of the VAT shall be in accordance with ERC Resolution No. 20, Series of 2005, as may be applicable and the protocol to be agreed upon by the Parties.

6.7 NGCP's payment for the Ancillary Services as described under Clause 6.1 to 6.3 shall be made by NGCP on the period and upon the terms provided for under this Agreement as they are collected by NGCP from the grid users, and in accordance with Clause 6.9. NGCP represents that it shall exert its best efforts to ensure the timely collection of the Ancillary Service charge from the grid users, and shall provide the Service Provider with relevant information of its collection efficiency in respect of each Billing Period.

6.8 All payments due to the Service Provider shall be paid by NGCP in accordance with this Agreement, provided that, at the Service Provider's option, such amounts received from NGCP may first be applied by the Service Provider against NGCP's prior Billing Periods starting from the oldest outstanding amounts payable.

For the avoidance of doubt, any payments made by NGCP shall be applied first against interest; then for the outstanding Ancillary Service Fees.

ERC REVIEWED NGC 2

KING ENERGY GENERATION, INC.
By:
ENGR. GILBERT J. RODRIGUEZ
General Manager

Signed in the Presence of:

NATIONAL GRID CORPORATION OF THE PHILIPPINES
By:
ANTHONY L. ALMEDA
President and CEO

Payment Method and Timeline

6.9 NGCP shall pay the Service Provider on the last business day of the calendar month immediately succeeding the subject Billing Period. The Service Provider shall receive a pro-rata of NGCP's collection from its customers for the Ancillary Services cost less VAT, if any, on a per grid basis (the "AS Collection"). From the AS Collection, NGCP shall deduct payments due to existing service providers with as-billed payment arrangements (the "Net AS Collection").

NGCP shall pay Service Provider the latter's pro-rata share in the Net AS Collection as Service Provider's bill bears to the total sum due from NGCP to all existing service providers with as-collected payment arrangement.

6.10 In the event said due date falls on a holiday or a weekend, payment shall be made on or before 11:00 AM of the immediately preceding working day. Payments may be made through: (a) Checks payable to the Service Provider with readily available funds; or (b) via electronic transfer of funds to Service Provider's bank account as indicated in the subject Ancillary Service Power Bill, which transfer shall be duly communicated in writing by NGCP to the Service Provider, making appropriate references to the Ancillary Service Power Bill number against which payment is being made.

6.11 The Parties shall not offset any payments made under this Agreement to any other account/s due from either Party, without the consent of the Service Provider.

6.12 If NGCP fails to pay in full the Ancillary Service Fees payable under Section 6.9 and Section 6.10 on the corresponding due dates, it shall pay interest per month equivalent to the 91-day T-bill rate (reckoned on a daily basis) based on the amount due, from the date when such payment is due until the date such amount is received in full by Service Provider.

7 ERC Approval

It shall be the Parties' joint obligation to submit this Agreement for approval of the ERC. All incidental expenses related to the securing of the ERC approval, including, but not limited to, the filing of the proper application/s with the ERC and/or the publication of this Agreement, shall be for the account of the Service Provider.

8 Dispute Resolution Procedures

8.1 Where the Service Provider submits a written Notice of Claim pursuant to Clause 6.3.b, disputing any sum included or referred to in the SPAS:

a. The Parties shall meet within a period of five (5) calendar days from NGCP's receipt of the Notice of Claim, and endeavour to resolve the dispute in good faith;

OGC REVIEWED NGCP

b. If the dispute remains unresolved after the lapse of forty five (45) calendar days from NGCP's receipt of the Notice of Claim, either Party may resort to the remedies provided in Module A9 of the OATS Rules;

c. Following resolution of a dispute, any amount agreed or determined to be payable shall be included in the payment of AS for the next Billing Period.

8.2 All disputes arising from this Agreement shall be subject to the pertinent provisions of Module A9 of the OATS Rules on Dispute Resolution Procedures, as the same may be amended from time to time.

9 Indemnity

In the event of a claim by a third party against a Party (the "Indemnified Party") arising from or in connection with any wilful act or omission of the other Party (the "Indemnifying Party") in violation of the Indemnifying Party's obligations under this Agreement, the Indemnifying Party shall indemnify the Indemnified Party against any liability, loss, costs, charges or expenses incurred in connection with such third party claim, subject to the incidents governed by Clause 5.2 and Clause 10 of this Agreement, provided that neither Party shall be liable to the other in any event for loss of profits, or for any indirect, special or consequential losses or damages, whether arising under tort, contract or otherwise, in respect of or in connection with this Agreement.

10 Force Majeure

Neither Party shall be considered in breach of its obligations under this Agreement if it is prevented from fulfilling such obligations due to a Force Majeure Event, as defined in the OATS Rules.
Where, by reason of the occurrence of any Force Majeure Event as described above, the Generation Facility in respect of an Ancillary Service is unavailable to provide such Ancillary Service in accordance with the provisions of this Agreement:

a. the Service Provider shall provide prompt written notice to NGCP of the circumstance which it considers to be a Force Majeure Event, the expected duration of the Force Majeure Event, the Ancillary Service which may become unavailable as a result of such Force Majeure Event, and other probable impact of the Force Majeure Event on its performance or compliance with its obligations in this Agreement; *Provided,* that where emergency conditions reasonably prevent the serving of written notice, the Service Provider may serve notice by telephone, electronic mail, telegram or facsimile, to be confirmed as soon as reasonably possible thereafter by formal written communication;

KING ENERGY GENERATION, INC.
By:
ENGR. GILBERT J. RODRIGUEZ
General Manager

Signed in the Presence of:

NATIONAL GRID CORPORATION OF THE PHILIPPINES
By:
ANTHONY L. ALMEDA
President and CEO

REVIEWED NGCP

KING ENERGY GENERATION, INC.
By:
ENGR. GILBERT J. RODRIGUEZ
General Manager

b. this Agreement shall remain in full force and effect; *Provided*, *however*, that the Service Provider shall, in respect of the Ancillary Service affected thereby, be relieved from fulfilling its obligations under this Agreement for the duration of the Force Majeure Event and its effects;

c. the Service Provider shall not be responsible, or liable, to NGCP for any loss or damage which NGCP may incur as a result of its failure to deliver the Ancillary Services rendered unavailable by the Force Majeure Event;

d. the Service Provider shall, in accordance with Good Industry Practice, exert all reasonable efforts to reduce the consequences of the Force Majeure Event, remedy the unavailability of the Generation Facility in respect of the affected Ancillary Service, and resume full performance of its obligations which are not affected by the Force Majeure Event; and

e. the Service Provider shall promptly notify NGCP in writing upon cessation of the Force Majeure Event and resume the performance of its obligations under this Agreement as soon as possible.

Signed in the Presence of:

11 Annual Performance Evaluation

11.1 The performance of the Service Provider shall be evaluated annually to determine its capability to provide the Ancillary Services specified in Schedule 1 of this Agreement based on the standards set in Schedule 6 of this Agreement.

11.2 In the event that the Service Provider fails in any of the standards set in Schedule 6 of this Agreement, as a result of the annual evaluation, NGCP at its option, may exercise its right to terminate this Agreement upon written notice to the Service Provider.

12 Termination

12.1 Termination due to Default. The occurrence of any of the following Events of Default may be used by a non-defaulting Party to terminate this agreement:

a. The failure of a Party to comply with any provision of this Agreement which remains unremedied within thirty (30) days from receipt of the notice of default;

b. The failure of a Party to comply with the Dispatch Protocol/Guidelines in Schedule 2 of this Agreement and such which remains unremedied within fourteen (14) days from its receipt of notice of non-compliance; or

c. The termination of the Connection Agreement and/or Transmission Service Agreement of the Service Provider as a result of a breach or default by the Service Provider under said agreements.

NATIONAL GRID CORPORATION OF THE PHILIPPINES
By:
ANTHONY L. ALMEDA
President and CEO

OGC REVIEWED NGCP

KING ENERGY GENERATION, INC.
By:
ENGR. GILBERT J. RODRIGUEZ
General Manager

12.2 Termination without Default. This Agreement shall be rendered inoperative upon the termination of any of the service agreements of the Service Provider with NGCP pursuant to the OATS Rules.

12.3 Termination due to Material Adverse Change

a. In the event of a material adverse change in law or regulation, including administrative and judicial rulings interpreting said laws or regulations, particularly those referred to in Clauses 3 and 4 hereof, which results in a material adverse effect on the rights and/or obligations of either Party under this Agreement, such Party shall have the right to terminate this Agreement by giving written notice to the other Party within thirty (30) days of such change, effective upon receipt of such notice.

b. The affected Party may, at its option and in lieu of termination, inform the other Party of such material adverse change within thirty (30) days thereof and its intention to discuss the terms by which this Agreement may continue. The Parties may consider amendments to this Agreement to address the effects of the Material Adverse Change to restore (in so far as possible) the same overall balance of benefits, liabilities and risks between the Parties in respect of the subject matter of this Agreement as applied immediately prior to the relevant Material Adverse Change. Despite best efforts, if the Parties fail to reach an agreement within thirty (30) days from the commencement of negotiations, or such extended period as may be agreed upon by the Parties, the Party adversely affected by the change in law may send a notice to the other Party terminating this Agreement effective on the date indicated in the termination notice.

c. For avoidance of doubt, a "material adverse change" in law or regulation contemplated in sub-clause (a) above shall include such changes which result or may result in:
   1. full or partial inability of a Party to perform or comply with any of its obligations or exercise any of its rights under this Agreement giving rise to the right of the other Party to terminate this Agreement;
   2. diminution of the rate under Schedule 4, including the effect of the ERC approval for this Agreement, giving rise to the right of Service Provider to terminate this Agreement;
   3. any significant change in the Dispatch Protocol/Guidelines under Schedule 2 giving rise to the right of Service Provider to terminate this Agreement;
   4. imposition of additional penalties or burden on the Service Provider not contemplated at the time of the execution of this Agreement giving rise to the right of Service Provider to terminate this Agreement.

12.4 Effect of Termination

In the event of termination or expiration of this Agreement, the Service Provider shall cease to provide Ancillary Services to NGCP. Termination shall be without prejudice

Signed in the Presence of:

NATIONAL ~~GRID~~ CORPORATION OF THE PHILIPPINES
By:
ANTHONY L. ALMEDA
President and CEO

OGC REVIEWED NGCP

KING ENERGY GENERATION, INC.
By:
ENGR. GILBERT J. RODRIGUEZ
General Manager

to any rights and obligations of any Party which may have accrued prior to the date of termination.

13. Assignment

13.1 The conditions under which Parties may assign the rights and obligations under this agreement (e.g. following a merger, sale or asset transfer) are set out in Module A of the OATS Rules.

13.2 Notwithstanding the other terms of this Agreement the Service Provider shall be permitted to assign, transfer, mortgage, charge or otherwise encumber all of its rights hereunder without the prior written consent of NCGP to the extent such assignment, transfer, mortgage, charge or encumbrance is made in favour of the Service Provider's lenders.

14. Non-Waiver of Rights

Any failure or delay by any Party in exercising its rights under this Agreement shall not operate as waiver by such Party, nor shall any single or partial exercise of such right preclude any further exercise of such right. No waiver by any Party to act in case of breach of this Agreement shall be deemed to be a waiver to act in any subsequent breach of this Agreement.

Signed in the Presence of:

15. Notices

Except as otherwise provided in law or regulation, all notices, demands, requests or communications to a Party under this Agreement, or any instrument or documentation required or permitted to be delivered by either Party to the other, shall be in writing, unless emergency conditions exist reasonably preventing such notice from being given.

The notices for **NGCP** shall be given at the following address:

Ma. Cynthia Y. Manrique
Vice President and Head, Revenue & Regulatory Affairs
National Grid Corporation of the Philippines
Quezon Avenue corner BIR Road,
Diliman, Quezon City
Phone: (02) 928-1861
Email Address: mymanrique@ngcp.ph
Back-up email: lgbacani@ngcp.ph

NATIONAL GRID CORPORATION OF THE PHILIPPINES
By:
ANTHONY L. ALMEDA
President and CEO

The notices for the Service Provider shall be given at both of the following addresses:

ENGR. GILBERT J. RODRIGUEZ
General Manager
King Energy Generation, Inc.
Brgy. San Luis, Gingoog City, Misamis Oriental
Phone: (088) 859-4532

NGCP REVIEWED

Email Address: gjr@kingenergy.info
Back-up email: kegiptbd@kingenergy.info

A Party may change its address and contact numbers by notice to the other Party, and such changed address shall be effective for all purposes of this Agreement.

16. Governing Laws, Rules and Regulations

This Agreement shall be governed by and construed in accordance with the laws of the Republic of the Philippines and existing policies, rules and regulations, administrative orders, and other issuances of the Department of Energy and the ERC.

In carrying out the requirements of this Agreement, neither Party shall be required to take actions that would violate any provision of the reliability criteria, standards, guidelines and operating procedures of the OATS Rules or Grid Code, or applicable governmental laws or regulations. For this purpose, each Party hereby warrants that it has fully understood its rights and obligations under the OATS Rules, Grid Code, and other applicable rules and regulations, including Good Industry Practices, with respect to this Agreement.

17. Amendments

This Agreement may be amended, superseded, cancelled, renewed or extended, and the terms hereof may be waived, only by a written instrument signed by the Parties, or, in the case of a waiver, by the Party waiving compliance. The failure of a Party to insist upon strict adherence to any term of this Agreement on any occasion shall not be considered a waiver, and shall not deprive that Party of the right thereafter to insist upon strict adherence to that term or any other term of this Agreement.

18. Application and Incorporation of the OATS Rules, Philippine Grid Code and Issuances.

The obligations of the Parties under this Agreement shall be governed by the OATS Rules, the Philippine Grid Code, and other relevant issuances, orders, rules and regulations as promulgated by proper government agencies and authorities as if they are originally written herein. This shall be understood to include all amendments and modifications thereof, as may be issued from time to time.

19. Severability

If any provision contained in this Agreement or any part thereof shall, for any reason, be held invalid or unenforceable in any respect under the laws of the Philippines or any other relevant jurisdiction, the remainder of the Agreement shall continue in full force and effect, to the extent permitted by law, and the Parties will negotiate in good faith to replace such provision in light of the intention of the Parties expressed herein.

KING ENERGY GENERATION, INC.
By:
ENGR. GILBERT J. RODRIGUEZ
General Manager

Signed in the Presence of:

NATIONAL GRID CORPORATION OF THE PHILIPPINES
By:
ANTHONY L. ALMEDA
President and CEO

OGC REVIEWED NGCP

IN WITNESS WHEREOF, the Parties have executed this Agreement this ___ day of _____, 2019 in the Philippines.

NATIONAL GRID CORPORATION OF THE PHILIPPINES (NGCP)	**KING ENERGY GENERATION, INC (KEGI)**
ANTHONY L. ALMEDA President and CEO	**ENGR. GILBERT J. RODRIGUEZ** General Manager

Signed in the Presence of:

_____ _____

OGC REVIEWED NGCP

KING ENERGY GENERATION, INC.
By:
ENGR. GILBERT J. RODRIGUEZ
General Manager

REPUBLIC OF THE PHILIPPINES)
QUEZON CITY) S.S

ACKNOWLEDGEMENT

I, _____, a Notary Public duly authorized in the city named above to take acknowledgments, certify that on this ____ day of SEP 11 2019 201_, personally appeared the following who are identified by me through competent evidence of identity:

Name	Valid ID	Validity
NATIONAL GRID CORPORATION OF THE PHILIPPINES Represented by: Anthony L. Almeda	Driver's License D14-84017252 Issued at Quezon City	
KING ENERGY GENERATION INC. Represented by: Engr. Gilbert J. Rodriguez	Passport No. P8062286A	7/23/28

Signed in the Presence of:

who represented themselves to be the same persons who executed this instrument and acknowledged the same to be their true and voluntary act and deed and of the corporation/s they represent, as applicable and who have satisfactorily proven their identities through the foregoing valid IDs.

This instrument, consisting of _____ (12) pages, including the page on which this acknowledgment is written, has been signed on the left margin of each and every page thereof by the concerned parties and their witnesses, and sealed with my notarial seal.

IN WITNESS WHEREOF, I have hereunto set my seal and signature.

Notary Public
Atty. Jules Boy R. Valdez, CPA
Notarial Commission No. 065 / 31 December 2019
PTR No. 7324896 / 01-04-2019 / Quezon City
Roll of Attorneys No. 63350
IBP Life Member Roll No. 012616 / Quezon City
MCLE Compliance No. VI-0012045 / 07-09-2018
3rd floor, NGCP Bldg. Quezon Ave cor BIR road, QC

Doc. No. 463;
Page No. 94;
Book No. IV;
Series of 2019

NATIONAL GRID CORPORATION OF THE PHILIPPINES
By:
ANTHONY L. ALMEDA
President and CEO

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SCHEDULE 1: ANCILLARY SERVICES TO BE PROVIDED

Types of Ancillary Services (AS) that can be nominated

Non-Firm Contracted Capacity:

1. Reactive Power Support (RPS)

   Available Capacity of Reactive Power outside the range of 85% lagging and 90% leading power factor.

2. Dispatchable Reserve (DR)

   Available Capacity, up to 16.2 MW (Int. 1-13 and 22-24) with Bilateral Contracts from Int. 14-21.

   Once the Bilateral Contracts expire by Year 2020 and 2021, the available units may also be offered for DR.

Note that the capacities listed above are the maximum ancillary service capacity that can be provided for each unit. However, nomination and schedule shall be based on the latest AS Accreditation Certificate.

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SCHEDULE 2: DISPATCH PROTOCOL/OPERATING GUIDELINES

The Parties acknowledge that the current Dispatch Protocol/Guidelines is subject to revisions or amendments from time to time, based on mutual agreement of the Parties or changes in the market set-up, which shall form integral parts of and be deemed incorporated in this Agreement.

A. NOMINATION OF ANCILLARY SERVICE

1. Non-firm Contracted Capacity

   a. Submission by the Service Provider of Day-ahead Ancillary Services (AS) capacity nominations per type of service to NGCP shall be on a per unit basis not later than 2:00 pm of:

      (i) Weekdays for the next day nomination, except Friday
      (ii) Friday for Saturday, Sunday and Monday
      (iii) Working Day before Holiday until the next working day

   b. Submission by NGCP of Notice of Ancillary Services Schedule (NASS) shall be made not later than 5:00 pm to the Service Provider.

   c. Service Provider shall nominate the corresponding maximum reactiver power (kVAR) capability together with its Dispatchable Reserve nomination or energy supply nomination, on a single unit.

   d. The level of reactive power capability nomination shall be based on the unit's maximum kVAR capability at the minimum stable load of the unit (Pmin).

   e. Whenever deemed implemented, all day-ahead nomination and approvals shall be made electronically thru web facility provided by System Operations-NGCP. In case web facility is not available, fax or email shall be used.

B. RE-NOMINATION OF ANCILLARY SERVICE

1. Non-Firm Contracted Capacity

   a. Re-nomination shall be submitted by the Service Provider to NGCP and shall only be approved due to outage or de-ration of a certain generating plant/s providing ancillary services.

   b. Such re-nomination shall not be approved if any of the following reasons exist:

      (i) Non-compliance to dispatch instructions
      (ii) Change in unit assignment except Regulating Reserve
      (iii) Non-submission of Day-Ahead Nomination for a particular AS

c. Re-nomination may be required by the System Operator for any of the following reasons:

(i) Outage of Transmission Lines or Substation facilities, including the transmission facilities of the Service Provider, that would result to Line Constraints or Islanding operation
(ii) Reduction of generation availability/supply capacity of Service Provider
(iii) Emergency security measures
(iv) Depleted or insufficient reserves
(v) Unavailability or Tripping of a particular restoration highway for the affected Service Provider
(vi) Unavailability or Tripping of Service Provider
(vii) Generation Deficiency exists
(viii) Critical Operating Reserve
(ix) Non-availability of Real time monitoring

d. The Service Provider shall be notified immediately through the issuance of the revised NASS of any changes or revisions as a result of cancellation of the approved AS Schedule due to any of the reasons as stated in Item 3 of Section D.

e. The Service Provider shall be required to submit the request for re-nomination through fax, email or web facilities.

f. The System Operator may opt to require the Service Provider to synchronize the generating unit for validation of the unit's availability prior to or upon approval of the request for re-nomination.

g. Dispatchable Reserve re-nomination shall be granted at least two (2) hours for Luzon and Visayas (market-based), while one (1) hour for Mindanao (non-market-based), before the requested interval unless required by the system, provided the generating unit is subject to its availability test as required by the System Operator.

C. ANCILLARY SERVICES SCHEDULING

1. Non-Firm Contracted Capacity

a. The following are considered in the preparation of Day-Ahead Ancillary Services Schedule (DASS):

(i) Daily submission of AS Providers' operational data (i.e., unit capability, reservoir elevation, fuel inventory, etc.)
(ii) Prolonged unavailability of SCADA system on a per unit basis
(iii) Reactive Power Support requirement of the system
(iv) Available restoration highways
(v) Current system condition
(vi) Required level of reserve and nomination of the AS providers per type of AS

OGC REVIEWED NGCP

(vii) Technical consideration (i.e., operating mode such as Free-Governor and Automatic Generation Control (AGC) in order of priority) shall be prioritized over commercial consideration (Merit Order Table)
(viii) Other consideration such as the Ancillary Services Procurement Agreement (ASPA) and AS accreditation effectivity and expiration dates, among others

b. The acceptance and scheduling of AS capacity nominations of a single provider shall be made at NGCP's prerogative under the following order of priority:

(i) Regulating Reserve (RR)
(ii) Contingency Reserve (CR)
(iii) Dispatchable Reserve (DR)

c. The required level of Reserve for RR shall be based on the projected demand.

d. The approval of the nomination of AS shall be based on the capacity and on a per-unit per type of Ancillary Services.

e. In cases where the nomination is more than the required level, the operating mode such as Free-Governor, AGC and Manual Control, and nominated price (in the order of priority) shall be considered.

f. Least scheduled capacity of Regulating Reserve and Contingency Reserve provider shall not be less than 22 MW for Luzon, 5 MW for Visayas, and 7 MW for Mindanao, on a per unit basis depending on the system condition.

g. Only when the Firm Contracted Capacity is not sufficient will the nominations from Non-Firm Contracted Capacity be considered. The scheduling shall be based on the technical considerations and least cost.

D. ANCILLARY SERVICES DISPATCH IMPLEMENTATION

1. In cases where the response of Service Provider is delayed due to plant's fault, payment shall be subject to Clause 5.2 (Penalty) of this Agreement for the affected interval hour/s.

2. The following events could trigger the re-dispatch and/or cancellation of approved AS schedule:

a. Outage of Transmission Lines or Substation facilities that would result to Line Constraints or Islanding operation.
b. Reduction of generation availability/supply capacity of provider
c. Emergency security measures
d. Depleted or insufficient reserves
e. Forecast error Intra-hour Variations in Demand
f. Unavailability or Tripping of AS provider during the interval
g. Critical Operating Reserve
h. Non-submission of nomination and/or request for re-nomination

i. Non-compliance with the dispatch instructions
j. Non-compliance with the required scheduled nomination
k. Non-availability of real time monitoring except the current RR prior to the incident provided it would operate on free-governor mode for all throughout the interval/s.
l. Non-availability of the unit prior to or at the start of the interval

3. The following events will mean automatic cancellation of approved AS schedule except Regulating Reserve Services:

   a. Market Intervention
   b. Generation Deficiency exists
   c. Implementation of Manual Load Dropping
   d. Unavailability or Tripping of a particular restoration highway for the affected AS provider
   e. Total System Failure except Black-start Service schedule of the provider.
   f. Force majeure Event

4. NGCP shall inform the Service Provider of the automatic cancellation of the approved AS Schedule promptly when the cancellation occurred.

E. DISPATCHABLE RESERVE SERVICES

1. System Operator shall instruct the AS provider to synchronize the unit/s scheduled as Dispatchable Reserve to replenish the depleted Contingency Reserve. The AS provider shall immediately follow instruction when called upon without delay.

2. The System Operator shall require the Dispatchable Reserve provider to be on-line anytime as required by the system.

3. If in case the approved contingency reserve capacity is not sufficient to meet the requirement, the System Operator shall issue dispatch instructions to all approved Dispatchable Reserve provider to be on-line prior to or at the start of the scheduled interval.

4. Failure of Dispatchable Reserve provider to synchronize and dispatch from cold start shall be declared non-compliant and henceforth cancellation of schedule of all intervals prior to and after the non-compliant interval.

5. Failure of Dispatchable Reserve provider to provide continuous service when already being dispatched (e.g. the unit providing AS experiences tripping) shall be declared non-compliant on the affected interval and henceforth cancellation of schedule of all intervals after the non-compliant interval.

6. If AS Provider failed to comply with the dispatch instruction, AS Provider shall be declared non-compliant for the interval the instruction was issued, and the scheduled capacity shall be deemed cancelled for the succeeding intervals.

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F. REACTIVE POWER SUPPORT SERVICES

1. System Operator shall monitor the voltage condition and implement voltage correction whenever violation arises in accordance with the operational procedure, as set.

2. The Reactive Support requirement shall be based on the result of the voltage simulation study.

3. The Service Provider shall ensure that the generation/absorption of the corresponding MVAR shall be beyond the 0.85 lagging and 0.90 leading power factor during the scheduled interval. Non-compliance with this requirement shall mean cancellation of such service during the said interval.

4. Non-compliance for Reactive Power Support shall be subject to non-payment but without penalty.

5. Failure of the Reactive Power Support Service Provider to provide services within the scheduled interval shall be declared non-compliant and henceforth, cancellation of schedule for the succeeding intervals.

6. If the Service Provider fails to comply with the dispatch instructions by the System Operator, the scheduled capacity shall be deemed cancelled from the time the instruction was issued and for the succeeding intervals.

G. COMPLIANCE MONITORING

Mindanao System Operations (MSO) shall monitor the compliance of KEGI in providing the scheduled capacity for AS using the following data from SCADA:

a. Breaker Status Report – to determine if KEGI provided the scheduled capacities from the start until the end of the scheduled interval hour(s).
b. Hourly Reactive Power Generation Profile – to determine the actual reactive power generation of KEGI.
c. Alternative of KEGI in the absence of SCADA data – Distributed Control System (DCS) Data or Intelligent Electronic Device (IED) Meter (with backup storage of generation profile, in per second resolution, thru local server or IED meter, or fixed type PQA).

MSO shall also verify the compliance of KEGI with the dispatch instructions Mindanao Regional Control Center (MRCC) through written records and documentation.

H. ADJUSTMENTS

Adjustments shall be made on a monthly basis should there be scheduled AS capacities that are dispatched within a billing month. Such adjustments shall be reflected on the Statement of Provided Ancillary Services (SPAS) of KEGI within ninety (90) days after the

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end of current billing month. KEGI shall only bill the adjustments that are reflected in the SPAS.

I. BILLING AND PAYMENT

a. NGCP and KEGI shall refer to the billing and payment provisions of the ASPA for the method of settlement on AS provisions of KEGI every billing month.
b. KEGI shall pick up the original copies of SPAS from the office of the Mindanao System Operations upon notice of its availability.
c. Soft copies shall be emailed by NGCP to the corresponding contact persons for advance copy.

J. METER QUANTITY DATA

KEGI shall allow NGCP to access its generating facility's Meter Quantity (MQ) data on a monthly basis throughout the duration of the ASPA. NGCP shall secure the MQ data for facilitating the billing process for the provided AS.

K. WAIVER FOR THE CONDUCT OF REGULAR AS CERTIFICATION TEST

For the conduct of regular AS certification of AS Provider's units, NGCP shall not be held liable for any damage that the tests may cause to the power plant. Moreover, the AS Provider shall hold NGCP free and harmless from any claims by third party that the test may cause.

L. CHANGE OF RULES IN ENERGY INDUSTRY

Both parties agree to revisit the Implementing Guidelines, in the event that there are changes in the rules and regulations in the energy industry that shall impact the same.

M. Any other technical requirements and operational details that may be necessary will be included in the Implementing Guidelines.

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SCHEDULE 3: APPLICABLE RATES

A. Non-Firm Contracted Capacity Applicable Rates:

1. Dispatchable Reserve: maximum of PhP 1.25/kW/hr
2. Reactive Power Support: PhP 4.00/kVARh

B. Incidental Energy Cost

The Cost of Incidental Energy ("IEmin") is the payment of minimum cost of actual energy generated for the Firm and Non-Firm Contracted Capacity which shall be paid and computed using the formula below:

Incidental Energy Cost

IE_{DR}= G x (AR + VOM + Actual Fuel Cost) – REV_{WESM}

Where:

G = Summation of energy generated or dispatched due to Non-Firm Scheduled Capacity, in kWh
AR = Applicable Rate per AS type
VOM = PhP 0.5/kWh
Actual Fuel Cost = rate of fuel in Php/kWh
REV_{WESM} = Summation of WESM revenue based on Final Ex-post market clearing price of the AS Provider's trading Node arising from G above, once WESM is implemented. This will be set to ZERO while WESM is not yet in place in the Mindanao Grid.

Reactive Power Support:

Payment of RPS = kVARh Payment + IE_{RPS}

kVARh Payment = Compensable kVARh x P4.00/kVARh

Compensable kVARh = Actual kVARh – Base kVARh

Where:

Actual kVAR = actual reactive power provided within each interval
Base kVARh = corresponding kVARh at 0.85 power factor lagging or 0.9 power factor leading, for the unit's MW loading. For clarity, the MW loading is the unit's Pmin, or RTD schedule, whichever is greater.

IE_{RPS} = Payment on Energy and Variables
= G*(VOM + Actual Fuel Cost) - REV_{WESM}

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Where:

G = summation of energy dispatched to produce the scheduled kVar less the energy for the BCQ
VOM = PhP 0.5kWh
Actual Fuel Cost = rate of fuel in PhP/kWh

C. Submission of Documents for Computation of Fuel Costs

Service Provider shall submit the necessary documents detailing the actual fuel costs (e.g. invoice or official receipts) along with the bill.

NGCP shall provide due notice to Service Provider for any additional documents that may be required in relation to the computation of Actual Fuel Costs.

SCHEDULE 4: TESTING, MONITORING AND VERIFICATION OF ANCILLARY SERVICES

A. The Generation Facility shall be tested, to ensure its continuing capability to provide the Ancillary Services specified in Schedule 1 of this Agreement, in accordance with the requirements and procedures set out in Section 6.10 of the Grid Code and Schedule 3 of this Agreement.

B. The Service Provider shall submit to NGCP, within one (1) month from the effectivity of this Agreement as provided under Section 2.1 herein, its preferred schedule for the testing of the Generation Facility, which shall not be more than twice within a calendar year. NGCP shall then evaluate the submitted schedule based on its availability and in consideration to the system condition. The submitted schedule shall be mutually accepted by both NGCP and the service provider. Preferred schedule of testing shall be during weekdays.

C. Pursuant to Section 6.11.1.4 of the Grid Code, NGCP may at any time issue instructions requiring tests to be carried out on the Generation Facility. All such tests shall be of sufficient duration and shall be conducted not more than twice within a calendar year except when there are reasonable grounds to justify the necessity for further tests.

D. All relevant and incidental costs incurred in relation to the testing and certification activities in relation to Clause C above shall be approved and agreed upon by the Parties in writing within a reasonable time prior to the actual conduct of said activities, and shall be for the Service Provider's own account.

E. NGCP is not obligated to pay for the capacity of a specific unit of the Generation Facility during the period of testing pursuant to Section 5.3 above. Any incidental energy that may be injected to the Grid during such testing and certification activities in respect of such units shall be recovered from the WESM.

F. Subject to the procedures set out in the ASPP, NGCP shall regularly monitor the Generation Facility's performance to determine its capability of providing the Ancillary Services set out in Schedule 1 hereof.

G. NGCP may, at any time, and in accordance with the ASPP, verify whether the provision of an Ancillary Service is in accordance with this Agreement. At NGCP's request, the Service Provider shall provide and not unreasonably withhold, the results of any testing conducted which may have a Material Effect on the capability of the Generation Facility to meet its required performance level/s.

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SCHEDULE 5: ANNUAL PERFORMANCE EVALUATION

A. The Annual Performance Evaluation which is required by NGCP as a basis of monitoring and evaluating the performance of an Ancillary Service (AS) Provider for its provision of Ancillary Services shall be the following:

The total number of Hours Complied by an AS Provider shall be at least 97% of the total number of Scheduled Hours in a year.

Formula: (Total no. of Hours Complied in a year/total no. of hours scheduled in a year) x 100 ≥ 97%

B. For the purpose of this section:

1. "Hours Complied" means an hour where the Service Provider was able to provide the scheduled AS capacity following the current Dispatch Protocol, dispatch instruction from System Operator pursuant to the approved NASS, and the Ancillary Services Standard Technical Requirements.

2. "Scheduled Hours" means each hour when the Service Provider was scheduled to provide AS pursuant to the approved NASS.

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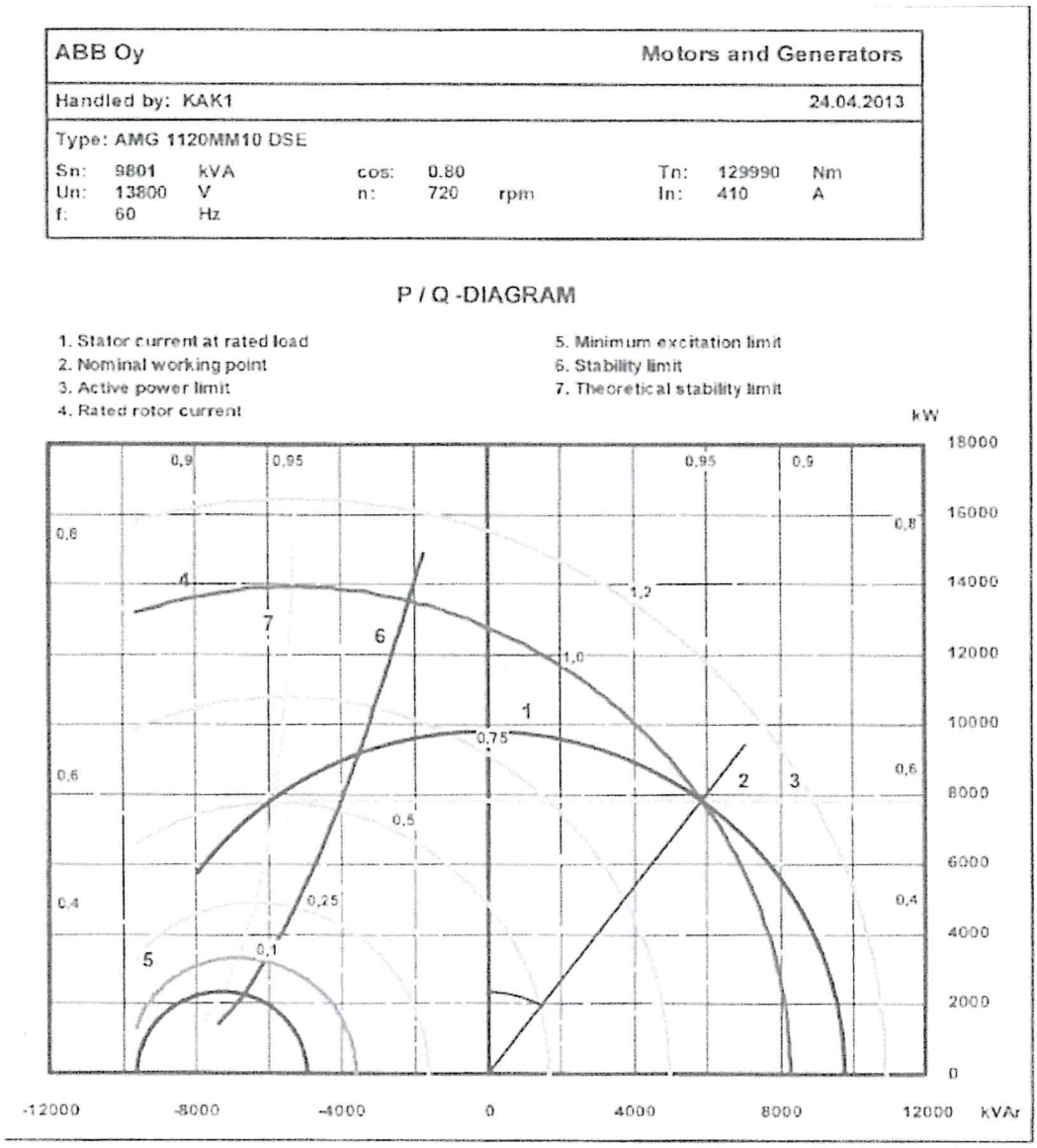
SCHEDULE 6: REACTIVE POWER CAPABILITY

Shown below is the Reactive Power Capability Curve for Service Provider's power plant:



Further, attached are the recent test results for the AS Certification for Reactive Power Support. Such test is conducted annually, and basis for RPS scheduling, dispatch and settlement shall be the most recent AS Certification for RPS.

NGCP REVIEWED

Republic of the Philippines
ENERGY REGULATORY COMMISSION
Pasig City

IN THE MATTER OF THE APPLICATION FOR APPROVAL OF THE ANCILLARY SERVICES PROCUREMENT AGREEMENT (MISAMIS OCCIDENTAL POWER PLANT 2) BETWEEN THE NATIONAL GRID CORPORATION OF THE PHILIPPINES AND KING ENERGY GENERATION, INC., WITH PRAYER FOR THE ISSUANCE OF PROVISIONAL AUTHORITY

ERC CASE NO. 2023-083 RC

NATIONAL GRID CORPORATION OF THE PHILIPPINES AND KING ENERGY GENERATION, INC.,
Applicants.
x----------x

ORDER

For resolution before the Commission is the prayer for issuance of provisional authority contained in the *Application*, dated 23 May 2023, filed by the National Grid Corporation of the Philippines (NGCP) and King Energy Generation, Inc. (KEGI) for its Misamis Oriental Power Plant 2 (MOPP 2).

FACTUAL ANTECEDENTS

On 23 June 2023, NGCP and KEGI filed the instant *Application*, seeking the Commission's approval of their Ancillary Service Procurement Agreement (ASPA), with prayer for the issuance of provisional Authority.

The pertinent allegations of the *Application* relevant to Applicant's prayer for issuance of provisional authority are hereunder quoted as follows:

> ALLEGATIONS IN SUPPORT OF THE PRAYER FOR PROVISIONAL AUTHORITY
>
> 31. It is a declared policy of the State to ensure the quality, reliability, security and affordability of the supply of electric power.[1] To this end, there is a need to comply with the system requirements for AS to ensure grid system security and reliability. As mentioned above, NGCP has the mandate to procure the required AS. However, the Honorable Commission must first approve the contract before the same can be implemented.
>
> 32. As the demand for power in Mindanao increases, the requirements of the system likewise increases. Ensuring the integrity of the system is essential to protect the interests of the public. The absence of system reliability and stability will certainly discourage investments and growth.
>
> 33. Applicants respectfully submit that the immediate approval of the ASPA by this Honorable Commission is a necessity to maintain the present reliability and security of the Grid. In support of these allegations, NGCP submits a copy of the Judicial Affidavit of Ms. Lisaflor B. Kater[2], which is attached to this Application.
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Further, in support of the prayer for the issuance of the provisional authority, Applicants submitted the *Judicial Affidavit*[3] of Engr. Lisaflor B. Kater, Manager of the Special Accounts Portfolio Division, Customer Affairs Department (SAP-CAD), Revenue and Regulatory Affairs of NGCP. The pertinent portions of the *Judicial Affidavit* are hereunder quoted as follows:

> xxx
>
> 19. Q: What would be the effect to the Mindanao Grid if the ASPA is approved by the Honorable Commission, through a provisional authority?
>
> A: Consistent with the declared policy of the State[4], the quality, reliability, security and affordability of the supply of electric power operation of the Mindanao Grid will be immediately ensured, and the requirements of the grid for the

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1 Section 2(b), EPIRA.
2 Judicial Affidavit of Ms. Lisaflor B. Kater is attached as Annex "R" of the *Application.*
3 Attached as Annex "R" of the *Application.*
4 Section 2(b), EPIRA.

> provision of AS will be timely addressed. With this end in view, there is a need to comply with the system requirements for AS to ensure grid system reliability. As mentioned above, NGCP has the mandate to procure the required AS. However, the Honorable Commission must first approve the contract before the same could be implemented.
>
> xxx

Proceedings conducted by the Commission

On 03 July 2023, the Commission issued an *Order* and a *Notice of Virtual Hearing*, setting the instant *Application* for hearing on the following dates: (1) 03 August 2023 for the determination of compliance with the jurisdictional requirements and expository presentation; and (2) 10 August 2023 for the Pre-Trial Conference and presentation of evidence.

On 31 July 2023, NGCP and KEGI filed their *Compliance (with Jurisdictional Requirements)* dated 28 July 2023.

During the hearing on 03 August 2023, Applicants NGCP and KEGI appeared. No intervenor or oppositor appeared, neither was there any intervention nor opposition filed.

Thereafter, Applicants presented proof of their compliance with the Commission's publication and posting requirements, pursuant to the *Order* dated 03 July 2023, provided below:

Exhibit	Document
Publication	
A	The 16 July 2023 issue of The Manila Times where the Notice of Virtual Hearing was published;
A-1	The pages on which said Notice were printed;
A-2	The 23 July 2023 issue of The Manila Times where the Notice of Virtual Hearing was published;
A-3	The page on which said Notice was printed;
A-4	Affidavit of Publication dated 25 July 2023 executed by Leena C. Chua, Managing Editor of The Manila Times.
B	The 16 July 2023 issue of Daily Tribune where the Notice of Virtual Hearing was published;
B-1	The pages on which said Notice were printed;
B-2	The 23 July 2023 issue of Daily Tribune where the Notice of Virtual Hearing was published;
B-3	The page on which said Notice was printed; and

Exhibit	Document
B-4	Affidavit of Publication dated 24 July 2023 executed by Mary Ann M. Datoy, Accounting Assistant of Concept and Information Group Inc., publisher of the Daily Tribune.
Service to the Government Agencies	
C	Affidavit of Service of ERC's Order and Notice of Virtual Hearing executed by Roel L. Olimba.
C-1	Proof of Service to the Office of the Solicitor General.
C-2	Proof of Service to the Commission on Audit.
C-3	Proof of Service to the Senate Committee on Energy.
C-4	Proof of Service to the House Committee on Energy
Service to the Local Government Units	
D	Affidavit of Service of ERC's Order and Notice of Virtual Hearing executed by Alberto I. Mapa.
D-1	Proof of Service to the Office of the Mayor, Quezon City with attached letter.
D-2	Proof of Service to the Office of the Sangguniang Panlunsod, Quezon City with attached letter.
D-3	Proof of Service to the Office of the Governor, Province of La Union with attached letter.
D-4	Proof of Service to the Office of the Sangguniang Panlalawigan, Province of La Union with attached letter.
D-5	Proof of Service to the Office of the City Mayor, San Fernando, La Union with attached letter.
D-6	Proof of Service to the Office of the Sangguniang Panlungsod, San Fernando, La Union with attached letter.
D-7	Proof of Service to the Office of the Governor, Province of Laguna with attached letter.
D-8	Proof of Service to the Office of the Sangguniang Panlalawigan of Laguna with attached letter.
D-9	Proof of Service to the Office of the City Mayor, Biñan, Laguna with attached letter.
D-10	Proof of Service to the Office of the Sangguniang Panlungsod, Biñan, Laguna with attached letter.
D-11	Proof of Service to the Office of the Governor, Cebu City with attached letter.
D-12	Proof of Service to the Office of the Sangguniang Panlalawigan of Cebu City with attached letter.
D-13	Proof of Service to the Office of the Mayor, Cebu City with attached letter.
D-14	Proof of Service to the Office of the Sangguniang Panlungsod of Cebu City with attached letter.
D-15	Proof of Service to the Office of the Governor, Province of Lanao del Norte with attached letter.
D-16	Proof of Service to the Office of the Sangguniang Panlalawigan of the province of Lanao del Norte with attached letter.
D-17	Proof of Service to the Office of the City Mayor of Iligan City with attached letter.
D-18	Proof of Service to the Office of the Sangguniang Panlungsod, Iligan City with attached letter.
D-19	Proof of Service to the Office of the Provincial Governor, Misamis Oriental with attached letter.
D-20	Proof of Service to the Office of the Sangguinang Panlalawigan, Misamis Oriental with attached letter

Exhibit	Document
D-21	Proof of Service to the Office of the City Mayor of Gingoog City with attached letter.
D-22	Proof of Service to the Office of the Sangguniang Panlungsod, Gingoog City with attached letter.
D-23	Affidavit of Service of ERC's Order and Notice of Virtual Hearing executed by Roel L. Olimba.
D-24	Proof of Service to the Office of the Provincial Governor, Misamis Occidental with attached letter.
D-25	Proof of Service to the Office of the Sangguinang Panlalawigan, Misamis Occidental with attached letter
D-26	Proof of Service to the Office of the Sangguinang Bayan, Panaon, Misamis Occidental with attached letter
D-27	Proof of Service to the Office of the Municipal Mayor, Panaon, Misamis Occidental with attached letter.
D-28	Received copy by the LGUs of ERC's Order and Notice of Virtual Hearing where the power plant is located and KEGI's principal office
Other Forms of Dissemination	
E	Certificate of Posting in NGCP's Bulletin Board with Pictures
E-1	Certificate of Posting in NGCP's Website with Picture
E-2	Affidavit of Posting in KEGI's Bulletin Board executed by Roel L. Olimba dated 27 July 2023 with pictures
E-3	Affidavit of Posting in KEGI's Website executed by Roel L. Olimba dated 27 July 2023 with pictures
Posting of the Jurisdictional Requirements	
F	Certificate of Posting of this *Compliance* on NGCP's Bulletin Board with Pictures
F-1	Affidavit of Posting of this *Compliance* on KEGI's Bulletin Board with Pictures

* The table above was quoted from the Compliance (With Jurisdictional Requirements) filed by the Applicants.

Upon perusal of the foregoing submissions, the Commission found that NGCP and KEGI had complied with the posting and publication requirements, pursuant to the Commission's *Order* dated 03 July 2023. Thus, the Commission acquired jurisdiction over the instant *Application*.

Thereafter, the Commission proceeded with the expository presentation wherein NGCP and KEGI discussed the instant *Application* through their respective witnesses, as follows:

1. Engr. Lisaflor B. Kater (Engr. Kater), Manager of Special Accounts Portfolio Division, Customer Affairs Department, Revenue and Regulatory Affairs of NGCP, who discussed under oath the following topics:

    a. Legal and regulatory basis of the *Application*;

b. Ancillary Services (AS) types contracted: Dispatchable Reserve (DR) and Reactive Power Support (RPS);

c. DR and RPS Availability in Mindanao Grid;

d. KEGI – MOPP2 OFFER;

e. Features of the Ancillary Services Procurement Agreement (ASPA); and

f. Rates and Impact.

2. Engr. Amorlito Jr. D. Melicor (Engr. Melicor), Power Trading and Billing Department Manager of KEGI, who discussed under oath the following topics:

a. KEGI's company overview;

b. KEGI Misamis Occidental Power Plant 2 – Panaon Units 1 & 2

c. Capability of KEGI to deliver Dispatchable Reserve and Reactive Power Support.

At the end of the expository presentation, the Commission propounded questions, which were addressed by the Applicants. Thereafter, Applicants moved for the declaration of general default, in view of the absence of any intervenor or oppositor. Finding the said motion meritorious, the Commission granted the same.

Thereafter, the Commission directed the Applicants to submit the following documents: (1) Compliance with the Ancillary Service-Competitive Selection Process (AS-CSP) pursuant to the Department of Energy (DOE) Department Circular No. DC2021-10-0031[5] (DOE 2021 AS-CSP Circular); and (2) other relevant documents for the rate structure. There being no other manifestations, the hearing was adjourned.

On 04 August 2023, NGCP and KEGI filed their *Joint Pre-Trial Brief* of even date.

On 08 August 2023, NGCP filed *Compliance (with Motion for Confidential Treatment of Information)* dated 07 August 2023, pursuant to the directives of the Commission during the hearing on 03 August 2023.

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5 DOE Department Circular No. DC 2021-10-0031, entitled "Prescribing the Policy for the Transparent and Efficient Procurement of Ancillary Services by the System Operator."

During the hearing on 10 August 2023, NGCP and KEGI appeared. Applicants moved for the adoption of the facts and issues stated in their *Joint Pre-trial Brief*, as well as the markings therein, in view of the absence of any intervenor or oppositor. Finding the said motion meritorious, the Commission granted the same and terminated the Pre-Trial Conference.

Thereafter, the hearing proceeded with the presentation of evidence by NGCP and KEGI. NGCP presented again Engr. Kater as its witness, who testified under the same oath, on matters stated in her *Judicial Affidavit*, as follows:

1. She is the Manager of the Special Accounts Portfolio Division, Customer Affairs Department (SAP-CAD), Revenue and Regulatory Affairs of NGCP;

2. Her functions and responsibilities and participation in the preparation of the subject *Application*;

3. The ancillary services procurement agreement entered into by the parties, significant provisions, including the proposed rates and impact;

4. The urgent need for the issuance of provisional authority for the immediate implementation of the ASPA;

5. To identify and authenticate documents; and

6. Other allied matters.

At the end of her direct examination, Engr. Kater identified her *Judicial Affidavit* and her signature thereon, which were marked as Exhibits "R" and "R-1", respectively.

Subsequently, KEGI presented again Engr. Melicor, as its witness, who testified under the same oath, on matters stated in his *Judicial Affidavit*, as follows:

1. The circumstances leading to the execution by King Energy Generation, Inc. ("KEGI") of the Ancillary Services Procurement Agreement ("ASPA") with the National Grid Corporation of the Philippines ("NGCP").

2. The technical descriptions of the Misamis Occidental Power Plant 2 ("MOPP2"), a diesel bunker power plant with a rated capacity of 15.684MW continuous output at 60Hz located at Brgy. Map-An, Panaon, Misamis Occidental ("Generation Facility").

3. To discuss and explain the salient features of the ASPA.

4. To discuss and explain the risks absorbed by KEGI under the ASPA.

5. To show that there is an urgent need to secure provisional authority or interim relief to implement the ASPA including the rate structure as embodied therein.

6. All other matters relevant to the approval of ASPA.

At the end of his direct examination, Engr. Melicor identified his *Judicial Affidavit* and his signature thereon, which were marked as Exhibits "BB" and "BB-1", respectively.

Upon the termination of the presentation of evidence, the Commission propounded clarificatory questions which were addressed by the Applicants.

Thereafter, the Applicants were directed to file their *Formal Offer of Exhibits* (FOE), within fifteen (15) days from the said hearing.

ISSUE

For purposes of this *Order*, the only issue that the Commission should resolve thus far is whether or not the Applicants' prayer for the issuance of provisional authority to implement their ASPA should be granted.

THE COMMISSION'S RULING

After due deliberation, thorough evaluation of all the documents submitted, and appreciation of all the information gathered thus far, the Commission, pursuant to its regulatory powers, resolves to **GRANT** the Applicants' prayer for provisional authority as contained in their *Application*.

DISCUSSION

Authority of the Commission to Grant Provisional Authority

The authority of the Commission to grant provisional authority is provided for in Section 8 of Executive Order No. 172,[6] *to wit*:

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6 Entitled, "Creating the Energy Regulatory Board."

> Sec. 8. Authority to Grant Provisional Relief. **The Board may, upon the filing of an application, petition or complaint or at any stage** thereafter and (1) without prior hearing, on the basis of supporting papers duly verified or authenticated, **grant provisional relief on motion of a party in the case** or (2) on its own initiative, without prejudice to a final decision after hearing, should the Board find that the pleadings, together with such affidavits, documents and other evidence which may be submitted in support of the motion, substantially support the provisional order: Provided, That the Board shall immediately schedule and conduct a hearing thereon within thirty (30) days thereafter, upon publication and notice to all affected parties.
>
> *(Emphasis and underscoring supplied.)*

The transfer of the Energy Regulatory Board's (ERB) authority to issue provisional authority to the Commission was upheld by the Supreme Court in the landmark case of *Freedom from Debt Coalition (FDC) vs. Energy Regulatory Commission (ERC)*:[7]

> The ERC is endowed with the statutory authority to approve provisional rate adjustments under the aegis of Sections 44 and 80 of the EPIRA. The sections read, thus:
>
> > SEC. 44. Transfer of Powers and Functions. — The powers and functions of the Energy Regulatory Board not inconsistent with the provisions of this Act are hereby transferred to the ERC. The foregoing transfer of powers and functions shall include all applicable funds and appropriations, records, equipment, property and personnel as may be necessary.
> >
> > Sec. 80. Applicability and Repealing Clause. — The applicability provisions of Commonwealth Act No. 146, as amended, otherwise known as the "Public Services Act;" Republic Act 6395, as amended, revising the charter of NPC; Presidential Decree 269, as amended, referred to as the National Electrification Decree; Republic Act 7638, otherwise known as the "Department of Energy Act of 1992;" Executive Order 172, as amended, creating the ERB; Republic 7832 otherwise known as the "Anti-Electricity and Electric Transmission Lines/Materials Pilferage Act of 1994;" shall continue to have full force and effect except insofar as they are inconsistent with this Act.
> >
> > xxx
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> Similarly, Sections 8 and 14 of E.O. No. 172 or the ERB Charter continue to be in full force by virtue of Sections 44 and 80 of the EPIRA.

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7 G.R. No. 161113, 15 June 2004.

Relative thereto, the Commission's *Revised Rules of Practice and Procedure* (Revised RPP), particularly Sections 2, 3, and 4 of Rule 14 thereof provide:

> **Section 2. *Allegations in the Motion and Supporting Documents*.** - The motion must allege such facts and circumstances that would justify the Commission's exercise of discretion in granting provisional authority or interim relief prior to a final decision. Such motion shall be accompanied by affidavits and documents in support of the allegations therein.
>
> **Section 3. *Action on the Motion*.** – The Commission shall act on the motion for provisional authority or interim relief on the basis of the allegations in the application or petition, supporting documents and other pieces of evidence that the applicant or petitioner has submitted, as well as the comments or oppositions filed by interested persons, if there be any.
>
> Motions for provisional authority or interim relief may be acted upon with or without hearing.
>
> The Commission may act on the motion for **provisional authority within seventy-five (75) days from the filing of the application or petition**. If the Commission, through an order, acts on the motion without hearing, it shall schedule and start the hearing on the application or petition within thirty (30) days from the date of the issuance of the order. If such motion is included in the application or petition covered by Section 1, Rule 6 of these Rules, the Commission shall hold in abeyance its resolution on the said motion until after the lapse of thirty (30) days from the receipt of a copy of the application or petition by the Offices of the Governor, Mayor and the *Sanggunian* concerned within the franchise and/or publication of the application or petition in a newspaper of general circulation, whichever comes later.
>
> **Section 4. *Effect of Final Determination.*** – The provisional authority or interim relief granted by the Commission shall be **subject to adjustment, if upon final evaluation of the case, the Commission determines that the applicant or petitioner was not entitled to the full amount of the provisional or interim rate allowed. The Commission may likewise impose such other conditions as it may deem necessary.**
>
> *(Emphasis and underscoring supplied.)*

As elucidated by the Supreme Court in the case of *Romeo Gerochi et al. v. Department of Energy (DOE) et al.*,[8] "electric power generation and distribution is a traditional instrument of economic

[8] G.R. No. 159796, 17 July 2007.

growth that affects not only a few but the entire nation. It is an important factor in encouraging investment and promoting business. The engines of progress may come to a screeching halt if the delivery of electric power is impaired. Billions of pesos would be lost as a result of power outages or unreliable electric power services."

Significantly, in the same case, the Supreme Court declared that "the State thru the Energy Regulatory Commission (ERC) should be able to exercise its police power with great flexibility, when the need arises."[9]

This flexibility was reiterated in the case of the *National Association of Electricity Consumers for Reforms v. Energy Regulatory Commission*,[10] wherein the Supreme Court held that the Commission, as a regulator, should have sufficient power to respond in real-time to changes wrought by multifarious factors affecting public utilities.

This is consistent with Section 41[11] of Republic Act No. 9136, otherwise known as the Electric Power Industry Reform Act of 2001 (EPIRA) which mandates the Commission to promote and protect the interest of all electricity consumers against possible future power supply curtailment.

Basis for the ASPA
Application

Under the EPIRA, the National Transmission Corporation (TRANSCO) is mandated to "ensure and maintain the reliability, adequacy, security, stability and integrity of the nationwide electrical grid"[12] and to "adequately serve generation companies, distribution utilities and suppliers requiring transmission service and/or ancillary services through the transmission system."[13]

The NGCP, as concessionaire of TRANSCO and the entity granted with the franchise to operate and maintain the transmission network, is equally tasked under the EPIRA to enforce such mandate.

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9 *Ibid.*
10 G.R. No. 163935, 2 February 2006, 481 SCRA 480, 515-516, citing *Freedom from Debt Coalition v. Energy Regulatory Commission.*
11 Sec. 41. Promotion of Consumer Interests. – The ERC shall handle consumer complaints and ensure the adequate promotion of consumer interests.
12 Section 9(c), EPIRA.
13 Section 9(d), EPIRA.

Section 4(b) of the EPIRA defines Ancillary Services (AS) as "services that are necessary to support the transmission of capacity and energy from resources to loads while maintaining reliable operation of the transmission system". Such services are essential in ensuring not only the reliability in the operation of the transmission system as a whole, but also in the supply of electricity throughout the Luzon, Visayas, and Mindanao grids.

On 09 May 2006, the Commission issued an *Order* dated 29 March 2006 in ERC Case No. 2002-253,[14] approving TRANSCO's proposed Ancillary Service Procurement Plan (ASPP). In the same *Order*, the Commission directed TRANSCO to file a separate application for the approval of its Ancillary Services-Cost Recovery Mechanism (AS-CRM).

In compliance with the abovementioned *Order*, TRANSCO filed an application docketed as ERC Case No. 2006-049 RC[15] for the approval of its AS-CRM on 11 September 2006.

On 03 October 2007, the Commission issued its *Decision*[16] wherein it approved with finality TRANSCO's AS-CRM, subject to certain conditions, among others, as follows:

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14 Entitled, "Application for the Approval of the Proposed Rules, Terms and Conditions for Open Access Transmission Service (OATS) and Proposed Rates, Terms and Conditions of Ancillary Services."

15 Entitled, "In the Matter of the Application for the Approval of Ancillary Services-Cost Recovery Mechanism (AS-CRM) of the Ancillary Services Procurement Plan, with Prayer for Provisional Authority."

16 The dispositive portion of the said *Decision* is hereunder quoted as follows:

> WHEREFORE, the foregoing premises considered, the application for approval of the Ancillary Services-Cost Recovery Mechanism (AS-CRM) of the Ancillary Services Procurement Plan (ASPP) filed by the National Transmission Corporation (TransCo) with prayer for provisional authority is hereby APPROVED subject to the following conditions:
>
> 1. The following changes should be incorporated on the proposed AS-CRM of the ASPP:
>
> a. The cost of procuring the Ancillary Services (AS) under the ASPP shall be recovered 100% from the load customers but only until such time that such AS is already traded in the Wholesale Electricity Market (WESM);
>
> b. The use of the Billing Determinant (BD) as proposed in the AS-CRM should continue until a new BD has been established and TransCo's recommendations have been considered by the Commission starting 2010;
>
> 2. All contracts for the procurement of AS entered into by and between TransCo and AS providers shall be submitted on or before December 28, 2007; and

a. The cost of procuring the ancillary services under the ASPP shall be recovered 100% from load customers but only until such time that such ancillary services are already traded in the Wholesale Electricity Spot Market (WESM); and

b. All contracts for the procurement of ancillary services shall be submitted to the Commission for approval.

On 04 December 2019, the DOE issued Department Circular No. DC2019-12-0018[17] requiring the procurement of the required level and specifications of AS through firm contracts only.

Thereafter, 04 October 2021, the DOE issued the DOE 2021 AS-CSP Circular, requiring NGCP to conduct a Competitive Selection Process (CSP) in the procurement of its AS.

Hence, the Applicants filed the instant *Application* pursuant to the DOE 2021 AS-CSP Circular.

Commission's Evaluation of the Applicants' Prayer for Provisional Authority

After initial evaluation of the submissions of the Applicants, the Commission resolves to grant the Applicants' prayer for the issuance of provisional authority to implement their ASPA for reasons discussed in detail below. This provisional authority is without prejudice to the Commission's final evaluation and resolution of the instant *Application*, keeping in mind the Commission's end-view of ensuring grid reliability.

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3. The implementation of the AS-CRM shall be made effective starting March 26, 2008 after incorporating therein the proposed changes particularly on the allocation of the cost.

Further, TransCo is hereby directed to:

a. Make amendments in the terminology used for consistency with the 2006 Revised OATS Rules;

b. Include provision for annual post-verification of the Commission of the contracted vis-à-vis actual recovered AS costs; and

c. Provide the requirement for the Commission's approval prior to the implementation of any AS Contract Agreement.

[17] Department of Energy (DOE), Department Circular No. DC2019-12-0018, entitled "Adopting a General Framework Governing the Provision and Utilization of Ancillary Services in the Grid," 04 December 2019.

A. The Procurement of the ASPA

In their *Application*, NGCP and KEGI alleged the following pertinent allegations in the procurement of the subject ASPA:

xxx

COMPETITIVE SELECTION PROCESS

10. On 04 October 2021, the DOE issued the AS-CSP Circular providing the policy for the conduct of the Competitive Selection Process (CSP) for the procurement of Ancillary Services by the System Operator (NGCP). Among the policies set by the AS-CSP Circular was the creation of an independent Third-Party Bids and Awards Committee (TPBAC) to spearhead and manage the CSP.

11. In its Letter dated 22 November 2022,[18] the DOE approved the Terms of Reference (TOR)[19] and Instruction to Bidders[20], and instructed NGCP to proceed with the publication and posting of the same pursuant to Sec. 7.4 and 7.5 of the AS-CSP Circular.

12. On 26 January 2023, the TPBAC approved its Notice of Invitation to Bid[21] informing the public of the pending AS-CSP for Regulating Reserve (RR), Contingency Reserve (CR), Dispatchable Reserve (DR), Reactive Power Support (RPS), and Black Start Service (BSS); and inviting all interested grid-connected merchant plants and Independent Power Producers to apply for eligibility and participate in the competitive bidding for the procurement of AS. The Notice of Invitation to Bid likewise provided any interested grid-connected merchant plants a copy of the DOE approved TOR and Instruction to Bidders.

13. Subsequently, the Notice of Invitation to Bid was published on 31 January 2023 with the *Malaya Business Insight*[22] and the *Philippine Star*.[23] The same Notice was also published on 07

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18 DOE Letter dated 22 November 2022 approving the Terms of Reference and Instruction to Bidders is attached as Annex "C" of the *Application*.

19 DOE Approved Terms of Reference is attached as Annex "C-1" of the *Application*.

20 DOE Approved Instruction to Bidders is attached as Annex "C-2" of the *Application*.

21 Notice of Invitation to Bid is attached as Annex "C-3" of the *Application*.

22 The 31 January 2023 edition of the *Malaya Business Insight* and the page on which the Notice of Invitation to Bid appears are attached as Annexes "D" and "D-1" of the *Application*, respectively. The Affidavit of Publication issued by the *Malaya Business Insight* is likewise attached as Annex "D-2" of the *Application*.

23 The 31 January 2023 edition of the *Philippine Star* and the page on which the Notice of Invitation to Bid appears are attached as Annexes "E" and "E-1" of the *Application*, respectively. The Affidavit of Publication issued by the *Philippine Star* is likewise attached as Annex "E-2" of the *Application*.

February 2023 with the *Business Mirror*[24] and the *Manila Bulletin*.[25]

14. KEGI was declared by the TPBAC as eligible to participate in the AS-CSP and submit its bid for the provision of AS to be provided by the Generation Facility.

15. Under Bid Bulletin 2023-02 issued by the TPBAC, eligible bidders may submit their bids on or before 15 March 2023.

16. Thereafter, pursuant to Bid Bulletin 2023-02, the TPBAC conducted the opening of bids timely submitted by all the eligible bidders whereby KEGI's bid/offer[26] for the provision of DR and RPS by its Generation Facility was considered for award after sufficiently complying with the post-qualification requirements.

17. On 12 April 2023, the TPBAC issued and submitted to the NGCP's Board of Directors its Resolution and Evaluation Report on the conduct of the CSP[27] indicating KEGI as one of the winning bidders. The TPBAC's Evaluation Report was thereafter confirmed by the NGCP's Board of Directors through a resolution dated 18 April 2023.[28]

18. On 18 April 2023, the TPBAC issued a Notice of Award in favor of KEGI-MOPP2[29] informing the latter that it is to be awarded with a contract for the Provision of Ancillary Services in the Mindanao Grid.

19. On 02 May 2023, NGCP and KEGI executed an ASPA pursuant to the AS-CSP Circular.

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B. DOE Approved TOR *vis-à-vis* ASPA of NGCP and KEGI

Upon careful perusal of the DOE-approved Terms of Reference (TOR) *vis-à-vis* the provisions of the ASPA of the Applicants, the

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24 The 07 February 2023 edition of the *Business Mirror* and the page on which the Notice of Invitation to Bid appears are attached as Annexes "F" and "F-1" of the *Application*, respectively. The Affidavit of Publication issued by the *Business Mirror* is likewise attached as Annex "F-2" of the *Application*.

25 The 07 February 2023 edition of the *Manila Bulletin* and the page on which the Notice of Invitation to Bid appears are attached as Annexes "G" and "G-1" of the *Application*, respectively. The Affidavit of Publication issued by the *Manila Bulletin* is likewise attached as Annex "G-2" of the *Application*.

26 Copy of KEGI's bid offer is attached herein as Annex "H" of the *Application*.

27 The TPBAC Resolution and Evaluation Report dated 12 April 2023 indicating KEGI's bid/offer for its Generation Facility as one of the winning bids is attached as Annex "I" of the *Application*.

28 NGCP Secretary's Certificate certifying the BOD's Resolution confirming the TPBAC's Evaluation Report is attached as Annex "J" of the *Application*.

29 Notice of Award in favor of KEGI is attached as Annex "K" of the *Application*.

Commission finds that the ASPA between NGCP and KEGI is substantially consistent with the DOE-approved TOR, as shown in Table 1 below.

Table 1: Compliance of the ASPA with the DOE Approved TOR

Terms of Reference	Description	Requirements under the TOR	Commission's Findings (subject to further final evaluation)
Type of Contract and Duration	Firm Contract	Firm Contract for five (5) years, with Annual Performance Evaluation in which contract may be terminated if the AS Provider's performance for the year did not meet reliability standard. The details of the reliability standard shall be specified in the ASPA. Contract duration is not intended to be extended, as another bidding will be conducted for expiring contracts.	**Consistent with the TOR** **Section 2.1 of the ASPA** provides: This Agreement shall become effective upon the approval by the ERC, either a Provisional Authority (PA), or Interim Relief (IR), or final Decision, whichever comes first, unless if a different effective date us provided by the ERC in its Order or Decision, and shall remain effective for a period of five (5) years, subject to Section 13 (Termination) of this Agreement.
Power Plant Location	Luzon Grid Visayas Grid Mindanao Grid	1. Power plant that is directly connected to an NGCP-owned Facility should have a dedicated connection for the Generating Unit used to provide the Contracted Capacity; or 2. For Embedded Generators, with expressed consent from Host DU that Embedded Generator can dispatch anytime when required for AS provision. The Generating Unit/s capacity offered for specified schedule/duration should be dedicated for AS, and not be contracted for regular energy supply to load customers or used for station use service, if offer is for RR, CR, and/or DR. Generating Unit's offered for BSS	**Consistent with the TOR** The WHEREAS clauses of the ASPA provides for the power plant location, as follows: **WHEREAS**, the AS provider is the owner of the 15.684 MW Misamis Occidental Power Plant (MOPP2) located in Brgy. Map-an, Panaon, Misamis Occidental and 16.239 MW Misamis Occidental power Plant 3 (MOPP3), located in Brgy. San Isidro, Jimenez, Misamis Occidental (the "Generation Facility") which has been certified and accredited by NGCP as capable of providing the Ancillary Services specified in Schedule 1 of the Agreement; **WHEREAS**, as participant in the AS-CSP, the AS Provider was declared as winning bidder and awarded the contract through this ASPA for the provision of (Dispatchable Reserve and Reactive Power Support) for the (Mindanao) grid;

Terms of Reference	Description	Requirements under the TOR	Commission's Findings (subject to further final evaluation)
		and/or RPS can also be offered for CR or DR, or have energy contracts, or real-time dispatch schedule in the WESM.	
Required Certifications	Printed and electronic copies of valid certifications which must be submitted by Eligible Bidders before the deadline for submission of Post-Qualification requirements: ERC-issued certification - Provisional or Final Certificate of Compliance (COC) as an Independent Power Producer (IPP), or an ERC-issued certification that the same is in process. IEMOP issued certification - Per-unit or Per-sector WESM registration, consistent with AS Certification. Aggregated units/sectors will not be accepted. NGCP-issued certification - Valid Ancillary Service Certification indicating the AS types the plant is qualified to provide per Unit/per Sector		The required certifications are not included in the ASPA provisions but were submitted as part of the post qualification requirements, *to wit:* • ERC Certificate of Compliance or Provisional Authority to Operate;[30] • WESM Registration;[31] and • Ancillary Services Accreditation Certificate[32]
Grid interface and control requirements	Equipment required to be installed at the AS Provider's power plant and connection point	1. Control Mode for Regulating Reserve shall be Automatic Generation Control (AGC), and capable also to run on Governor Control Mode (GCM), if required. 2. Control Mode for Contingency Reserve shall be GCM; AGC mode is also acceptable, if certified. WESM-compliant Revenue Metering consistent with WESM Registration – without any connected Load customer or Station Use Load. Remote Terminal Unit (RTU)- capable of per	The required grid interface and control requirements are not included in the ASPA provisions but were found in the AS Accreditation Certificate, attached to the *Application*.

30 Attached as Annex "T" of the *Application*.
31 Attached as Annex "V" of the *Application*.
32 Attached as Annex "B" of the *Application*.

<table>
<tr><th>Terms of Reference</th><th>Description</th><th>Requirements under the TOR</th><th>Commission's Findings
(subject to further final evaluation)</th></tr>
<tr><td></td><td></td><td>unit/per sector monitoring</td><td></td></tr>
<tr><td>Contracted Capacity</td><td>Open for bidding from multiple AS Providers in Luzon, Visayas and Mindanao grids to comply with the following AS requirements:

<table><tr><th>AS Type</th><th>Approval Level</th></tr><tr><td>1. Regulating Reserve</td><td>4% of the hourly System Peak Demand and any such qualified regulating reserve capacity required to mitigate any frequency variability in the grid, as may be deemed necessary by NGCP</td></tr><tr><td>2. Contingency Reserve</td><td>The most heavily loaded generating unit on-line and its scheduled reserve</td></tr><tr><td>3. Dispatchable Reserve</td><td>The second most heavily loaded generating unit on-line and its scheduled reserve</td></tr><tr><td>4. Reactive Power Support</td><td>Dependent on system voltage condition</td></tr><tr><td>5. Black Start Service</td><td>At least two (2) black start plant per restoration highway</td></tr></table>
Offers for RR, CR and/or DR shall be identified per Unit/per Sector and presented in an hourly profile using the AS capacity offer Excel file provided, the filenames of which are per generating unit's Resource ID. The Offer may already consider the scheduled outage hours of the plant, since there will be no more allocation for outage hours allowance. Otherwise, Eligible Bidder shall provide Replacement AS Capacity during outages, if such outages have not been carved out from its offer.

Offers for RPS and BSS shall be based on its AS Certification (in kVAR for RPS, or kW for BSS) to be provided in the Capacity Offer Summary Word file.</td><td>Consistent with the TOR

Schedule 1 of the ASPA shows the required contracted capacity and the AS type.</td></tr>
</table>

Terms of Reference	Description	Requirements under the TOR	Commission's Findings (subject to further final evaluation)
	Detailed hourly profile for the RR, CR, and DR requirements are included in the Bidding Documents to be provided to Eligible Bidders. For Regulating Reserve offer from BESS facilities, the Resource Capacity will be used and not the installed capacity. Resource Capacity is the sum of the absolute value of the charging and discharging capacity of the BESS, which addresses the over and under frequency in the grid. Note that offers for each AS type will be evaluated separately. There are no bundled AS types to be prioritized in this bidding. The Firm AS capacities in ASPAs that are still valid until December 2023 onwards are not yet included in the capacities open for bidding. Such Firm AS capacities are still allocated to the respective AS Providers. Thus, such AS Providers should not yet offer its contracted Firm AS capacities in this bidding.		
Replacement AS Capacity	AS Provider to source and provide replacement AS capacity for Firm Regulating Reserve, Firm Contingency Reserve, and Firm Dispatchable Reserve, (whether unavailable or derated), to avoid penalties. Replacement AS capacity is not required for RPS and BSS.	Firm AS capacity shall be available and maintained at the Scheduled Capacity level at all times. Unavailability due to outage, unit tripping, or deration shall be replaced with Replacement AS capacity from AS certified Units that are not scheduled for AS, coming from the AS Provider's facility or another AS-certified generating facility of the same AS type. Upon implementation of Reserve Market (RM), replacement capacity may be procured by AS Provider from the RM, and cost difference to be shouldered by AS Provider. Non-replacement shall result	**Consistent with the TOR** The following Sections in the ASPA shows the pertinent provisions relative to this information required under the TOR: • **Section 5.3 of the ASPA** - The AS Provider is deemed Non-compliant when any of the following occur: xxx b. Non-availability of the contracted capacity during the day-ahead declaration, and failure to replace such with an equivalent capacity from another certified unit/facility ("Replacement AS Capacity") (day-ahead); xxx • **Schedule 2 - C. Declaration of Replacement AS Capacity** 1. Declaration of Replacement AS capacity shall be submitted by the AS provider to NGCP-System Operation (NGCP-SO) and shall only be approved due to outage or de-ration of a certain generating

Terms of Reference	Description	Requirements under the TOR	Commission's Findings (subject to further final evaluation)
		to non-compliance, and will be subject to penalty. NGCP shall pay the amount of Replacement AS cost based on the rates in the AS PA, or the actual cost of Replacement AS Capacity, whichever is lower. Any resulting additional cost from Replacement AS Capacity shall be shouldered by the AS Provider, and shall not be passed on for recovery from NGCP. Absence of a Replacement AS capacity will subject the affected hours to penalties. For non-compliance of a Replacement AS unit/s, corresponding penalties shall be applied to such Replacement AS unit/s separately. Guaranteed availability of the Replacement AS should be the sole responsibility of the original scheduled AS Provider.	plant/s providing ancillary services, or insufficient State of Charge (SOC) of Energy Storage System (ESS) to provide dispatch and AS Schedule. 2. The AS Provider shall be notified immediately through the issuance of the revised Day-Ahead Ancillary Services Schedule (DAASS). 3. The AS Provider shall be required to submit the request for re-declaration of available capacity through email or web facilities. 4. Approval of the declaration of Replacement AS Capacity may be granted only for the next hour as required by the system, provided it is not traded in the WESM. • **Schedule 3 - E. The cost of Replacement AS Capacity shall be shouldered by the AS Provider.** NGCP shall pay the corresponding Capacity Payment and Incidental Energy Payment based on A to D of this Schedule 3, or the actual cost of Replacement AS Capacity, whichever is lower.
Deration of AS Capacity	Deration will be subject to penalties	Derated capacity that is not replaced with a Replacement AS capacity shall be subject to non-payment and penalty; compliant available capacity to be paid accordingly.	**Consistent with the TOR** **Section 5.4 of the ASPA** provides as follows: If the contracted capacity is not provided in full due to deration of the AS Provider's generating unit, the capacity that was not provided shall not be paid, and a deduction or fifty percent (50%) of the Capacity Payment shall be imposed on the affected capacity and hour/s.
AS Scheduling	Day-ahead nomination by AS Provider and scheduling by NGCP	1. Nomination by the AS Provider of available capacity should be submitted to NGCP - System Operations day-ahead not later than	**Consistent with the TOR** The following Sections in the ASPA shows the pertinent provisions relative to this information required under the TOR:

Terms of Reference	Description	Requirements under the TOR	Commission's Findings (subject to further final evaluation)
		2:00 pm, based on available generating units, as provided below: -Weekdays, except Fridays, for the next weekday nomination. -Friday for Saturday, Sunday and Monday nominations. -Working Day before Holiday until the next working day 2. Submission by NGCP of Day-Ahead Ancillary Services Schedule (DAASS) to the AS Provider shall be made not later than 5:00 pm. 3. All day-ahead nominations of available capacity and approvals shall be made electronically thru web facility provided by System Operations-NGCP. In case web facility is not available, email shall be used.	• **Section 4 of the ASPA. Nomination, Scheduling and Dispatch of Ancillary Services** The nomination, scheduling and dispatch of Ancillary Services shall be in accordance with the provisions of the Dispatch Protocol/Guidelines provided in Section 3.4.1 of the ASPP or ERC approved AS Rules/Guidelines, and Schedule 2 of this Agreement. • **Schedule 2 – A. Declaration of Available Capacity for Ancillary Service** 1. Declaration by the AS Provider of available hourly capacity should be submitted to NGCP-SO day-ahead not later than 2:00 pm based on available generating units, as provided below: a. Weekdays for the next day declaration except Friday b. Thursday for Friday and Saturday declarations c. Friday for Sunday and Monday declarations d. Working Day before Holiday until the next working day. 2. Submission of NGCP-SO of Day-ahead Ancillary Services Schedule (DAASS) to the AS Provider shall be made not later than 5:00 pm. 3. All day-ahead declaration of available capacity and approvals shall be made electronically thru web facility provided by NGCP-SO. In case web facility is not available, email shall be used. • **Schedule 2 – D. Ancillary Services Scheduling** The Firm Contracted Capacity shall be scheduled at all times. Full Firm capacity may be satisfied by available single or multiple units. ESS with firm contracts shall ensure that they can provide the contracted service during its firm schedules (e.g. sufficient energy to maintain dispatch and to provide scheduled ancillary service capacity.)

Terms of Reference	Description	Requirements under the TOR	Commission's Findings (subject to further final evaluation)
Basis of Payment	Payment by NGCP for actual provision of AS by AS Provider	Payment by NGCP to the AS Provider shall be based on Scheduled Capacity and its corresponding dispatched energy for compliant hours only. Capacity and Energy costs for Non-compliant hour(s) shall not be paid, and shall be subject to applicable penalties. Further, payments by NGCP to the AS Provider shall be based on the actual collection from grid customers, on a pro-rated basis among all AS Providers on the first month. On the second month, NGCP to pay the balance from the previous month in full, and current month on a pro-rated basis, and so on. Please note that the remittance of the VAT shall be in accordance with ERC Resolution No. 20, Series of 2005.[33]	**Consistent with the TOR** The following Sections in the ASPA shows the pertinent provisions relative to this information required under the TOR: • **Payment by NGCP to AS Provider** 6.5. NGCP shall pay the amount provided in the AS Power Bill including Value Added Tax (VAT). The remittance of the VAT shall be in accordance with ERC Resolution No. 20, Series of 2005, as may be applicable and the protocol to be agreed upon by the Parties. 6.6. Payment for the Ancillary Services as described under Section 6.1 to 6.3 shall be made by NGCP on the period and upon the terms provided for under this Agreement as it is understood that said payments are collected by NGCP from the grid users, and in accordance with Section 6.8 to 6.10. 6.7. The AS Provider has the option, upon prior notice to NGCP, to apply such amounts received from NGCP against its prior Billing Periods from the oldest outstanding amounts payable. For the avoidance of doubt, any payments made by NGCP shall be applied first against interest; then to the outstanding Ancillary Service Fees. • **Payment Method and Timeline** 6.8. Payment of Ancillary Service Fees shall be based in the amount of AS charge actually collected by from its customers less VAT, if any, on a per gird basis (the "Total AS Collection") and shall proceed in the following manner: a. From the Total AS Collection, NGCP shall deduct the: (1) payments due to existing AS providers with "as-billed" payment arrangements, if any; and (2) the unpaid amounts due to AS Providers from the previous billing, in full and without interest.

33 Implementing the Recovery of Value Added Tax (VAT) and Other Provisions of Republic Act No. 9337 Affecting The Electric Power Industry.

Terms of Reference	Description	Requirements under the TOR	Commission's Findings (subject to further final evaluation)
			b. From the remaining amount of the Total AS Collection less deductions ("Net AS Collection"), NGCP shall pay AS Provider the latter's pro-rata share in the Net AS Collection. c. NGCP shall pay the AS Provider on the last business day of the calendar month immediately succeeding the subject Billing Period.
Penalty	Penalty of AS provider for Non-compliance to technical criteria, or not following the dispatch instructions of NGCP	Non-compliant hours shall also have a penalty of 50% of the Applicable Rate for Capacity Payment multiplied by the Scheduled Capacity on said hour(s). Such penalty shall be deducted directly from the AS cost payable to the affected AS Provider. Example: Scheduled Capacity = 10MW Capacity Payment Rate = 2.25 PhP/kW/hr Non-compliant hour = 1 hr Penalty = 10,000kW x 2.25PhP/kW per hr x 1 hr x 50% = 11,250 PhP	**Consistent with the TOR** **Section 5.2 of the ASPA** provides: The AS Provider shall not be paid the Total AS Cost for hour/s that it is declared Non-compliant. In addition, NGCP shall deduct an amount equivalent to fifty percent (50%) of the Capacity Payment for that particular type of Ancillary Service for the Non-compliant hour/s. Such deduction shall be applied to the total payment of the monthly AS cost.
AS Rates and Payment to be used for the bidding and adopted in the ASPA	(A) Capacity Payment Rate for Scheduled Capacity (B) Incidental Energy Payment for Dispatched portion of the Scheduled Capacity, with the following components:	Offered rate in PhP/kW per hour, per AG type. Note that Incidental Energy Payment for Regulating Reserve and Contingency Reserve does not include the energy dispatch from the generating unit's technical Pmin, Real-Time Dispatch (RTD) in the WESM, or its Bilateral Contract Quantity (BCQ). Further, start-up and shutdown done outside of the scheduled hour will not be considered in the payment of Incidental Energy. The formula for Incidental Energy Payment shall be:	**Consistent with the TOR** **Schedule 3: Ancillary Service Payment** of the ASPA provides for the AS Rates and Payments. **Ancillary Service Payment:** For Dispatchable Reserve (DR), Ancillary Service Payment is the total of the Capacity Payment and the Incidental Energy Payment: **Ancillary Service Payment = Capacity Payment + Incidental Energy Payment** **Capacity Payment = Undispatched Scheduled Capacity x Applicable Rate per AS type** For Reactive Power Support (RPS), Ancillary Service Payment is as follows:

Terms of Reference	Description	Requirements under the TOR	Commission's Findings (subject to further final evaluation)
		Incidental Energy Payment = [G x (Capacity Payment Rate + Energy Fees)] - (WESM Revenue - WESM Payment) Where: • G = for conventional plants, summation of actual energy generated or dispatched from the Scheduled Capacity in kWh; for BESS RR, sum of the absolute value of the actual energy dispatched and absolute value of the actual energy absorbed due to frequency regulation; or for BESS CR, is the actual energy dispatched only, in kWh • Energy Fees, in PhP/kWh = Fuel Cost. Fixed and Variable O&M Cost, in PhP/kWh • Fuel Cost, in PhP/kWh = prevailing price of relevant fuel index based on published data for the month of December 2022 • Fixed O&M Cost, in PhP/kWh = as applicable • Variable O&M Cost, in PhP/kWh = VOM rate x (Current CPI = Base CPI); where Base CPI is CPI of December 2022 • WESM Revenue = summation of WESM revenue based on market clearing price at the generator's trading node, arising from G. • WESM Payment = summation of WESM purchases based on market clearing price at the generator's trading node for generator's feedback power if applicable.	kVAR Payment = (Incidental kVARh Rate x Compensable kVARh) + Incidental Energy Payment (if applicable) Real Time Incidental kVARh Utilization while Providing Contingency or Dispatchable Reserves. This shall be paid based on the total recorded kVARh delivered/absorbed beyond 0.85 power factor lagging or 0.9 power factor leading from the time when the dispatch of RPS was instructed. The compensable kVARh shall be paid at: Incidental kVARh Rate: Php 4.00 / kVARh **Compensable kVARh = Actual kVARh – Base kVARh** Where: • Actual kVARh = actual reactive power provided within each interval • Base kVARh = corresponding kVARh at 0.85 power factor lagging or 0.9 power factor leading, for the unit's MW loading. For clarity, the MW loading is the unit's Pmin, or RTD schedule, whichever is greater. The Payment Cost of Incidental Energy is computed as follows: **Incidental Energy Payment = {G x (Capacity Payment Rate + Energy Fees)} – (WESM Revenue – WESM Payment)** Where: • G =summation of actual energy generated or dispatched from the Scheduled DR Capacity, in kWh • Capacity Rate Payment = Applicable Rate for DR (PhP0.6452/kWh) • Energy Fees = Fuel Cost + Variable O&M Cost, in PhP/kWh

Terms of Reference	Description	Requirements under the TOR	Commission's Findings (subject to further final evaluation)

			• Fuel Cost = fuel cost based on prevailing price with relevant fuel index based on published data, in PhP/kWh
			
			• Where:
			
			o HFO Payment = HFO Price * HFO Consumption Rate * G;
			o HFO Price = actual Heavy Fuel Oil net delivered price, in PhP/liter, based on "first in first out" inventory price;
			o HFO Consumption Rate = 0.2429 L/kWh or actual consumption rate, whichever is lower
			o LFO Payment = LFO Price * LFO Consumption Rate * n * TEU
			o LFO Price = actual Light Fuel Oil net delivered price, in PhP/liter, based on "first in first out" inventory price;
			o LFO Consumption Rate = 200L per engine per instance of start-up and shutdown
			o TEU = Total engine used;
			o N = number of start-up and shutdown;
			o LO Payment = LO Price * LO consumption rate * G
			o LO Price = actual Lube Oil net delivered price, in PhP/liter, based on "first in first out" inventory price;
			o LO Consumption rate = 0.0022 liter/kWh or the actual consumption rate, whichever is lower;
			
			• Variable O&M Cost = VOM rate (no indexation). VOM rate is PhP0.50/ kWh (as approved by ERC)
			
			• WESM Revenue = summation of WESM revenue based on market clearing price at the generator's trading node, arising from G.
			
			• WESM Payment = summation of WESM purchases based on market clearing price at the generator's trading node, for generator's feedback power if applicable.

Terms of Reference	Description	Requirements under the TOR	Commission's Findings (subject to further final evaluation)
Total AS Cost during ASPA implementation	Computation of the cost of actual AS provided	Hourly AS Cost = [(Undispatched Capacity x A) + B] — Penalty + any billing adjustments Where: A = Capacity Payment (details provided above) B = Incidental Energy Payment (details provided above) Penalty = 50% x (A x Scheduled Capacity) Billing adjustments = applicable adjustments as a result of monthly billing reconciliation	**Consistent with the TOR** The following Sections in the ASPA shows the pertinent provisions relative to this information required under the TOR: • **Schedule 3: Ancillary Service Payment of the ASPA** provides for the computation of the cost of total AS Cost. • **Schedule 2: Dispatch Protocol /Guidelines / Items for Adjustment; and Billing and Payment** provides for the following pertinent provisions: **M. ADJUSTMENTS** Adjustments shall be made on a monthly basis should there be scheduled AS capacities that are dispatched within a billing month. Such adjustments shall be reflected on the Statement of Provided Ancillary Services (SPAS) of the AS Provider within ninety (90) days after the end of current billing month. The AS Provider shall only bill the adjustments that are reflected in the SPAS. **N. BILLING AND PAYMENT** a. NGCP and the AS Provider shall refer to the billing and payment provisions of the ASPA for the method of settlement on AS provisions of the AS Provider every billing month. b. The AS Provider shall pick up the original copies of SPAS from the office of the RSO upon notice of its availability. c. Soft copies shall be emailed by NGCP to the corresponding contact persons for advance copy.
AS Cost Simulation	Simulated Total AS Cost in Pesos	Provide a simulated Total AS Cost for each AS type using the components provided in the Ancillary Services rates portion above, and the Template for AS Cost Simulation. Include cost of VAT in the Total AS Cost. Cost of technical Pmin for Regulating Reserve	The required AS Cost Simulation is not included in the ASPA provisions but was submitted as part of the Co-applicant's bid offer, attached to the *Application*.

Terms of Reference	Description	Requirements under the TOR	Commission's Findings (subject to further final evaluation)
		and Contingency Reserve are not included in the Total AS Cost.	
Basis of Termination of ASPA	The ASPA shall be considered for termination upon the occurrence of any of the scenarios below: 1. AS Provider's Annual Performance Evaluation indicates below 90% compliance, even after conducting Monthly Performance Evaluation with recommendations to improve performance; 2. In cases of unavailability of Firm Contracted Capacity during or as a result of Force Majeure events for a period of fifteen (15) days or less, the AS Provider shall not be obligated to provide Replacement AS Capacity, and will not be penalized for unavailability. Accordingly, the AS Provider shall not be paid for the period of unavailability. Starting on the sixteenth (16th) day of unavailability, AS Provider shall provide Replacement AS capacity if its generating unit is still unavailable. By the ninetieth (90th) day of unavailability, if generating unit is still unavailable, the ASPA shall be subject to termination. 3. AS Providers whose generating unit undergoes outage for a period of not more than thirty (30) consecutive days shall be required to provide Replacement AS capacity during the entire duration of the outage. Otherwise, the ASPA shall be considered for termination. Outages which exceed thirty (30) consecutive days, shall subject the ASPA to termination. 4. Power plant [that] fails the regular AS Certification test (conducted every 2 years) and cannot resolve the technical problem for re-certification within thirty (30) days from the issuance of the test report; 5. Persistent occurrences of power plant tripping/ non-compliances during the period it is scheduled for AS provision,		**Consistent with the TOR** The following Sections in the ASPA shows the pertinent provisions relative to this information required under the TOR: 1. AS Provider's Annual Performance Evaluation is found in Schedule 5. Annual and Monthly Performance Evaluation for computation of the ASPA. • **Section 12.3 of the ASPA** also provides: In the event that the AS Provider continues to fail in any of the standards set in Schedule 5 of this Agreement beyond the period of improvement agreed upon in Section 12.2, NGCP may terminate this Agreement at its discretion subject only to written notice to the AS Provider. 2. Force Majeure – • **Section 11.2 of the ASPA** provides: This Agreement shall remain in full force and effect notwithstanding the occurrence of a Force Majeure Event; however, the AS Provider shall be temporarily relived from fulfilling its obligations under this Agreement for a period of fifteen (15) days from the occurrence of the Force Majeure Event, should its facilities be affected. • **Section 11.3 of the ASPA** also provides: Beginning on the sixteenth (16th) day from the occurrence of the Force Majeure Event, the AS Provider shall provide a Replacement AS Capacity if its generating unit is still unavailable. In the event that on the 90th day from the occurrence of the Force Majeure Event, the generating unit is still unavailable, this Agreement

Terms of Reference	Description	Requirements under the TOR	Commission's Findings (subject to further final evaluation)
	which will reflect in the Annual and Monthly Performance Evaluation; 6. Material adverse change in the Terms of Reference and the ASPA due to changes in law, rules and regulation, and/or significant modification of the ASPA by the ERC in its Provisional Authority to implement or Final Decision; 7. Termination of Connection Agreement and Service Agreements with NGCP. 8. Termination due to implementation of new AS Rules as promulgated by the ERC.		may be terminated ay the option of NGCP. 3. Outages – • **Section 13.1 of the ASPA** provides: Termination due to Default. The following events are grounds for the termination of this Agreement. xxx e. Forced outage of the plant beyond thirty (30) consecutive days. xxx 4. Power plant fails the regular AS Certification test – • **Section 13.1 of the ASPA** provides: Termination due to Default. The following events are grounds for the termination of this Agreement. xxx d. The failure of AS Provider to meet the technical criteria during the regular AS certification testing, and its subsequent failure to meet such technical criteria within 30 days from the initial AS certification testing, resulting to non-issuance of an AS certification; xxx 5. Persistent occurrence of power plant tripping/ non-compliances, which will reflect in the Annual and Monthly Performance Evaluation. • **Section 13.1 of the ASPA** provides: Termination due to Default. The following events are grounds for the termination of this Agreement. xxx g. The failure of the AS Provider to meet the minimum requirements of

Terms of Reference	Description	Requirements under the TOR	Commission's Findings (subject to further final evaluation)
			the Annual Performance Evaluation as provided under Schedule 5 of this Agreement, and subject to Section 12 hereof; or xxx 6. Material adverse change in the TOR and the ASPA – • **Section 13.3 of the ASPA** provides for the Termination due to Material Adverse Change. 7. Termination of Connection Agreement and Service Agreements with NGCP • **Section 13.2 of the ASPA** provides for the Termination without Default, as follows: This Agreement shall be rendered inoperative upon the termination of any of the service agreements of the AS provider with NGCP pursuant to the 2022 OATS Rules. 8. Termination due to implementation of new AS Rules as promulgated by the ERC • **Section 13.3. of the ASPA** provides for the Termination due to Material Adverse Change, as follows: a. In the event of the implementation of a law or regulation, or issuance of an administrative and/or judicial ruling, resulting in a material adverse effect on the rights and/or obligations of either Party, such Party may terminate this Agreement through written notice to the other Party within thirty (30) days of such change, effective upon receipt of such notice. The AS Provider's termination of this Agreement after the lapse of the thirty (30) day period shall fall under Section 13.1(f) of this Agreement. xxx
Bid Participation Fee	There shall be no bid participation fee, nor bid documents fee for this bidding.		**Not Applicable**

Terms of Reference	Description	Requirements under the TOR	Commission's Findings (subject to further final evaluation)
Bid Security	Eligible Bidders shall post Bid Security upon submission of bids, equal to or greater than two percent (2%) of the total computed Capacity Payment Cost for one (1) year, using the maximum offered AS Capacity and offered AS Capacity Payment rate per AS type (equivalent contract price). Should an offer consist of varying AS Capacity offers, the maximum capacity offered and the total number of hours offered in a year will be the basis for the Bid Security computation. A separate Bid Security shall be posted for each AS type offered. 1.Computation of Bid Security for Regulating Reserve (RR), Contingency Reserve (CR), and Dispatchable Reserve (DR) For example, an offer of 20MW RR for 16 hours and 15MW for 8 hours, 320 days in a year at PhP 2.25/kW per hour, take the highest capacity offer of 20MW, which will result to a Bid Security of: 20,000kW x 24hrs x 320days x 2.25PhP/kw per hr x 2% = PhP6,912,000.00. 2.Computation of Bid Security for Black Start Service (BSS) BSS capacity as certified (kVV) x 12hrs x BSS rate (PHP/kWh) x 2%. The assumption is the BSS will be utilized once a year for 12 hours. 3.Computation of Bid Security for Reactive Power Support (RPS) The maximum RPS kVAR as certified (kVAR) x 5hrs x 5months x 4.00/kVAR per hr x 2%. The assumption is the RPS will be utilized for 5 hours a day for 5 months (dry season) per year. The maximum RPS kVAR as certified (kVAR) x 5hrs x 5months x 4.00/kVAR per hr x 2%. The assumption is the RPS will be utilized for 5 hours a day for 5 months (dry season) per year. Bid Security shall be in the form of security bond or irrevocable standby letter of credit from NGCP's list of approved providers. The Bid Security		The Bid Security requirement is not included in the ASPA provisions but was submitted as part of the Co-applicant's bid offer, which is pending submission by the Applicants as part of their compliance to the AS-CSP.

Terms of Reference	Description	Requirements under the TOR	Commission's Findings (subject to further final evaluation)
	shall be (i) forfeited in favor of NGCP if the Eligible Bidder withdraws its bid after the bid opening, fails to complete Post-Qualification Requirements, or refuses to execute the ASPA after it has been provided a Notice of Award; and (ii) valid for 120 days starting on the date of bid submission. In case the ERC has not yet issued a Provisional Authority for the ASPA within 90 days of the 120-day Bid Security validity period, the Eligible Bidder shall extend such Bid Security for another 60 days from the expiration (there will be a 30-day window prior to expiration of Bid Security validity to extend it)		
Performance Bond	Winning Bidders shall post a Performance Bond upon execution of the ASPA equivalent to 30% of the total computed Capacity Payment Cost for one (1) year based on the Firm Contracted Capacity, for the offered AS Capacity per AS type (equivalent contract price). The Performance Bond shall be updated annually, thirty (30) days prior to the anniversary date, and computed as follows i. Computation of Performance Bond for RR, CR, and DR For example, 20MW RR for 24hours, 320 days in a year at PhP 2.25/kW per hour, will result to a Performance Bond of: 20,000kW x 24hrs x 320days x 2.25PhP/kw per hr x 30% = PhP 103,680,000.00. ii. Computation of Performance Bond for BSS BSS capacity as certified (kW) x 12hrs x BSS rate (PHP/kWh) x 30%. The assumption is the BSS will be utilized once a year for 12 hours. iii. Computation of Performance Bond for RPS RPS kVAR as certified (kVAR) x 5hrs x 5months x 4.001kVAR per hr x 30%. The assumption is the RPS will be utilized for 5 hours a day for 5 months (dry season). Performance Bond shall be (i) in the form of security bond or irrevocable standby letter of credit from NGCP's list of approved providers, and (ii) subject to withdrawal in favor of NGCP upon termination of the ASPA due to default of		**Consistent with the TOR** • **Section 7 of the ASPA** provides for the **Performance Bond,** as follows: o 7.1 The AS Provider shall post a Performance Bond equivalent to thirty percent (30%) of the total computed Capacity Payment for the contracted capacity for the first year of AS provision (i.e. one year equivalent), within fifteen (15) days from receipt of the ERC PA, IR, or Decision, whichever comes first. o 7.2 The Performance Bond shall be in the form of Standby Letter of Credit or Surety Bond issued by entities acceptable to NGCP, valid for one year, and updated annually, at least thirty (30) days prior to the current Performance Bond's expiration date. o 7.3 The Performance Bond shall be forfeited in favor of NGCP in the event of default by the AS Provider, as specified in Section 13.1 of this Agreement.

Terms of Reference	Description	Requirements under the TOR	Commission's Findings (subject to further final evaluation)
	the AS Provider (Winning Bidder), to be posted upon the execution of the ASPA.		

Based on the DOE-approved TOR requirements outlined in the table above, the Commission determines that the ASPA between NGCP and KEGI is consistent with the DOE-approved TOR. The Commission also notes that the following TOR requirements were not incorporated in the ASPA provisions but were either submitted as part of the *Application* or as part of compliance with the CSP requirements by the Applicants:

(1) Required Certifications which are part of the post qualification requirements is attached to the *Application*;

(2) Grid interface and control requirements are specified in the AS Accreditation Certificate, which was attached to the *Application*;

(3) AS Cost Simulation was part of the bid offer, which was attached to the *Application*; and

(4) Bid Security is part of the AS-CSP requirements submitted by NGCP as part of its *Compliance.*

C. NGCP's Compliance with DOE 2021 AS-CSP Circular

The Commission examined the submissions of NGCP relative to its procurement of its AS to determine whether the said submissions have met the parameters as set forth under the DOE 2021 AS-CSP Circular, as follows:

SECTION 1. GENERAL PRINCIPLES.

The procurement by the System Operator (SO) of Ancillary Services (AS) through contracts shall be governed by the following principles:

1.1. Transparency and non-discriminatory treatment of all Ancillary Service Providers (ASPs) in the procurement of AS through the conduct of CSP that allows wide dissemination of bid opportunities and participation of all companies capable of providing AS;

1.2. Promote competition in the procurement and supply of AS to the grid by extending equal opportunity to eligible and qualified companies to participate in CSP for AS;

1.3. Protect the interest of the general public as it is affected by the rates and services of ASPs by ensuring sufficient and least-cost provision of AS;

1.4. Accountability in the procurement process by ensuring timely observance in the processes involved in the conduct of CSP, particularly the capability testing of generating facilities and issuance of other requisites in accordance with the ease of doing business principles;

1.5. All AS contracts shall be entered into by the SO in accordance with the competitive procurement mechanisms as provided in this Circular; and

1.6. Encourage additional investments through the contracting of future AS requirements as provided under Section 12.6 of DOE Department Circular No. DC2019-12-0018.

Upon careful examination of the records of the case vis-à-vis the requirements/parameters outlined hereunder, and the attendant specific requirements therein, the Commission has determined that NGCP's AS selection process has complied with the requirements of the DOE 2021 AS-CSP Circular, as follows:

Table 2: Compliance of NGCP with the AS-CSP Parameters

	Parameters	Documents Required/Relevant Provisions under the DOE 2021 AS-CSP Circular	Commission's Findings
1	Third Party Bids and Awards Committee (TPBAC)	Establishment of TPBAC, Technical Working Group (TWG) and Secretariat (Sec. 5) - SO's BOD *(Board Resolution)* shall designate five members of the TPBAC, composed of the following: 1. SO officer/employee knowledgeable in the technical operations of the transmission system; 2. SO officer/employee with knowledge and/or experience with any local or international competitive bidding procedures and has knowledge on electricity pricing; 3. SO lawyer knowledgeable in the legal framework of operating the transmission system; 4. Market Operator (MO) representative	**Compliant.** In the *Application*, NGCP submitted the TPBAC Evaluation Report,[34] showing that the TPBAC is composed of the members from the NGCP, IEMOP, and TRANSCO. Further, in the *Compliance* filed by NGCP, it submitted the respective Board Resolution or Secretary's Certificate showing the due constitution of the TPBAC to conduct the AS-CSP of NGCP.

34 Attached as Annex "I" of the *Application*.

	Parameters	Documents Required/Relevant Provisions under the DOE 2021 AS-CSP Circular	Commission's Findings
		5. Representative from National Transmission Corporation (TRANSCO)	
2	AS CSP Observers	• An invitation in writing and electronic mail (e-mail) to AS CSP Observers, which includes the DOE, the National Electrification Administration (NEA) and Energy Regulatory Commission (ERC), shall be extended at each of the following stages: Pre-Bid, Submission and Opening of Bids, Bid Evaluation, Post Qualification, Awarding and Contract Signing • Observers cannot participate in the proceedings and have no right to vote (Sec. 6.3) Note: The absence of AS CSP observers will not nullify the AS CSP proceedings; Provided, that AS CSP Observers have been duly invited in writing and email within the prescribed period. (Sec.6.6)	**Compliant.** NGCP submitted the TPBAC Resolution Evaluation Report[35] stating that CSP Observers from DOE, NEA, and the ERC were invited to attend the Pre-bid Conference and the Bid Opening. Further, in the *Compliance* filed by NGCP, it submitted proof, such as letters or emails inviting the foregoing agencies.
3	Terms of Reference Annex A of DC2021-10-0031	Prior to the publication of the Invitation to Bid, the SO shall submit to the DOE for approval the following documents: 1. TOR, if consistent with CSP policy; and 2. Draft Instruction to Bidders, if consistent with the final TOR Annex A of DC2021-10-0031 also prescribes the ASPA TOR.	**Compliant.** In the *Application*, NGCP submitted the following in compliance with this parameter: • DOE *Letter* dated 22 November 2022 approving the Terms of Reference (TOR) and Instruction to Bidders;[36] and • DOE-approved TOR.[37]
4	Invitation to Bid	Requirements: (Sec 7.3.2) 1. Cooperation Period/Contract Year 2. Type of AS 3. Level of AS required 4. Eligibility requirements 5. Information memorandum 6. Instruction to bidders 7. Schedule and Deadlines up to the Notice to Proceed (Sec 7.3.2)	**Compliant.** In the *Application*, NGCP submitted its *Notice of Invitation to Bid* which contained all the required information for the conduct of its CSP as required under the DOE 2021 CSP Circular.
5	Other Bidding documents	TPBAC shall prepare the Bid Documents which consists of: 1. Corporate Profile of the Bidders	**Compliant.** NGCP submitted the following in compliance with this parameter:

35 Attached as Annex "I" of the *Application*.
36 Attached as Annex "C" of the *Application*.
37 Attached as Annex "C-1" of the *Application*.

	Parameters	Documents Required/Relevant Provisions under the DOE 2021 AS-CSP Circular	Commission's Findings
		2. Technical Proposal's requirements 3. Financial Proposal's Requirements 4. Method and Criteria for evaluation 5. Bidding Procedure 6. Awarding, Signing of Contract and Notice of Implementation 7. Acceptable form of Bid and Performance Securities 8. Proposed timelines or Milestones 9. ASPA template 10. Notarized Statement attesting to the information submitted for the bid 11. Protest Mechanism 12. Other documents as may be required by other government agencies (Sec 7.3)	1. Corporate Profile of the Bidders – submitted through a *Compliance*;[38] 2. Technical Proposal's requirements – submitted through a *Compliance*;[39] 3. Financial Proposal's Requirements – submitted through a *Compliance*;[40] 4. Method and Criteria for evaluation – which can be found in the DOE Approved Instruction to Bidders;[41] 5. Bidding Procedure – which can be found in the DOE Approved Instruction to Bidders;[42] 6. Awarding, Signing of Contract and Notice of Implementation – which can be found in the DOE Approved Instruction to Bidders;[43] 7. Acceptable form of Bid and Performance Securities – submitted through a *Compliance*;[44] 8. Proposed timelines or Milestones – which can be found in Item No. 7 of the Notice of Invitation to Bid;[45] 9. ASPA template – submitted through a *Compliance*;[46] 10. Notarized Statement attesting to the information submitted for the bid –

38 Attached as Annex "C" of *Compliance (with Motion for Confidential Treatment of Information)* dated 07 August 2023, filed by NGCP.
39 Attached as Annex "C-1" of *Compliance (with Motion for Confidential Treatment of Information)* dated 07 August 2023, filed by NGCP.
40 Attached as Annex "C-2" of *Compliance (with Motion for Confidential Treatment of Information)* dated 07 August 2023, filed by NGCP.
41 Attached as Annex "C-2" of the *Application*.
42 Attached as Annex "C-2" of the *Application*.
43 Attached as Annex "C-2" of the *Application*.
44 Attached as Annex "C-3" of *Compliance (with Motion for Confidential Treatment of Information)* dated 07 August 2023, filed by NGCP.
45 Attached as Annex "C-3" of the *Application*.
46 Attached as Annex "C-4" of *Compliance (with Motion for Confidential Treatment of Information)* dated 07 August 2023, filed by NGCP.

	Parameters	Documents Required/Relevant Provisions under the DOE 2021 AS-CSP Circular	Commission's Findings
			submitted through a *Compliance*;[47] 11. Protest Mechanism – which can be found in the Item No. 7 of the DOE Approved Instruction to Bidders.[48] 12. Other documents as may be required by other government agencies – NGCP submitted the following: • Articles of Incorporation[49] • Latest SEC GIS/Proof of Business[50] Registration • Certification issued by ERC on extension request of Provisional Authority to Operate[51] • Latest Audited Financial Statement[52] • WESM Registration[53] • Computation of True Cost of Generation (PhP/kW & PhP/kWh)[54] • Summary of computed Consumer Price Index (CPI) indexation for Variable and Maintenance (VOM) Cost, including their computations.[55] • Single-Line Diagram Connections.[56]
6	Posting of Invitation to Bid	Invitation to Bid, all bid bulletins and related announcements shall be posted in: 1. DOE website or DOE AS CSP E-based Portal; and 2. Through other means of publication and posting (Sec 7.5.1)	**Compliant.** NGCP submitted the following: • *Letter* to DOE requesting that the invitation to bid be posted in the Department's website;[57] and

47 Attached as Annex "C-5" of *Compliance (with Motion for Confidential Treatment of Information)* dated 07 August 2023, filed by NGCP.
48 Attached as Annex "C-2" of the *Application*.
49 Attached as Annex "S" of the *Application*.
50 Attached as Annex "S" of the *Application*.
51 Attached as Annex "T" of the *Application*.
52 Attached as Annex "U" of the *Application*.
53 Attached as Annex "V" of the *Application*.
54 Attached as Annex "W" of the *Application*.
55 Attached as Annex "X" of the Application.
56 Attached as Annex "Z" of the *Application*.
57 Attached as Annex "D" of *Compliance (with Motion for Confidential Treatment of Information)* dated 07 August 2023, filed by NGCP.

	Parameters	Documents Required/Relevant Provisions under the DOE 2021 AS-CSP Circular	Commission's Findings
			• Posting of the Invitation to Bid on NGCP's website.[58]
7	Publication of Invitation to Bid	Invitation to Bid shall be published in a newspaper of general circulation once weekly for two (2) consecutive weeks. (Sec 7.5.2)	**Compliant.** In the *Application*, NGCP submitted the following: • The 31 January 2023 edition of the *Malaya Business Insight*[59] and the page on which the Notice of Invitation to Bid appears;[60] and Affidavit of Publication issued by the *Malaya Business Insight*.[61] • The 31 January 2023 edition of the *Philippine Star*[62] and the page on which the Notice of Invitation to Bid appears;[63] and Affidavit of Publication issued by the *Philippine Star*.[64] • The 07 February 2023 edition of the *Business Mirror*[65] and the page on which the Notice of Invitation to Bid appears;[66] and Affidavit of Publication issued by the *Business Mirror*.[67] • The 07 February 2023 edition of the *Manila Bulletin*[68] and the page on which the Notice of Invitation to Bid appears;[69] and Affidavit of Publication issued by the *Manila Bulletin*.[70]
8	Pre-Bid Conference	• Conference must be conducted within fourteen (14) days after publication of Invitation to Bid (Sec 7.6.1) - It shall discuss the eligibility requirements, TOR, and the	**Compliant.** NGCP submitted the following: • TPBAC Evaluation Report,[71] stating that the pre-bid conference was conducted

58 Attached as Annex "D-1" of *Compliance (with Motion for Confidential Treatment of Information)* dated 07 August 2023, filed by NGCP.
59 Attached as Annex "D" of the *Application*.
60 Attached as Annex "D-1" of the *Application*.
61 Attached as Annex "D-2" of the *Application*.
62 Attached as Annex "E" of the *Application*.
63 Attached as Annex "E-1" of the *Application*.
64 Attached as Annex "E-2" of the *Application*.
65 Attached as Annex "F" of the *Application*.
66 Attached as Annex "F-1" of the *Application*.
67 Attached as Annex "F-2" of the *Application*.
68 Attached as Annex "G" of the *Application*.
69 Attached as Annex "G-1" of the *Application*.
70 Attached as Annex "G-2" of the *Application*.
71 Attached as Annex "I" of the *Application*.

	Parameters	Documents Required/Relevant Provisions under the DOE 2021 AS-CSP Circular	Commission's Findings
		technical, legal and financial components of the ASPA to be bid out.	on 20 February 2023 at 10:00 AM. • DOE Approved Instruction to Bidders,[72] stating the instruction to bidders as to how the pre-bid conference should be conducted. • Minutes of the pre-bid conference as well as attendance reports.[73]
9	Bid Evaluation Criteria and Process	The TPBAC shall evaluate the bidders technical, legal and financial qualifications based on the criteria indicated in the Bid Documents.	**Compliant.** In the *Application*, NGCP submitted the TPBAC Evaluation Report,[74] discussing how the bidders were evaluated based on the documents they submitted.
10	Receipt and Opening of Bids	Opening of Bids shall take place in the presence of qualified bidders and/or their duly authorized representatives, and AS CSP Observers. (Sec 7.8.3) NOTE: the time, date and place of the opening of the bids shall be specified in the Bidding Documents.	**Compliant.** NGCP submitted the following: • TPBAC Evaluation Report,[75] stating the time, date and place of the opening of the bids, as follows: Time: 10:00AM of the following dates: Luzon: March 14, 2023 Visayas: March 15, 2023 Mindanao: March 16, 2023 • Minutes of the meeting of the opening of bids as well as attendance reports.[76] • Proof of receipt of online and physical bid submissions.[77] • Photos during the bid opening.[78]
11	Determination of Winning Bidder	Issuance of Notice of Award	**Compliant.** In the *Application*, NGCP submitted Notice of Award in favor of KEGI.[79]

72 Attached as Annex "C-2" of the Application.
73 Attached as Annex "E" and series of *Compliance (with Motion for Confidential Treatment of Information)* dated 07 August 2023, filed by NGCP.
74 Attached as Annex "I" of the *Application*.
75 *Ibid.*
76 Attached as Annex "F" of *Compliance (with Motion for Confidential Treatment of Information)* dated 07 August 2023, filed by NGCP.
77 Attached as Annex "F-1" of *Compliance (with Motion for Confidential Treatment of Information)* dated 07 August 2023, filed by NGCP.
78 Attached as Annex "F-2" of *Compliance (with Motion for Confidential Treatment of Information)* dated 07 August 2023, filed by NGCP.
79 Attached as Annex "K" of the *Application*.

	Parameters	Documents Required/Relevant Provisions under the DOE 2021 AS-CSP Circular	Commission's Findings
12	Conduct of Post Qualification process	The winning bidder shall undergo a post qualification process to determine its compliance with all the requirements and conditions as specified in the TOR and other pertinent bidding documents.	**Compliant.** NGCP submitted the following: • The Notice of Invitation to Bid[80] enumerated the post-qualification requirements as follows: 1. ERC Certificate of Compliance or Provisional Authority to Operate;[81] 2. WESM Registration;[82] 3. Ancillary Services Accreditation Certificate.[83] NGCP conducted a post-qualification process as evidenced by the Applicant's submissions of the above-listed required documents.

Based on the requirements and parameters outlined in the Table above, the Commission found that NGCP complied with all the compliance parameters in the selection of KEGI and the procurement of its AS. Thus, the Commission hereby determines that the Applicants are compliant with the AS-CSP requirements.

D. Salient Features of the ASPA

The salient features of the ASPA are the following:

1. **Term:** The term of the ASPA shall be for a period of five (5) years effective upon the approval by the Commission, whether it be a provisional authority, interim relief, or final authority, whichever comes first, unless a different effective date is provided by the Commission in its *Order* or *Decision*;

2. **Proposed Capacities and Rates:** Under Schedule 1 (Ancillary Services to be Provided) and Schedule 3 (Ancillary Service Payment) of the ASPA, the proposed capacities and rates of the Applicants are summarized in Table 3:

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80 Attached as Annex "C-3" of the *Application*.
81 Attached as Annex "U" of the *Application*.
82 Attached as Annex "W" of the *Application*.
83 Attached as Annex "B" of the *Application*.

Table 3. Proposed Rates for Ancillary Service

Type of Firm Ancillary Service	Contracted Capacity	Capacity Payment Rate
Dispatchable Reserve (DR)	Maximum of 15 MW	PhP0.6452/kW/hr
Reactive Power Support (RPS) Service	Available capacity of Reactive Power outside the range of 85% lagging and 90% leading[84] power factor	PhP4.00/kVAR/hr

DR:

KEGI_MOPP2U01

DISPATCHABLE RESERVE	01:00	02:00	03:00	04:00	05:00	06:00	07:00	08:00	09:00	10:00	11:00	12:00	13:00	14:00	15:00	16:00	17:00	18:00	19:00	20:00	21:00	22:00	23:00	24:00
JANUARY	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	0	0	0	0	0	0	0	0	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5
FEBRUARY	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	0	0	0	0	0	0	0	0	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5
MARCH	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	0	0	0	0	0	0	0	0	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5
APRIL	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	0	0	0	0	0	0	0	0	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5
MAY	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	0	0	0	0	0	0	0	0	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5
JUNE	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	0	0	0	0	0	0	0	0	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5
JULY	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	0	0	0	0	0	0	0	0	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5
AUGUST	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	0	0	0	0	0	0	0	0	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5
SEPTEMBER	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	0	0	0	0	0	0	0	0	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5
OCTOBER	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	0	0	0	0	0	0	0	0	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5
NOVEMBER	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	0	0	0	0	0	0	0	0	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5
DECEMBER	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	0	0	0	0	0	0	0	0	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5
TOTAL	90	90	90	90	90	90	90	90	0	0	0	0	0	0	0	0	90	90	90	90	90	90	90	90

KEGI_MOPP2U02

DISPATCHABLE RESERVE	01:00	02:00	03:00	04:00	05:00	06:00	07:00	08:00	09:00	10:00	11:00	12:00	13:00	14:00	15:00	16:00	17:00	18:00	19:00	20:00	21:00	22:00	23:00	24:00
JANUARY	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	0	0	0	0	0	0	0	0
FEBRUARY	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	0	0	0	0	0	0	0	0
MARCH	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	0	0	0	0	0	0	0	0
APRIL	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	0	0	0	0	0	0	0	0
MAY	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	0	0	0	0	0	0	0	0
JUNE	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	0	0	0	0	0	0	0	0
JULY	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	0	0	0	0	0	0	0	0
AUGUST	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	0	0	0	0	0	0	0	0
SEPTEMBER	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	0	0	0	0	0	0	0	0
OCTOBER	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	0	0	0	0	0	0	0	0
NOVEMBER	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	0	0	0	0	0	0	0	0
DECEMBER	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	0	0	0	0	0	0	0	0
TOTAL	90	90	90	90	90	90	90	90	90	90	90	90	90	90	90	90	0	0	0	0	0	0	0	0

Note that the capacities in the hourly profile are the maximum ancillary service capacities that can be provided by each unit. However, declaration and scheduled shall be based on the latest AS Accreditation Certificate, which shall not exceed the Firm capacities in the hourly profile.

3. **Ancillary Service Payment:** For Dispatchable Reserve (DR), Ancillary Service Payment is the total of the Capacity Payment and the Incidental Energy Payment:

Ancillary Service Payment = Capacity Payment + Incidental Energy Payment

Capacity Payment = Undispatched Scheduled Capacity x Applicable Rate per AS type

[84] This is the proposal under Schedule 1 of the ASPA although NGCP certified only for lagging PF operation as indicated in the AS Certificate.

The Payment Cost of Incidental Energy for DR is computed as follows:

Incidental Energy Payment = {G x (Capacity Payment Rate + Energy Fees)} – (WESM Revenue – WESM Payment)

Where:

- *G =summation of actual energy generated or dispatched from the Scheduled DR Capacity, in kWh*
- *Capacity Payment Rate = Applicable Rate for DR (PhP0.6452/kWh)*
- *Energy Fees = Fuel Cost + Variable O&M Cost, in PhP/kWh*
- *Fuel Cost = fuel cost based on prevailing price with relevant fuel index based on published data, in PhP/kWh*

  Where:

  - *HFO Payment = HFO Price * HFO Consumption Rate * G;*
  - *HFO Price = actual Heavy Fuel Oil net delivered price, in PhP/liter, based on "first in first out" inventory price;*
  - *HFO Consumption Rate = 0.2429 L/kWh or actual consumption rate, whichever is lower*
  - *LFO Payment = LFO Price * LFO Consumption Rate * n * TEU*
  - *LFO Price = actual Light Fuel Oil net delivered price, in PhP/liter, based on "first in first out" inventory price;*
  - *LFO Consumption Rate = 200L per engine per instance of start-up and shutdown*
  - *TEU = Total engine used;*
  - *N = number of start-up and shutdown;*
  - *LO Payment = LO Price * LO consumption rate * G*
  - *LO Price = actual Lube Oil net delivered price, in PhP/liter, based on "first in first out" inventory price;*
  - *LO Consumption rate = 0.0022 liter/kWh or the actual consumption rate, whichever is lower;*

- *Variable O&M Cost = VOM rate (no indexation). VOM rate is PhP0.50/ kWh (as approved by ERC)*

- *WESM Revenue = summation of WESM revenue based on market clearing price at the generator's trading node, arising from G.*

- WESM Payment = summation of WESM purchases based on market clearing price at the generator's trading node, for generator's feedback power if applicable.

For RPS Service, the Ancillary Service Payment is as follows:

kVARh Payment = (Incidental kVARh Rate x Compensable kVARh) + Incidental Energy Payment (if applicable)

Compensable kVARh = Actual kVARh – Base kVARh

Where:

- *Incidental kVARh Rate = PhP4.00/kVARh*

- *Actual kVARh = actual reactive power provided within each interval*

- *Base kVARh = corresponding kVARh at 0.85 power factor lagging or 0.9 power factor leading, for the unit's MW loading. For clarity, the MW loading is the unit's Pmin, or RTD schedule, whichever is greater.*

4. **Performance Evaluation:** Schedule 5 of the ASPA (Annual and Monthly Performance Evaluation) provides that NGCP shall, on an annual and monthly basis, conduct Performance Evaluations (PE) of the AS Provider to determine the capability of the latter's Generation Facility in providing the Ancillary Services specified in Schedule 1 of the ASPA, using the following formula.

$$PE = \frac{\text{Total No. of Hours Complied in a Year or in a Month}}{\text{Total No. of Hours Scheduled in a Year or in a Month}} \times 100\%$$

In addition, Schedule 5 further provides that if the AS Provider performs poorly or has an Annual PE or less than 90%, NGCP may terminate the ASPA.

Lastly, Schedule 5 provides that the PE shall cover the period starting from the implementation date of the ASPA.

All provisions of the subject ASPA, including those indicated, shall be further evaluated and reviewed in the final evaluation and determination of the instant case.

E. ASPA Rate Impact

NGCP simulated the rate impact of the subject ASPA using the awarded AS capacities and AS rates offered to come out with the simulated cost, and the billing determinants for year 2022.

Table 4 shows the Simulated AS Cost as per computation by NGCP.

Table 4. Simulated AS Cost

Type of Ancillary Service	Total AS Capacity Schedule for one (1) Year, kW-h	Simulated Cost, PhP
DR	87,600,000.00	69,167,727.47
RPS	35,017,500.00	156,878,400.00

Table 5 shows a summary of the average monthly billing determinants for the Mindanao Grid for year 2022:

Table 5. Billing Determinants

Billing Determinants	Mindanao	Unit
Billing Determinant Demand	2,051,305	kW
Billing Determinant Energy	967,307,965	kWh

Using the data in Tables 4 and 5, NGCP was able to derive the simulated AS Pass-thru Charge to be passed on to grid customers in the Mindanao grid once the ASPA is implemented, as shown in Table 6.

(This space is intentionally left blank.)

Table 6. Simulated Rate Impact

Ancillary Service	Rate Impact Simulation	
	PhP/kW-mo.	PhP/kWh equivalent
DR	2.8099	0.0060
RPS	6.3731	0.0135

Based on the data in Table 6, the indicative rate impact with KEGI for MOPP 2 resulted to PhP2.8099/kW-mo. or equivalent to a PhP0.0060/kWh for DR, and PhP6.3731/kW-mo. or equivalent to a PhP0.0135/kWh for RPS, to be reflected every billing cycle. NGCP noted that these amounts may change depending on the actual AS schedule and dispatch, as well as actual fuel and VOM costs of the AS Provider.

The Commission authorizes the procurement of AS capacities on a firm basis to maintain reliability of grid operation, in consonance with Department Circular No. DC2019-12-0018. The said circular requires the procurement of the required level and specifications of AS through firm contracts only. Under this arrangements, providers of firm capacity are obligated to make contracted capacities available, and any failure to do so shall result in penalties or payments. Thus, firm capacities are reliable and can be tapped by the NGCP according to the agreed-upon schedule.

F. The Commission's Initial Findings

1. KEGI MOPP 2 – Diesel Bunker Power Plant

KEGI is the owner and operator of the MOPP 2, a diesel bunker power plant with a rated capacity of 15.68 MW continuous output at 60 Hz, including required ancillaries and spare parts located at Brgy. Map-An, Panaoan, Misamis Occidental. On 03 September 2019, the said generating facility was granted a Certificate of Compliance (COC) No. 19-09-M-00352M with validity from 26 May 2019 to 25 May 2024.

NGCP issued Accreditation Certificate (AS Certificate) No. 2021-M012 valid from 14 November 2021 to 13 November 2023 to KEGI's MOPP 2, certifying both Units 1 and Unit 2 as capable of providing 7.5 MW DR, and RPS for lagging power factor operation.

The said AS Certificate was issued pursuant to the following rules:

(1) Section 4.3 of the ASPP under ERC Case No. 2002-253, which provides:

x x x

> Section 4.3. Qualification of Ancillary Service Providers
>
> TRANSCO, as the System Operator, may use reasonable endeavors to procure and enter into "Ancillary Services Procurement Agreement" with qualified generation companies to provide sufficient ancillary services to the Grid.

x x x

(2) Section 4.4.2 of the ASPP which states that:

x x x

> Section 4.4.2. Testing of Ancillary Service Providers
>
> Scheduled tests shall be conducted to confirm the compliance of generating units' capability and availability to deliver the Ancillary Services that the Generator had agreed to provide.

x x x

(3) Grid Operations (GO) 6.6.5 (Primary Reserve), GO 6.6.6 (Secondary Reserve), and GO 6.6.7 (Tertiary Reserve) of the Philippine Grid Code (PGC) 2016 Edition which provide that these AS, in the form of Reserves, shall be provided by Generating Units certified by the System Operator;

(4) Lastly, GO 6.11.1.1 of the PGC 2016 Edition which provides:

x x x

> Tests shall be conducted, in accordance with the agreed procedure and standards, to confirm the compliance of Generating Units for the following:
> a. Capability of Generating Units to operate within their registered Generation parameters;

b. Capability of the Generating Units to meet the applicable requirements of the Philippine Grid Code;

c. Capability to deliver the Ancillary Service that the Generation Company had agreed to provide;

d. Availability of Generating Units in accordance with their capability declaration; and

e. Annual testing of Over Frequency Relays (OFR) and Under Frequency Relays (UFR).

x x x

Based on the submitted AS Certificate, KEGI's MOPP 2 was certified by NGCP to have met and complied with the above-mentioned Standard Ancillary Services Technical Requirements of the System Operations during the actual testing; however, only lagging power factor is certified for the RPS Service.

In view of the foregoing, the Commission deemed that the AS capacities indicated in Schedule 1 of the ASPA is the hourly Firm capacity, which shall be used for scheduling and dispatch of DR. Moreover, for the RPS provision under this ASPA, only the MVAR for lagging power factor shall be provided.

2. AS Requirement in the Mindanao Grid

This section offers a comprehensive overview of the AS requirements in the Mindanao grid. Through an examination of recently approved ASPAs, existing contracted firm capacities, and the ASPAs for approval, this analysis aims to provide insights into the status of Ancillary Service Provision. Emphasis is given to the capacities of DR to assess their adequacy in meeting the grid's evolving operational needs.

Table 7 offers an overview of the existing contracted AS capacities as of July 2023. Within this table, a condensed visual representation of Regulating Reserve (RR), Contingency Reserve (CR), and DR capacities can be found.

Table 7. Available Contracted AS Capacities as of July 2023

Grid	RR			CR			DR		
	Required (MW)	Contracted (MW)		Required (MW)	Contracted (MW)		Required (MW)	Contracted (MW)	
		Firm	Non-Firm		Firm	Non-Firm		Firm	Non-Firm
Luzon	525	45	135	668	60	90	668	145	360
Visayas	108	±20	0	153	0	30	153	84	88.4
Mindanao	96	0	165	138	0	201	138	7.5	131.8

The data in Table 7 highlights deficiencies in contracted firm capacities for AS in the Luzon, Visayas, and Mindanao Grids.

Following the recent approval of capacities of the ASPAs, which underwent a CSP, the Commission prepared an updated outlook on AS contracted capacities. In preparing such updates, particularly for the Mindanao grid, the Commission found it instructive to consider the hourly firm capacities of DR in its evaluation. This analysis also factored in the capacities specified under Schedule 1 of the subject ASPA for approval.

This approach helps determine the extent to which the AS providers' capacities align with the hourly AS requirements given that AS providers have been awarded varying capacities for each hour and month throughout the year. The data are shown in Table 8.

Table 8. Consolidated Contracted Firm DR in Mindanao

DISPATCHABLE RESERVE	01:00	02:00	03:00	04:00	05:00	06:00	07:00	08:00	09:00	10:00	11:00	12:00	13:00	14:00	15:00	16:00	17:00	18:00	19:00	20:00	21:00	22:00	23:00	24:00
JANUARY	108	108	108	108	108	108	108	108	100.5	138	138	138	138	138	138	138	138	138	138	138	138	100.5	100.5	100.5
FEBRUARY	138	138	138	138	138	138	138	138	138	136	138	136	138	138	138	136	138	136	138	138	138	138	138	138
MARCH	138	138	138	138	138	138	138	138	138	136	138	138	136	138	138	138	138	136	138	138	138	138	138	138
APRIL	138	138	138	136	138	138	136	138	138	136	138	136	136	138	138	138	138	138	138	138	138	138	138	138
MAY	138	138	138	136	138	138	136	138	138	136	138	138	138	138	138	138	138	138	138	138	138	138	138	138
JUNE	138	138	138	136	138	138	136	138	138	138	138	138	138	138	138	138	138	138	138	138	138	138	138	138
JULY	138	138	138	136	138	138	138	138	138	138	138	138	138	138	138	138	138	136	138	138	138	138	136	138
AUGUST	138	138	138	138	138	138	138	138	138	138	138	138	138	138	138	138	138	138	138	138	138	138	138	138
SEPTEMBER	138	138	138	138	138	138	138	138	138	138	138	138	138	138	136	136	138	136	136	139	138	138	136	136
OCTOBER	138	136	136	136	138	138	138	136	136	138	138	136	136	138	136	136	138	138	136	139	138	138	136	138
NOVEMBER	138	138	138	138	138	138	138	138	138	136	138	136	136	138	136	136	138	138	138	138	136	138	136	136
DECEMBER	138	138	138	138	138	138	136	138	138	136	138	138	136	138	136	136	136	138	138	138	138	138	138	138

It is apparent in Table 8 that the firm DR capacities in Mindanao grid are still below the required level of 138 MW, making the timely approval of the instant ASPA *Application*, the procurement of which underwent a CSP, crucial and necessary, subject to the determination of least cost.

For the RPS, the following are the existing RPS Provider in the Mindanao Grid, namely: PSALM-Agus HEPPs located in

Lanao del Sur, Lanao del Norte, and Iligan City; PSALM-Pulangi HEPP located in Maramag, Bukidnon; KEGI – MOPP2 and KEGI- MOPP3 located in Misamis Occidental; and WMPC Bunker C-Fired DPP located in Sangali, Zamboanga.

3. Existing Bilateral Contracts of KEGI

Based on the *Certification* issued by KEGI as part of the *Application*, it has an existing Power Supply Agreement (PSA) with Misamis Occidental I Electric Cooperative, Inc. (MOELCI I) and Misamis Occidental II Electric Cooperative, Inc. (MOELCI II) as shown in the table below:

Table 9. Existing Contract for Power Supply Agreement (PSA)

Distribution Utility	ERC Case No.	Contracted Capacity	Intervals	Start & end of Operation
MOELCI I	2014-077 RC	3.76 MW	8 hours	May 26, 2014 to May 26, 2024
MOELCI II	2014-078 RC	10.0 MW	8 hours	May 26, 2014 to May 26, 2024
TOTAL		**13.76 MW**		

The said PSAs with MOELCI I and MOELCI II from KEGI's MOPP2 have a maximum contracted capacity of up to 13.76 MW for a duration of 8[85] hours each. As shown in Schedule 1 of the ASPA, Diesel Generator 1 of MOPP2 has no firm DR contracted capacity from 0900 hours to 1600 hours, while Diesel Generator 2 has no firm DR contracted capacity from 1600 hours to 2400 hours.

KEGI's MOPP2 has an existing ASPA with NGCP providing non-firm DR and RPS under ERC Case No. 2019-077 RC.[86] KEGI declared during the scheduled hearing that the said non-firm ASPA shall be superseded by the firm DR and RPS of the instant ASPA under its new terms and conditions.

Thus, MOPP2 of KEGI can provide the firm DR contracted capacity of 15 MW as indicated in Schedule 1 of the instant ASPA.

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[85] The plant will supply to MOELCI I and II only from the time the units are not supplying for firm DR.

[86] Entitled, "In the Matter of the Application for Approval of the Ancillary Services Procurement Agreement Between the National Grid Corporation of the Philippines and King Energy Generation, Inc. (Misamis Occidental Power Plant 2 – Panaon), With Prayer for the Issuance of Provisional Authority."

4. Modification on Proposed Formulas

The Commission notes that the proposed formulas by the Applicants for the payment of DR and RPS in the subject ASPA are not consistent with the previous ASPA approval by the Commission, particularly in the component of the IE formulas.

The Commission therefore modifies the formula for the IE provided in Schedule 3 of the ASPA to align with the general formula previously approved in other ASPA cases. The basis for the general formula was derived from the Commission's *Decision* in ERC Case No. 2009-007 RC,[87] as follows:

> *b. Scheduled capacity with energy dispatched:*
>
> *The corresponding nominated price of the nominated ancillary capacity shall be disregarded and the pricing shall be as follows:*
>
> *i) Market clearing price is higher than the reasonable cost of generation or the nominated price.*
>
> *NGCP shall not pay SN Aboitiz considering that its cost or its nominated price is already recovered thru settlement on the market. Thus, in this case, the ancillary capacity is free of charges as the cost is recovered thru the market.*
>
> *ii) Market clearing price is lower than the reasonable cost of generation.*
>
> *NGCP shall pay the difference between the market clearing price and the lower of SN Aboitiz's reasonable cost and the nominated price.*
>
> *In this case, the reasonable cost of generation shall be the Capacity Fee and O&M Fee (PhP2.1443/kW capacity per hour) plus the actual cost paid by SN Aboitiz to the National Irrigation Administration (NIA) as cost of water utilized in producing such energy. The energy shall mean the energy produced from the scheduled Ancillary Service capacity.*

According to the aforesaid *Decision*, the Commission has devised a pricing scheme that combines the true cost of generation and the opportunity cost. As a result, the general

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87 Entitled "In the Matter of the Application for Approval of the Ancillary Services Procurement Agreement Between the National Transmission Corporation and SN Aboitiz Power-Magat, Inc. with Prayer for Provisional Authority," pages 26–27.

formula was introduced for the recovery of true cost and opportunity cost in the settlement of IE, as shown below:

$$\mathbf{IE = G \times (AR + VOM + Fuel) - (REV_{WESM})}$$

The proposed formula for IE in the *Application* contains components that are not found in the general formula previously adopted by the Commission. Specifically, the Energy Fees are proposed to consist of two (2) components: Fuel cost, and Variable O&M cost.

In view of the foregoing, the following formula shall be applied instead of the proposed formula under Schedule 3 of the ASPA. Thus, the revised IE Payment for DR and RPS Payment for the subject ASPA shall be as follows:

For DR:

$$\mathbf{Incidental\ Energy = G \times (AR + VOM + Actual\ Fuel\ Cost) - (REV_{WESM})}$$

Where:

- G =summation of actual energy generated or dispatched from the Scheduled DR Capacity, in kWh
- AR = Applicable Rate for DR
- VOM = All actual costs and charges incurred by the AS provider in provision of ancillary services as supported by receipts and/or invoices and supporting documents, in PhP/kWh
- Actual Fuel Cost = fuel cost based on prevailing price with relevant fuel index based on receipts, in PhP/kWh
- REV_{WESM} = summation of WESM revenue based on market clearing price at the generator's trading node, arising from G

For RPS:

$$\mathbf{RPS\ Payment = Compensable\ kVARh \times AR}$$

$$\mathbf{Compensable\ kVARh = Actual\ kVARh - Base\ kVARh}$$

Where:

- AR = Applicable AS Rate for RPS
- Base kVARh = normal kVARh within the range of 85% lagging power factor.
- Actual kVARh = additional kVARh outside the range of 85% lagging power factor.
- Compensable kVARh = Difference between the Actual kVARh and Base kVARh, provided during the RPS provision.

The Applicants therein were required to submit details on the components of all actual costs and charges for the provisions of DR, particularly the VOM, and provide justifications to ascertain the cost/s attributed to it.

As such, the formula as indicated herein is provisionally adopted, pending the receipt of justifications from the Applicants. The VOM rate as awarded to KEGI in the AS-CSP has no indexation and adjustment.

Two-fold concerns have been raised by the Commission on the VOM costs. First, it is imperative that these costs remain both reasonable and justifiable. Maintaining the grid indeed incurs costs, but consumers must be assured that these expenses are efficiently managed, and any increases are vigorously justified. Unchecked escalation in VOM costs can lead to unjustified higher electricity bills, impacting consumers significantly.

Secondly, transparency is key. VOM costs should not only be accurately calculated but also subject to transparent and well-justified components.

In view of this, the principles of transparency, reasonableness, and vigorous justification are central to ensuring the sustainability and afforability of Ancillary Services while maintaining the reliability of the grid.

For the purpose of granting provisional authority to the Applicants in the subject ASPA, the scheduling and provision of DR capacity shall be on a per dispatch requirement of the grid,

which should not be more than 15 MW, in accordance with the valid AS certificate.

For the RPS, the Compensable kVARh shall be computed and paid based on the total recorded kVARh delivered/absorbed beyond 0.85 power factor lagging operation from the time when the dispatch of RPS was instructed by the System Operator.

Further, consistent with the previous ruling of the Commission, in the event that the IE resulted to a negative amount due to higher net result between the WESM revenue and payment, said negative amount shall be used to off-set any positive amount determined within the relevant period or to the succeeding billing month.

5. Rate Benchmarking

For the purpose of the issuance of a provisional authority and to determine the reasonableness of the Applicants' proposed rates, the Commission compared the rates of the previously approved ASPAs *vis-à-vis* the Applicants' proposed rates as shown in Table 10, provided below:

Table 10. Comparison of KEGI's Proposed DR Rates and the Previously Approved ASPA Rates of other GenCos

Ancillary Service	Therma Mobile Inc. (TMO) (ERC Case No. 2020-022 RC)[88]	SPC Power Corporation (SPC) (ERC Case No. 2019-011 RC)[89]	Toledo Power Co. (TPC) (ERC Case No. 2018-109 RC)[90]	Panay Power Corp. (PPC) (ERC Case No. 2018-108 RC)[91]	Central Negros Power Reliability, Inc. (CENPRI) (ERC Case No. 2019-024 RC)[92]	KEGI (ERC Case No. 2023-083 RC) Instant case
DR	PhP0.85/kW/hr	PhP0.85/kW/hr	-			PhP0.6452/kW/hr
RPS	-	-	PhP4.00/kVAR/hr	PhP4.00/kVAR/hr	PhP4.00/kVAR/hr	PhP4.00 kVAR/hr

88 Entitled, "In the Matter of the Application for Approval of the Ancillary Services Procurement Agreement Between the National Grid Corporation of the Philippines and Therma Mobile Inc., with Prayer for the Issuance of Provisional Authority."

89 Entitled, "In the Matter of the Application for Approval of the Ancillary Services Procurement Agreement Between the National Grid Corporation of the Philippines and SPC Power Corporation, with Prayer for the Issuance of Provisional Authority."

90 Entitled, "In the Matter of the Application for Approval of the Ancillary Services Procurement Agreement Between the National Grid Corporation of the Philippines and Toledo Power Company, with Prayer for the Issuance of Provisional Authority."

91 Entitled, "In the Matter of the Application for Approval of the Ancillary Services Procurement Agreement Between the National Grid Corporation of the Philippines and Panay Power Corporation, with Prayer for the Issuance of Provisional Authority."

92 Entitled, "In the Matter of the Application for Approval of the Ancillary Services Procurement Agreement Between the National Grid Corporation of the Philippines and Central Negros Power Reliability, Inc., with Prayer for the Issuance of Provisional Authority."

Table 10 shows the distinction between KEGI's DR and RPS rates and the previously approved rates of existing DR and RPS AS Providers. Based on the foregoing, KEGI's proposed DR rate is lower compared to previously-approved rate of existing DR Provider, while the RPS rate is the same as the previously-approved rate of existing RPS.

In view of the substantial deficiency in the total contracted capacity for DR and RPS in Mindanao, as explained above, the Commission deems it necessary to fill in the gap in the supply for AS through a provisional authority for the ASPA under this *Application*, pending final evaluation, and subject to the conditions provided under this Order.

Under this provisional authority, the Commission deems it necessary to cap the DR and RPS rate authorized herein at the level of previously-approved rate for other DR and RPS under previous Orders of the Commission or at the level of the awarded DR and RPS rates under this ASPA, whichever is lower.

For clarity, the conditions imposed by the Commission under this provisional authority shall be as folows:

1. The AS rate authorized under this provisional authority shall be capped at the level of previously approved rate for DR and RPS under previous Orders of the Commission or at the level of the awarded DR and RPS rates under this ASPA, whichever is lower. As such, the authorized rates shall be the lower between the Commission's previously approved rate and the awarded rate, as follows:

Ancillary Service	Commission's Previously Approved Rate	Awarded Rate (Hourly Rate)
	Firm	Firm
DR	PhP0.85/kW/hr	**PhP0.6452/kW/hr**
RPS	PhP4.00/kVAR/hr	**PhP4.00/kVAR/hr**

2. Subject to the same terms and conditions previously approved by the Commission to other ASPA cases.

It bears to reiterate that in the light of the need to maintain grid stability and reliability, the Commission is issuing this provisional authority without prejudice to its final evaluation and resolution. Notwithstanding, the Commission, in its final

evaluation of this case, will further review the provisions of the Agreement and the issue of the appropriate benchmark to use for different power plant technologies to establish the reasonableness of the proposed ASPA rates and the propriety of the awarded AS rates for the subject ASPA.

WHEREFORE, the foregoing premises considered, the National Grid Corporation of the Philippines (NGCP) and King Energy Generation, Inc. (KEGI) are **GRANTED PROVISIONAL AUTHORITY** to implement their Ancillary Services Procurement Agreement (ASPA) for the 15.684 MW Misamis Oriental Power Plant 2 (MOPP 2) located at Brgy. Map-An, Panaoan, Misamis Occidental, subject to the following rates and conditions, and without prejudice to the evaluation of the compliance of NGCP to the Ancillary Service – Competitive Selection Process (AS-CSP), pursuant to the Department of Energy's (DOE) Department Circular No. DC2021-10-0031[93] (DOE 2021 AS-CSP Circular):

1. Applicable Rates:

KEGI shall charge the provisional rate (in Peso per kW capacity per hour) for the Dispatchable Reserve (DR), and per occurrence basis for Reactive Power Support (RPS), as defined below.
The AS capacity indicated in Schedule 1 of the ASPA is the hourly Firm capacity.

Schedule 1:

DR

KEGI_MOPPaU01

DISPATCHABLE RESERVE	01:00	02:00	03:00	04:00	05:00	06:00	07:00	08:00	09:00	10:00	11:00	12:00	13:00	14:00	15:00	16:00	17:00	18:00	19:00	20:00	21:00	22:00	23:00	24:00
JANUARY	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	0	0	0	0	0	0	0	0	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5
FEBRUARY	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	0	0	0	0	0	0	0	0	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5
MARCH	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	0	0	0	0	0	0	0	0	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5
APRIL	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	0	0	0	0	0	0	0	0	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5
MAY	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	0	0	0	0	0	0	0	0	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5
JUNE	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	0	0	0	0	0	0	0	0	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5
JULY	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	0	0	0	0	0	0	0	0	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5
AUGUST	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	0	0	0	0	0	0	0	0	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5
SEPTEMBER	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	0	0	0	0	0	0	0	0	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5
OCTOBER	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	0	0	0	0	0	0	0	0	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5
NOVEMBER	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	0	0	0	0	0	0	0	0	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5
DECEMBER	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	0	0	0	0	0	0	0	0	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5
TOTAL	90	90	90	90	90	90	90	90	0	0	0	0	0	0	0	0	90	90	90	90	90	90	90	90

(This space is intentionally left blank.)

93 DOE, entitled "Prescribing the Policy for the Transparent and Efficient Procurement of Ancillary Services by the System Operator."

KEGI_MOPP2U02

DISPATCHABLE RESERVE	01:00	02:00	03:00	04:00	05:00	06:00	07:00	08:00	09:00	10:00	11:00	12:00	13:00	14:00	15:00	16:00	17:00	18:00	19:00	20:00	21:00	22:00	23:00	24:00
JANUARY	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	0	0	0	0	0	0	0	0
FEBRUARY	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	0	0	0	0	0	0	0	0
MARCH	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	0	0	0	0	0	0	0	0
APRIL	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	0	0	0	0	0	0	0	0
MAY	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	0	0	0	0	0	0	0	0
JUNE	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	0	0	0	0	0	0	0	0
JULY	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	0	0	0	0	0	0	0	0
AUGUST	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	0	0	0	0	0	0	0	0
SEPTEMBER	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	0	0	0	0	0	0	0	0
OCTOBER	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	0	0	0	0	0	0	0	0
NOVEMBER	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	0	0	0	0	0	0	0	0
DECEMBER	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	0	0	0	0	0	0	0	0
TOTAL	90	90	90	90	90	90	90	90	90	90	90	90	90	90	90	90	0	0	0	0	0	0	0	0

1.1. The applicable rates shall be as follows:

a. Scheduled capacity without energy dispatched

NGCP shall pay KEGI the Applicable Rates, as herein defined, for the scheduled capacities in Schedule 1, which should not be more than the indicated capacity of 15 MW for DR. The authorized rates are as follows:

Ancillary Service	Authorized Rate (Hourly Rate)
	Firm
DR	PhP0.6452/kW/hr
RPS	PhP4.00/kVAR/hr

b. Scheduled capacity with energy dispatched

Based on actual dispatch, the cost of generation shall be recovered through settlement in the Wholesale Electricity Spot Market (WESM). Thus, the Incidental Energy (IE) Cost Payment for DR and Payment for RPS based on actual dispatch shall be calculated using the following formula:

Incidental Energy Cost Payment for DR

$$\textbf{Incidental Energy} = G \times (AR + VOM + \text{Actual Fuel Cost}) - (REV_{WESM})$$

Payment for RPS (per occurrence basis)

$$\textbf{RPS Payment} = \text{Compensable kVARh} \times AR$$

Compensable kVARh = Actual kVARh – Base kVARh

In the event that the IE resulted in a negative amount due to a higher net result between WESM revenue and payment, said negative amount shall be used to off-set any positive amount determined within the relevant period or to the succeeding billing month;

1.2. The Variable Operations and Maintenance (VOM) rate as awarded in the AS-CSP will not be subject to any indexation and adjustment. Should the ASPA provider receive payments beyond the allowable revenues as provided herein, including as a result of WESM settlements, such amounts in excess shall be used to off-set all or part of the payables in the immediately succeeding billing month;

1.3. The term of the ASPA shall be for a period of five (5) years upon the approval by the Commission, subject to Section 13 (Termination) of the ASPA. Renewal shall not be allowed, and termination of the ASPA shall be subject to prior approval by the Commission;

1.4. The total dispatched capacity for DR shall not exceed 15 MW, at any given time;

1.5. The RPS under the ASPA shall be provided at all times as necessary as per declaration by the System Operator to protect the grid and avoid the occurrence of Manual Load Dropping;

1.6. Applicant KEGI shall only be allowed to provide the RPS within the scope accredited by NGCP, as indicated in the AS Accreditation Certificate;

1.7. For the replacement of AS capacity, the rate to be applied shall be the provisionally approved rate, or the actual replacement cost, whichever is lower, pursuant to the Commission's policy on replacement power;

1.8. The implementation of the ASPA shall be valid and contingent to the validity of the AS Accreditation Certificate issued by NGCP, and the Certificate of Compliance (COC) issued by the Commission;

2. NGCP is **DIRECTED** to optimize the economic and technical dispatch of the available AS capacity, wherein it shall schedule a mix of hourly AS capacity, at the least cost, for a reserve needed to maintain power quality, security, reliability and integrity of the grid;

3. The rate to be paid by NGCP as AS cost shall be passed on to its customers, in accordance with the approved Ancillary Services-Cost Recovery Mechanism (AS-CRM).[94]

   In relation thereto, NGCP is **DIRECTED** to submit its monthly computation of AS rates, encompassing a comprehensive breakdown, including but not limited to scheduled, dispatched, VOM, and fuel costs that it passed on to its customers, with supporting documents including receipts of fuel purchases, on or before the 15th day of the month after the computed billing month;

4. NGCP must **ENSURE** that the rates of KEGI must be in accordance with Item 1.1 above. In the event that the final rates are lower than those provisionally granted, the amount corresponding to the reduction shall be refunded by KEGI to NGCP and the latter shall pass it on to its customers;

5. To ensure the reliability and integrity of the grid, Applicants are **DIRECTED** to deliver the contracted capacities under their Firm AS contract arrangement. Applicants must honor their Firm AS contract arrangements, which means that NGCP must **ENSURE** that the contracted capacity under the instant ASPA shall be both declared and scheduled for dispatch at the least cost manner. Further, KEGI must ensure that its contracted capacities shall be available at all times to provide the AS requirements of the grid; and

---

94 *Decision*, ERC Case No. 2006-049 RC, entitled "In the Matter of the Application for the Approval of Ancillary Services-Cost Recovery Mechanism (AS-CRM) of the Ancillary Services Procurement Plan, with Prayer for Provisional Authority, National Transmission Corporation (TRANSCO)."

6. NGCP is **DIRECTED** to prioritize the drawing of reserves from its AS contracts. No non-firm AS capacities shall be drawn, notwithstanding the existing or continued implementation of the said non-firm contracts, for as long as capacities under the firm contracts are available.

   If NGCP should draw reserves from its non-firm AS contracts in violation of the above prioritization, NGCP shall not be allowed to recover any and all costs attendant to such drawing of capacities from non-firm contracts. NGCP, on its own account, shall be responsible for settling such amount with its AS provider.

SO ORDERED.

Pasig City, 15 August 2023.

MONALISA C. DIMALANTA
Chairperson and CEO

ERC
Office of the Chairperson and CEO
MCD2024 013567

ALEXIS M. LUMBATAN
Commissioner

CATHERINE P. MACEDA
Commissioner

FLORESINDA G. BALDO-DIGAL
Commissioner

MARKO ROMEO L. FUENTES
Commissioner

LS: NMK/LSP/MCCG

ROS: JBA/FJTA/NVP/AJMO/LLG

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13. Office of the City Mayor
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    San Fernando, La Union

15. Office of the Governor
    Province of Laguna

16. Office of the Sangguniang Panlalawigan
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17. Office of the City Mayor

Binan, Laguna

18. Office of the Sangguniang Panlungsod
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22. Office of the Sangguniang Panlungsod
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23. Office of the City Mayor
    Davao City

24. Office of the Sangguniang Panlungsod
    Davao City

25. Office of the City Mayor
    Cebu City

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    Cebu City

27. Office of the Municipal Mayor
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28. Office of the Sangguniang Bayan
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    infos@psalm.gov.ph

N O T I C E

Sirs/Mesdames:

Please take notice that on **15 August 2023,** the Commission issued an **Order** in the following case, the original was received by this Office on 22 January 2024:

ERC CASE NO. 2023-083 RC, IN THE MATTER OF THE APPLICATION FOR APPROVAL OF THE ANCILLARY SERVICES PROCUREMENT AGREEMENT (MISAMIS OCCIDENTAL POWER PLANT 2) BETWEEN THE NATIONAL GRID CORPORAION OF THE PHILIPPINES AND KING ENERGY GENERATION, INC., WITH PRAYER FOR THE ISSUANCE OF PROVISIONAL AUTHORITY – NATIONAL GRID CORPORAION OF THE PHILIPPINES AND KING ENERGY GENERATION, INC., *Applicants*.

Attached is an electronic copy.

Please be reminded of the Commission's existing rules on electronic service of orders and decisions provided under **Rule VI** of **Resolution No. 9, Series of 2020**[1], which became effective on 17 November 2020.

Thank you.

Very truly yours,

MARIA LUCILA M. GIRON
Administrative Officer V
OGCS-Central Records Division

/jdc

[1] A Resolution Adopting the Guidelines Governing Electronic Applications, Filings and Virtual Hearings Before the Energy Regulatory Commission

Republic of the Philippines
ENERGY REGULATORY COMMISSION
Pasig City

IN THE MATTER OF THE APPLICATION FOR APPROVAL OF THE ANCILLARY SERVICES PROCUREMENT AGREEMENT (MISAMIS OCCIDENTAL POWER PLANT 3) BETWEEN THE NATIONAL GRID CORPORATION OF THE PHILIPPINES AND KING ENERGY GENERATION, INC., WITH PRAYER FOR THE ISSUANCE OF PROVISIONAL AUTHORITY

ERC CASE NO. 2023-084 RC

NATIONAL GRID CORPORATION OF THE PHILIPPINES AND KING ENERGY GENERATION, INC.,
Applicants.
x----------x

ORDER

For resolution before the Commission is the prayer for issuance of provisional authority contained in the *Application*, dated 23 May 2023, filed by the National Grid Corporation of the Philippines (NGCP) and King Energy Generation, Inc. (KEGI) for its Misamis Oriental Power Plant 3 (MOPP 3).

FACTUAL ANTECEDENTS

On 23 June 2023, NGCP and KEGI filed the instant *Application*, seeking the Commission's approval of their Ancillary Service Procurement Agreement (ASPA), with prayer for the issuance of provisional Authority.

The pertinent allegations of the *Application* relevant to Applicant's prayer for issuance of provisional authority are hereunder quoted as follows:

> ALLEGATIONS IN SUPPORT OF THE PRAYER FOR PROVISIONAL AUTHORITY
>
> 31. It is a declared policy of the State to ensure the quality, reliability, security and affordability of the supply of electric power.[1] To this end, there is a need to comply with the system requirements for AS to ensure grid system security and reliability. As mentioned above, NGCP has the mandate to procure the required AS. However, the Honorable Commission must first approve the contract before the same can be implemented.
>
> 32. As the demand for power in Mindanao increases, the requirements of the system likewise increases. Ensuring the integrity of the system is essential to protect the interests of the public. The absence of system reliability and stability will certainly discourage investments and growth.
>
> 33. Applicants respectfully submit that the immediate approval of the ASPA by this Honorable Commission is a necessity to maintain the present reliability and security of the Grid. In support of these allegations, NGCP submits a copy of the Judicial Affidavit of Ms. Lisaflor B. Kater,[2] which is attached to this Application.
>
> XXX

Further, in support of the prayer for the issuance of the provisional authority, Applicants submitted the *Judicial Affidavit*[3] of Engr. Lisaflor B. Kater, Manager of the Special Accounts Portfolio Division, Customer Affairs Department (SAP-CAD), Revenue and Regulatory Affairs of NGCP. The pertinent portions of the *Judicial Affidavit* are hereunder quoted as follows:

> XXX
>
> 19. Q: What would be the effect to the Mindanao Grid if the ASPA is approved by the Honorable Commission, through a provisional authority?
>
> A: Consistent with the declared policy of the State[4], the quality, reliability, security and affordability of the supply of electric power operation of the Mindanao Grid will be

---

[1] Section 2(b), EPIRA.
[2] Judicial Affidavit of Ms. Lisaflor B. Kater is attached as Annex "R" of the *Application*.
[3] Attached as Annex "R" of the *Application*.
[4] Section 2(b), EPIRA.

> immediately ensured, and the requirements of the grid for the provision of AS will be timely addressed. With this end in view, there is a need to comply with the system requirements for AS to ensure grid system reliability. As mentioned above, NGCP has the mandate to procure the required AS. However, the Honorable Commission must first approve the contract before the same could be implemented.
>
> xxx

Proceedings conducted by the Commission

On 03 July 2023, the Commission issued an *Order* and a *Notice of Virtual Hearing*, setting the instant *Application* for hearing on the following dates: (1) 04 August 2023 for the determination of compliance with the jurisdictional requirements and expository presentation; and (2) 11 August 2023 for the Pre-Trial Conference and presentation of evidence.

On 28 July 2023, NGCP and KEGI filed their *Compliance (with Jurisdictional Requirements)* of even date.

During the hearing on 04 August 2023, Applicants NGCP and KEGI appeared. No intervenor or oppositor appeared, neither was there any intervention nor opposition filed.

Thereafter, Applicants presented proof of their compliance with the Commission's publication and posting requirements, pursuant to the *Order* dated 03 July 2023, provided below:

Exhibit	Document
Publication	
A	The 17 July 2023 issue of The Manila Times where the Notice of Virtual Hearing was published;
A-1	The pages on which said Notice were printed;
A-2	The 24 July 2023 issue of The Manila Times where the Notice of Virtual Hearing was published;
A-3	The page on which said Notice was printed;
A-4	Affidavit of Publication dated 25 July 2023 executed by Leena C. Chua, Managing Editor of The Manila Times.
B	The 17 July 2023 issue of Daily Tribune where the Notice of Virtual Hearing was published;
B-1	The pages on which said Notice were printed;
B-2	The 24 July 2023 issue of Daily Tribune where the Notice of Virtual Hearing was published;
B-3	The page on which said Notice was printed; and

Exhibit	Document
B-4	Affidavit of Publication dated 24 July 2023 executed by Mary Ann M. Datoy, Accounting Assistant of Concept and Information Group Inc., publisher of the Daily Tribune.
Service to the Government Agencies	
C	Affidavit of Service of ERC's Order and Notice of Virtual Hearing executed by Roel L. Olimba.
C-1	Proof of Service to the Office of the Solicitor General.
C-2	Proof of Service to the Commission on Audit.
C-3	Proof of Service to the Senate Committee on Energy.
C-4	Proof of Service to the House Committee on Energy
Service to the Local Government Units	
D	Affidavit of Service of ERC's Order and Notice of Virtual Hearing executed by Alberto I. Mapa.
D-1	Proof of Service to the Office of the Mayor, Quezon City with attached letter.
D-2	Proof of Service to the Office of the Sangguniang Panlunsod, Quezon City with attached letter.
D-3	Proof of Service to the Office of the Governor, Province of La Union with attached letter.
D-4	Proof of Service to the Office of the Sangguniang Panlalawigan, Province of La Union with attached letter.
D-5	Proof of Service to the Office of the City Mayor, San Fernando, La Union with attached letter.
D-6	Proof of Service to the Office of the Sangguniang Panlungsod, San Fernando, La Union with attached letter.
D-7	Proof of Service to the Office of the Governor, Province of Laguna with attached letter.
D-8	Proof of Service to the Office of the Sangguniang Panlalawigan of Laguna with attached letter.
D-9	Proof of Service to the Office of the City Mayor, Biñan, Laguna with attached letter.
D-10	Proof of Service to the Office of the Sangguniang Panlungsod, Biñan, Laguna with attached letter.
D-11	Proof of Service to the Office of the Governor, Cebu City with attached letter.
D-12	Proof of Service to the Office of the Sangguniang Panlalawigan of Cebu City with attached letter.
D-13	Proof of Service to the Office of the Mayor, Cebu City with attached letter.
D-14	Proof of Service to the Office of the Sangguniang Panlungsod of Cebu City with attached letter.
D-15	Proof of Service to the Office of the Governor, Province of Lanao del Norte with attached letter.
D-16	Proof of Service to the Office of the Sangguniang Panlalawigan of the province of Lanao del Norte with attached letter.
D-17	Proof of Service to the Office of the City Mayor of Iligan City with attached letter.
D-18	Proof of Service to the Office of the Sangguniang Panlungsod, Iligan City with attached letter.
D-19	Proof of Service to the Office of the Provincial Governor, Misamis Oriental with attached letter.
D-20	Proof of Service to the Office of the Sangguinang Panlalawigan, Misamis Oriental with attached letter

Exhibit	Document
D-21	Proof of Service to the Office of the City Mayor of Gingoog City with attached letter.
D-22	Proof of Service to the Office of the Sangguniang Panlungsod, Gingoog City with attached letter.
D-23	Affidavit of Service of ERC's Order and Notice of Virtual Hearing executed by Roel L. Olimba.
D-24	Proof of Service to the Office of the Provincial Governor, Misamis Occidental with attached letter.
D-25	Proof of Service to the Office of the Sangguinang Panlalawigan, Misamis Occidental with attached letter
D-26	Proof of Service to the Office of the Sangguinang Bayan, Jimenez, Misamis Occidental with attached letter
D-27	Proof of Service to the Office of the Municipal Mayor, Jimenez, Misamis Occidental with attached letter.
D-28	Received copy by the LGUs of ERC's Order and Notice of Virtual Hearing where the power plant is located and KEGI's principal office
Other Forms of Dissemination	
E	Certificate of Posting in NGCP's Bulletin Board with Pictures
E-1	Certificate of Posting in NGCP's Website with Picture
E-2	Affidavit of Posting in KEGI's Bulletin Board executed by Roel L. Olimba dated 27 July 2023
E-3	Affidavit of Posting in KEGI's Website executed by Roel L. Olimba dated 27 July 2023
Posting of the Jurisdictional Requirements	
F	Certificate of Posting of this *Compliance* on NGCP's Bulletin Board with Pictures
F-1	Affidavit of Posting of this *Compliance* on KEGI's Bulletin Board with Pictures

*The table above was quoted from the *Compliance (With Jurisdictional Requirements)* filed by the Applicants.

Upon perusal of the foregoing submissions, the Commission found that NGCP and KEGI had complied with the posting and publication requirements, pursuant to the Commission's *Order* dated 03 July 2023. Thus, the Commission acquired jurisdiction over the instant *Application*.

Thereafter, the Commission proceeded with the expository presentation wherein NGCP and KEGI discussed the instant *Application* through their respective witnesses, as follows:

1. Engr. Lisaflor B. Kater (Engr. Kater), Manager of Special Accounts Portfolio Division, Customer Affairs Department, Revenue and Regulatory Affairs of NGCP, who discussed under oath the following topics:

    a. Legal and regulatory basis of the *Application*;

b. Ancillary Services (AS) types contracted: Dispatchable Reserve (DR) and Reactive Power Support;

c. DR and RPS Availability in Mindanao Grid;

d. KEGI – MOPP3 Offer;

e. Features of the Ancillary Services Procurement Agreement (ASPA); and

f. Rates and Impact.

2. Engr. Amorlito Jr. D. Melicor (Engr. Melicor), Power Trading and Billing Department Manager of KEGI, who discussed under oath the following topics:

a. KEGI's company overview;

b. KEGI Misamis Occidental Power Plant 3 Jimenez Units 1 & 2; and

c. Capability of KEGI MOPP3 to deliver Dispatchable Reserve and Reactive Power Support.

At the end of the expository presentation, the Commission propounded questions, which were addressed by the Applicants. Thereafter, Applicants moved for the declaration of general default, in view of the absence of any intervenor or oppositor. Finding the said motion meritorious, the Commission granted the same.

Thereafter, the Commission directed the Applicants to submit the following documents: (1) Compliance with the Ancillary Service-Competitive Selection Process (AS-CSP) pursuant to the Department of Energy (DOE) Department Circular No. DC2021-10-0031[5] (DOE 2021 AS-CSP Circular); and (2) other relevant documents for the rate structure. There being no other manifestations, the hearing was adjourned.

On 04 August 2023, NGCP and KEGI filed their *Joint Pre-Trial Brief.*

On 08 August 2023, NGCP filed *Compliance* (*with Motion for Confidential Treatment of Information)* dated 07 August 2023, pursuant to the directives of the Commission during the hearing on 04 August 2023.

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[5] DOE Department Circular No. DC 2021-10-0031, entitled "Prescribing the Policy for the Transparent and Efficient Procurement of Ancillary Services by the System Operator."

During the hearing on 11 August 2023, NGCP and KEGI appeared. Applicants moved for the adoption of the facts and issues stated in their *Joint Pre-trial Brief*, as well as the markings therein, in view of the absence of any intervenor or oppositor. Finding the said motion meritorious, the Commission granted the same and terminated the Pre-Trial Conference.

Thereafter, the hearing proceeded with the presentation of evidence by NGCP and KEGI. NGCP presented again Engr. Kater as its witness, who testified under the same oath, on matters stated in her *Judicial Affidavit*, as follows:

1. She is the Manager of the Special Accounts Portfolio Division, Customer Affairs Department (SAP-CAD), Revenue and Regulatory Affairs of NGCP;

2. Her functions and responsibilities and participation in the preparation of the subject *Application;*

3. The ancillary services procurement agreement entered into by the parties, significant provisions, including the proposed rates and impact;

4. The urgent need for the issuance of provisional authority for the immediate implementation of the ASPA;

5. To identify and authenticate documents; and

6. Other allied matters.

At the end of her direct examination, Engr. Kater identified her *Judicial Affidavit* and her signature thereon, which were marked as Exhibits "R" and "R-1", respectively.

Subsequently, KEGI presented again Engr. Melicor, as its witness, who testified under the same oath, on matters stated in his *Judicial Affidavit*, as follows:

1. The circumstances leading to the execution by King Energy Generation, Inc. ("KEGI") of the Ancillary Services Procurement Agreement ("ASPA") with the National Grid Corporation of the Philippines ("NGCP").

2. The technical descriptions of the Misamis Occidental Power Plant 3 ("MOPP3"), a diesel bunker power plant with a rated capacity of 16.239MW continuous output at 60Hz located at Brgy. San Isidro, Kimenez, Misamis Occidental ("Generation Facility").

3. To discuss and explain the salient features of the ASPA.

4. To discuss and explain the risks absorbed by KEGI under the ASPA.

5. To show that there is an urgent need to secure provisional authority or interim relief to implement the ASPA including the rate structure as embodied therein.

6. All other matters relevant to the approval of ASPA.

At the end of his direct examination, Engr. Melicor identified his *Judicial Affidavit* and his signature thereon, which were marked as Exhibits "BB" and "BB-1", respectively.

Upon the termination of the presentation of evidence, the Commission propounded clarificatory questions which were addressed by the Applicants.

Thereafter, the Applicants were directed to file their *Formal Offer of Evidence* (FOE), within fifteen (15) days from the said hearing.

ISSUE

For purposes of this *Order*, the only issue that the Commission should resolve thus far is whether or not the Applicants' prayer for the issuance of provisional authority to implement their ASPA should be granted.

THE COMMISSION'S RULING

After due deliberation, thorough evaluation of all the documents submitted, and appreciation of the information gathered thus far, the Commission, pursuant to its regulatory powers, resolves to **GRANT** the Applicants' prayer for provisional authority as contained in their *Application*.

DISCUSSION

Authority of the Commission to Grant Provisional Authority

The authority of the Commission to grant provisional authority is provided for in Section 8 of Executive Order No. 172,[6] *to wit*:

[6] Entitled, "Creating the Energy Regulatory Board."

> Sec. 8. Authority to Grant Provisional Relief. **The Board may, upon the filing of an application, petition or complaint or at any stage** thereafter and (1) without prior hearing, on the basis of supporting papers duly verified or authenticated, **grant provisional relief on motion of a party in the case** or (2) on its own initiative, without prejudice to a final decision after hearing, should the Board find that the pleadings, together with such affidavits, documents and other evidence which may be submitted in support of the motion, substantially support the provisional order: Provided, That the Board shall immediately schedule and conduct a hearing thereon within thirty (30) days thereafter, upon publication and notice to all affected parties.
>
> *(Emphasis and underscoring supplied.)*

The transfer of the Energy Regulatory Board's (ERB) authority to issue provisional authority to the Commission was upheld by the Supreme Court in the landmark case of *Freedom from Debt Coalition (FDC) vs. Energy Regulatory Commission (ERC)*:[7]

> The ERC is endowed with the statutory authority to approve provisional rate adjustments under the aegis of Sections 44 and 80 of the EPIRA. The sections read, thus:
>
> > SEC. 44. Transfer of Powers and Functions. — The powers and functions of the Energy Regulatory Board not inconsistent with the provisions of this Act are hereby transferred to the ERC. The foregoing transfer of powers and functions shall include all applicable funds and appropriations, records, equipment, property and personnel as may be necessary.
> >
> > Sec. 80. Applicability and Repealing Clause. — The applicability provisions of Commonwealth Act No. 146, as amended, otherwise known as the "Public Services Act;" Republic Act 6395, as amended, revising the charter of NPC; Presidential Decree 269, as amended, referred to as the National Electrification Decree; Republic Act 7638, otherwise known as the "Department of Energy Act of 1992;" Executive Order 172, as amended, creating the ERB; Republic 7832 otherwise known as the "Anti-Electricity and Electric Transmission Lines/Materials Pilferage Act of 1994;" shall continue to have full force and effect except insofar as they are inconsistent with this Act.
> >
> > XXX
> >
> > Similarly, Sections 8 and 14 of E.O. No. 172 or the ERB Charter continue to be in full force by virtue of Sections 44 and 80 of the EPIRA.

[7] G.R. No. 161113, 15 June 2004.

Relative thereto, the Commission's *Revised Rules of Practice and Procedure (*Revised RPP*)*, particularly Sections 2, 3 and 4 of Rule 14 thereof provide:

> **Section 2. *Allegations in the Motion and Supporting Documents*.** - The motion must allege such facts and circumstances that would justify the Commission's exercise of discretion in granting provisional authority or interim relief prior to a final decision. Such motion shall be accompanied by affidavits and documents in support of the allegations therein.
>
> **Section 3. *Action on the Motion*.** – The Commission shall act on the motion for provisional authority or interim relief on the basis of the allegations in the application or petition, supporting documents and other pieces of evidence that the applicant or petitioner has submitted, as well as the comments or oppositions filed by interested persons, if there be any.
>
> Motions for provisional authority or interim relief may be acted upon with or without hearing.
>
> The Commission may act on the motion for **provisional authority within seventy-five (75) days from the filing of the application or petition**. If the Commission, through an order, acts on the motion without hearing, it shall schedule and start the hearing on the application or petition within thirty (30) days from the date of the issuance of the order. If such motion is included in the application or petition covered by Section 1, Rule 6 of these Rules, the Commission shall hold in abeyance its resolution on the said motion until after the lapse of thirty (30) days from the receipt of a copy of the application or petition by the Offices of the Governor, Mayor and the *Sanggunian* concerned within the franchise and/or publication of the application or petition in a newspaper of general circulation, whichever comes later.
>
> **Section 4. *Effect of Final Determination*.** – The provisional authority or interim relief granted by the Commission shall be **subject to adjustment, if upon final evaluation of the case, the Commission determines that the applicant or petitioner was not entitled to the full amount of the provisional or interim rate allowed. The Commission may likewise impose such other conditions as it may deem necessary**.
>
> *(Emphasis and underscoring supplied.)*

As elucidated by the Supreme Court in the case of *Romeo Gerochi et al. v. Department of Energy (DOE) et al.*,[8] "electric power generation and distribution is a traditional instrument of economic

[8] G.R. No. 159796, 17 July 2007.

growth that affects not only a few but the entire nation. It is an important factor in encouraging investment and promoting business. The engines of progress may come to a screeching halt if the delivery of electric power is impaired. Billions of pesos would be lost as a result of power outages or unreliable electric power services."

Significantly, in the same case, the Supreme Court declared that "the State thru the ERC should be able to exercise its police power with great flexibility, when the need arises."[9]

This flexibility was reiterated in the case of the *National Association of Electricity Consumers for Reforms v. Energy Regulatory Commission*,[10] wherein the Supreme Court held that the Commission, as a regulator, should have sufficient power to respond in real-time to changes wrought by multifarious factors affecting public utilities.

This is consistent with Section 41[11] of Republic Act No. 9136, otherwise known as the Electric Power Industry Reform Act of 2001 (EPIRA) which mandates the Commission to promote and protect the interest of all electricity consumers against possible future power supply curtailment.

Basis for the ASPA *Application*

Under the EPIRA, the National Transmission Corporation (TRANSCO) is mandated to "ensure and maintain the reliability, adequacy, security, stability and integrity of the nationwide electrical grid"[12] and to "adequately serve generation companies, distribution utilities and suppliers requiring transmission service and/or ancillary services through the transmission system."[13]

The NGCP, as concessionaire of TRANSCO and the entity granted with the franchise to operate and maintain the transmission network, is equally tasked under the EPIRA to enforce such mandate.

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[9] *Ibid.*
[10] G.R. No. 163935, 2 February 2006, 481 SCRA 480, 515-516, citing *Freedom from Debt Coalition v. Energy Regulatory Commission.*
[11] Sec. 41. Promotion of Consumer Interests. – The ERC shall handle consumer complaints and ensure the adequate promotion of consumer interests.
[12] Section 9(c), EPIRA.
[13] Section 9(d), EPIRA.

Section 4(b) of the EPIRA defines Ancillary Services (AS) as "services that are necessary to support the transmission of capacity and energy from resources to loads while maintaining reliable operation of the transmission system." Such services are essential in ensuring not only the reliability in the operation of the transmission system as a whole, but also in the supply of electricity throughout the Luzon, Visayas, and Mindanao grids.

On 09 May 2006, the Commission issued an *Order*, dated 29 March 2006, in ERC Case No. 2002-253,[14] approving TRANSCO's proposed Ancillary Service Procurement Plan (ASPP). In the same *Order*, the Commission directed TRANSCO to file a separate application for the approval of its Ancillary Services-Cost Recovery Mechanism (AS-CRM).

In compliance with the abovementioned *Order*, TRANSCO filed an application docketed as ERC Case No. 2006-049 RC[15] for the approval of its AS-CRM on 11 September 2006.

On 03 October 2007, the Commission issued its *Decision*[16] wherein it approved with finality TRANSCO's AS-CRM, subject to certain conditions, among others, as follows:

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[14] Entitled, "Application for the Approval of the Proposed Rules, Terms and Conditions for Open Access Transmission Service (OATS) and Proposed Rates, Terms and Conditions of Ancillary Services."

[15] Entitled, "In the Matter of the Application for the Approval of Ancillary Services-Cost Recovery Mechanism (AS-CRM) of the Ancillary Services Procurement Plan, with Prayer for Provisional Authority."

[16] The dispositive portion of the said Decision is hereunder quoted as follows:

> WHEREFORE, the foregoing premises considered, the application for approval of the Ancillary Services-Cost Recovery Mechanism (AS-CRM) of the Ancillary Services Procurement Plan (ASPP) filed by the National Transmission Corporation (TransCo) with prayer for provisional authority is hereby APPROVED subject to the following conditions:
>
> 1. The following changes should be incorporated on the proposed AS-CRM of the ASPP:
>
>   a. The cost of procuring the Ancillary Services (AS) under the ASPP shall be recovered 100% from the load customers but only until such time that such AS is already traded in the Wholesale Electricity Market (WESM);
>
>   b. The use of the Billing Determinant (BD) as proposed in the AS-CRM should continue until a new BD has been established and TransCo's recommendations have been considered by the Commission starting 2010;
>
> 2. All contracts for the procurement of AS entered into by and between TransCo and AS providers shall be submitted on or before December 28, 2007; and

a. The cost of procuring the ancillary services under the ASPP shall be recovered 100% from load customers but only until such time that such ancillary services are already traded in the Wholesale Electricity Spot Market (WESM); and

b. All contracts for the procurement of ancillary services shall be submitted to the Commission for approval.

On 04 December 2019, the DOE issued Department Circular No. DC2019-12-0018[17] requiring the procurement of the required level and specifications of AS through firm contracts only.

Thereafter, 04 October 2021, the DOE issued the DOE 2021 AS-CSP Circular, requiring NGCP to conduct a Competitive Selection Process (CSP) in the procurement of its AS.

Hence, the Applicants filed the instant *Application* pursuant to the DOE 2021 AS-CSP Circular.

Commission's Evaluation of the Applicants' Prayer for Provisional Authority

After initial evaluation of the submissions of the Applicants, the Commission resolves to grant the Applicants' prayer for the issuance of provisional authority to implement their ASPA for reasons discussed in detail below. This provisional authority is without prejudice to the Commission's final evaluation and resolution of the instant *Application*, keeping in mind the Commission's end-view of ensuring grid reliability.

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3. The implementation of the AS-CRM shall be made effective starting March 26, 2008 after incorporating therein the proposed changes particularly on the allocation of the cost.

Further, TransCo is hereby directed to:

a. Make amendments in the terminology used for consistency with the 2006 Revised OATS Rules;

b. Include provision for annual post-verification of the Commission of the contracted vis-à-vis actual recovered AS costs; and

c. Provide the requirement for the Commission's approval prior to the implementation of any AS Contract Agreement.

[17] Department of Energy (DOE), Department Circular No. DC2019-12-0018, entitled "Adopting a General Framework Governing the Provision and Utilization of Ancillary Services in the Grid", 04 December 2019.

A. The Procurement of the ASPA

In their *Application*, NGCP and KEGI alleged the following pertinent allegations in the procurement of the subject ASPA:

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COMPETITIVE SELECTION PROCESS

10. On 04 October 2021, the DOE issued the AS-CSP Circular providing the policy for the conduct of the Competitive Selection Process (CSP) for the procurement of Ancillary Services by the System Operator (NGCP). Among the policies set by the AS-CSP Circular was the creation of an independent Third-Party Bids and Awards Committee (TPBAC) to spearhead and manage the CSP.

11. In its Letter dated 22 November 2022,[18] the DOE approved the Terms of Reference (TOR)[19] and Instruction to Bidders[20], and instructed NGCP to proceed with the publication and posting of the same pursuant to Sec. 7.4 and 7.5 of the AS-CSP Circular.

12. On 26 January 2023, the TPBAC approved its Notice of Invitation to Bid[21] informing the public of the pending AS-CSP for Regulating Reserve (RR), Contingency Reserve (CR), Dispatchable Reserve (DR), Reactive Power Support (RPS), and Black Start Service (BSS); and inviting all interested grid-connected merchant plants and Independent Power Producers to apply for eligibility and participate in the competitive bidding for the procurement of AS. The Notice of Invitation to Bid likewise provided any interested grid-connected merchant plants a copy of the DOE approved TOR and Instruction to Bidders.

13. Subsequently, the Notice of Invitation to Bid was published on 31 January 2023 with the *Malaya Business Insight*[22] and the *Philippine Star*.[23] The same Notice was also published on 07

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18 DOE Letter dated 22 November 2022 approving the Terms of Reference and Instruction to Bidders is attached as Annex "C" of the *Application*.

19 DOE Approved Terms of Reference is attached as Annex "C-1" of the *Application*.

20 DOE Approved Instruction to Bidders is attached as Annex "C-2" of the *Application*.

21 Notice of Invitation to Bid is attached as Annex "C-3" of the *Application*.

22 The 31 January 2023 edition of the *Malaya Business Insight* and the page on which the Notice of Invitation to Bid appears are attached as Annexes "D" and "D-1" of the *Application*, respectively. The Affidavit of Publication issued by the *Malaya Business Insight* is likewise attached as Annex "D-2" of the *Application*.

23 The 31 January 2023 edition of the *Philippine Star* and the page on which the Notice of Invitation to Bid appears are attached as Annexes "E" and "E-1" of the *Application*, respectively. The Affidavit of Publication issued by the *Philippine Star* is likewise attached as Annex "E-2" of the *Application*.

February 2023 with the *Business Mirror*[24] and the *Manila Bulletin*.[25]

14. KEGI was declared by the TPBAC as eligible to participate in the AS-CSP and submit its bid for the provision of AS to be provided by the Generation Facility.

15. Under Bid Bulletin 2023-02 issued by the TPBAC, eligible bidders may submit their bids on or before 15 March 2023.

16. Thereafter, pursuant to Bid Bulletin 2023-02, the TPBAC conducted the opening of bids timely submitted by all the eligible bidders whereby KEGI's bid/offer[26] for the provision of DR and RPS by its Generation Facility was considered for award after sufficiently complying with the post-qualification requirements.

17. On 12 April 2023, the TPBAC issued and submitted to the NGCP's Board of Directors its Resolution and Evaluation Report on the conduct of the CSP[27] indicating KEGI as one of the winning bidders. The TPBAC's Evaluation Report was thereafter confirmed by the NGCP's Board of Directors through a resolution dated 18 April 2023.[28]

18. On 18 April 2023, the TPBAC issued a Notice of Award in favor of KEGI MOPP3[29] informing the latter that it is to be awarded with a contract for the Provision of Ancillary Services in the Mindanao Grid.

19. On 02 May 2023, NGCP and KEGI executed an ASPA pursuant to the AS-CSP Circular.

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B. DOE Approved TOR *vis-à-vis* ASPA of NGCP and KEGI

Upon careful perusal of the DOE-approved Terms of Reference (TOR) *vis-à-vis* the provisions of the ASPA of the Applicants, the

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24 The 07 February 2023 edition of the *Business Mirror* and the page on which the Notice of Invitation to Bid appears are attached as Annexes "F" and "F-1" of the *Application*, respectively. The Affidavit of Publication issued by the *Business Mirror* is likewise attached as Annex "F-2" of the *Application*.

25 The 07 February 2023 edition of the *Manila Bulletin* and the page on which the Notice of Invitation to Bid appears are attached as Annexes "G" and "G-1" of the *Application*, respectively. The Affidavit of Publication issued by the *Manila Bulletin* is likewise attached as Annex "G-2" of the *Application*.

26 Copy of KEGI's bid offer is attached herein as Annex "H" of the *Application*.

27 The TPBAC Resolution and Evaluation Report dated 12 April 2023 indicating KEGI's bid/offer for its Generation Facility as one of the winning bids is attached as Annex "I" of the *Application*.

28 NGCP Secretary's Certificate certifying the BOD's Resolution confirming the TPBAC's Evaluation Report is attached as Annex "J" of the *Application*.

29 Notice of Award in favor of KEGI is attached as Annex "K" of the *Application*.

Commission finds that the ASPA between NGCP and KEGI is substantially consistent with the DOE-approved TOR, as shown in Table 1 below.

Table 1: Compliance of the ASPA with the DOE Approved TOR

Terms of Reference	Description	Requirements under the TOR	Commission's Findings (subject to final evaluation)
Type of Contract and Duration	Firm Contract	Firm Contract for five (5) years, with Annual Performance Evaluation in which contract may be terminated if the AS Provider's performance for the year did not meet reliability standard. The details of the reliability standard shall be specified in the ASPA. Contract duration is not intended to be extended, as another bidding will be conducted for expiring contracts.	**Consistent with the TOR** **Section 2.1 of the ASPA** provides: This Agreement shall become effective upon the approval by the ERC, either a Provisional Authority (PA), or Interim Relief (IR), or final Decision, whichever comes first, unless if a different effective date is provided by the ERC in its Order or Decision, and shall remain effective for a period of five (5) years, subject to Section 13 (Termination) of this Agreement.
Power Plant Location	Luzon Grid Visayas Grid Mindanao Grid	1. Power plant that is directly connected to an NGCP-owned Facility should have a dedicated connection for the Generating Unit used to provide the Contracted Capacity; or 2. For Embedded Generators, with expressed consent from Host DU that Embedded Generator can dispatch anytime when required for AS provision. The Generating Unit/s capacity offered for specified schedule/duration should be dedicated for AS, and not be contracted for regular energy supply to load customers or used for station use service, if offer is for RR, CR, and/or DR. Generating Unit's offered for BSS	**Consistent with the TOR** The WHEREAS Clause of the ASPA provides for the power plant location, as follows: **WHEREAS**, the AS provider is the owner of the 15.684 MW Misamis Occidental Power Plant 2 (MOPP2) located in Brgy. Map-an, Panaon, Misamis Occidental and 16.239 MW Misamis Occidental Power Plant 3 (MOPP3), located in Brgy. San Isidro, Jimenez, Misamis Occidental (the "Generation Facility") which has been certified and accredited by NGCP as capable of providing the Ancillary Services specified in Schedule 1 of the Agreement; **WHEREAS**, as participant in the AS-CSP, the AS Provider was declared as winning bidder and awarded the contract through this ASPA for the provision of (Dispatchable Reserve and Reactive Power Support) for the (Mindanao) grid;

Terms of Reference	Description	Requirements under the TOR	Commission's Findings (subject to final evaluation)
		and/or RPS can also be offered for CR or DR, or have energy contracts, or real-time dispatch schedule in the WESM.	
Required Certifications	Printed and electronic copies of valid certifications which must be submitted by Eligible Bidders before the deadline for submission of Post-Qualification requirements: ERC-issued certification - Provisional or Final Certificate of Compliance (COC) as an Independent Power Producer (IPP), or an ERC-issued certification that the same is in process. IEMOP issued certification - Per-unit or Per-sector WESM registration, consistent with AS Certification. Aggregated units/sectors will not be accepted. NGCP-issued certification - Valid Ancillary Service Certification indicating the AS types the plant is qualified to provide per Unit/per Sector		The required certifications are not included in the ASPA provisions but were submitted as part of the post qualification requirements, *to wit*: • ERC Certificate of Compliance or Provisional Authority to Operate;[30] • WESM Registration;[31] and • Ancillary Services Accreditation Certificate.[32]
Grid interface and control requirements	Equipment required to be installed at the AS Provider's power plant and connection point	1. Control Mode for Regulating Reserve shall be Automatic Generation Control (AGC), and capable also to run on Governor Control Mode (GCM), if required. 2. Control Mode for Contingency Reserve shall be GCM; AGC mode is also acceptable, if certified. WESM-compliant Revenue Metering consistent with WESM Registration – without any connected Load customer or Station Use Load. Remote Terminal Unit (RTU)- capable of per	The required grid interface and control requirements are not included in the ASPA provisions but were found in the AS Accreditation Certificate, attached to the *Application*.

[30] Attached as Annex "T" of the *Application*.
[31] Attached as Annex "V" of the *Application*.
[32] Attached as Annex "B" of the *Application*.

<table>
<tr><th>Terms of Reference</th><th>Description</th><th>Requirements under the TOR</th><th>Commission's Findings
(subject to final evaluation)</th></tr>
<tr><td></td><td></td><td>unit/per sector monitoring</td><td></td></tr>
<tr><td>Contracted Capacity</td><td>Open for bidding from multiple AS Providers in Luzon, Visayas and Mindanao grids to comply with the following AS requirements:

<table><tr><th>AS Type</th><th>Approval Level</th></tr><tr><td>1. Regulating Reserve</td><td>4% of the hourly System Peak Demand and any such qualified regulating reserve capacity required to mitigate any frequency variability in the grid, as may be deemed necessary by NGCP</td></tr><tr><td>2. Contingency Reserve</td><td>The most heavily loaded generating unit on-line and its scheduled reserve</td></tr><tr><td>3. Dispatchable Reserve</td><td>The second most heavily loaded generating unit on-line and its scheduled reserve</td></tr><tr><td>4. Reactive Power Support</td><td>Dependent on system voltage condition</td></tr><tr><td>5. Black Start Service</td><td>At least two (2) black start plant per restoration highway</td></tr></table>
Offers for RR, CR and/or DR shall be identified per Unit/per Sector and presented in an hourly profile using the AS capacity offer Excel file provided, the filenames of which are per generating unit's Resource ID. The Offer may already consider the scheduled outage hours of the plant, since there will be no more allocation for outage hours allowance. Otherwise, Eligible Bidder shall provide Replacement AS Capacity during outages, if such outages have not been carved out from its offer.

Offers for RPS and BSS shall be based on its AS Certification (in kVAR for RPS, or kW for BSS) to be provided in the Capacity Offer Summary Word file.

Detailed hourly profile for the RR, CR, and DR requirements are included in the</td><td>Consistent with the TOR

Schedule 1 of the ASPA shows the required contracted capacity and the AS type.</td></tr>
</table>

Terms of Reference	Description	Requirements under the TOR	Commission's Findings (subject to final evaluation)
	Bidding Documents to be provided to Eligible Bidders. For Regulating Reserve offer from BESS facilities, the Resource Capacity will be used and not the installed capacity. Resource Capacity is the sum of the absolute value of the charging and discharging capacity of the BESS, which addresses the over and under frequency in the grid. Note that offers for each AS type will be evaluated separately. There are no bundled AS types to be prioritized in this bidding. The Firm AS capacities in ASPAs that are still valid until December 2023 onwards are not yet included in the capacities open for bidding. Such Firm AS capacities are still allocated to the respective AS Providers. Thus, such AS Providers should not yet offer its contracted Firm AS capacities in this bidding.		
Replacement AS Capacity	AS Provider to source and provide replacement AS capacity for Firm Regulating Reserve, Firm Contingency Reserve, and Firm Dispatchable Reserve, (whether unavailable or derated), to avoid penalties. Replacement AS capacity is not required for RPS and BSS.	Firm AS capacity shall be available and maintained at the Scheduled Capacity level at all times. Unavailability due to outage, unit tripping, or deration shall be replaced with Replacement AS capacity from AS certified Units that are not scheduled for AS, coming from the AS Provider's facility or another AS-certified generating facility of the same AS type. Upon implementation of Reserve Market (RM), replacement capacity may be procured by AS Provider from the RM, and cost difference to be shouldered by AS Provider. Non-replacement shall result to non-compliance, and will be subject to penalty.	**Consistent with the TOR** The following Sections in the ASPA show the pertinent provisions relative to this information required under the TOR: • **Section 5.3 of the ASPA** - The AS Provider is deemed Non-compliant when any of the following occur: xxx b. Non-availability of the contracted capacity during the day-ahead declaration, and failure to replace such with an equivalent capacity from another certified unit/facility ("Replacement AS Capacity") (day-ahead); xxx • **Schedule 2 - C. Declaration of Replacement AS Capacity** 1. Declaration of Replacement AS capacity shall be submitted by the AS provider to NGCP-System Operation (NGCP-SO) and shall only be approved due to outage or

Terms of Reference	Description	Requirements under the TOR	Commission's Findings (subject to final evaluation)
		NGCP shall pay the amount of Replacement AS cost based on the rates in the AS PA, or the actual cost of Replacement AS Capacity, whichever is lower. Any resulting additional cost from Replacement AS Capacity shall be shouldered by the AS Provider, and shall not be passed on for recovery from NGCP. Absence of a Replacement AS capacity will subject the affected hours to penalties. For non-compliance of a Replacement AS unit/s, corresponding penalties shall be applied to such Replacement AS unit/s separately. Guaranteed availability of the Replacement AS should be the sole responsibility of the original scheduled AS Provider.	de-ration of a certain generating plant/s providing ancillary services, or insufficient State of Charge (SOC) of Energy Storage System (ESS) to provide dispatch and AS Schedule. 2. The AS Provider shall be notified immediately through the issuance of the revised Day-Ahead Ancillary Services Schedule (DAASS). 3. The AS Provider shall be required to submit the request for re-declaration of available capacity through email or web facilities. 4. Approval of the declaration of Replacement AS Capacity may be granted only for the next hour as required by the system, provided it is not traded in the WESM. • **Schedule 3 - E. The cost of Replacement AS Capacity shall be shouldered by the AS Provider**. NGCP shall pay the corresponding Capacity Payment and Incidental Energy Payment based on A to D of this Schedule 3, or the actual cost of Replacement AS Capacity, whichever is lower.
Deration of AS Capacity	Deration will be subject to penalties	Derated capacity that is not replaced with a Replacement AS capacity shall be subject to non-payment and penalty; compliant available capacity to be paid accordingly.	**Consistent with the TOR** **Section 5.4 of the ASPA** provides as follows: If the contracted capacity is not provided in full due to deration of the AS Provider's generating unit, the capacity that was not provided shall not be paid, and a deduction or fifty percent (50%) of the Capacity Payment shall be imposed on the affected capacity and hour/s.
AS Scheduling	Day-ahead nomination by AS Provider and scheduling by NGCP	1. Nomination by the AS Provider of available capacity should be submitted to NGCP - System Operations day-ahead not later than 2:00 pm, based on available	**Consistent with the TOR** The following Sections in the ASPA show the pertinent provisions relative to this information required under the TOR:

Terms of Reference	Description	Requirements under the TOR	Commission's Findings (subject to final evaluation)
		generating units, as provided below: -Weekdays, except Fridays, for the next weekday nomination. -Friday for Saturday, Sunday and Monday nominations. -Working Day before Holiday until the next working day 2. Submission by NGCP of Day-Ahead Ancillary Services Schedule (DAASS) to the AS Provider shall be made not later than 5:00 pm. 3. All day-ahead nominations of available capacity and approvals shall be made electronically thru web facility provided by System Operations-NGCP. In case web facility is not available, email shall be used.	• **Section 4 of the ASPA. Nomination, Scheduling and Dispatch of Ancillary Services** The nomination, scheduling and dispatch of Ancillary Services shall be in accordance with the provisions of the Dispatch Protocol/Guidelines provided in Section 3.4.1 of the ASPP or ERC approved AS Rules/Guidelines, and Schedule 2 of this Agreement. • **Schedule 2 – A. Declaration of Available Capacity for Ancillary Service** 1. Declaration by the AS Provider of available hourly capacity should be submitted to NGCP-System Operation (NGCP-SO) day-ahead not later than 2:00 pm based on available generating units, as provided below: a. Weekdays for the next day declaration except Friday b. Thursday for Friday and Saturday declarations c. Friday for Sunday and Monday declarations d. Working Day before Holiday until the next working day. 2. Submission of NGCP-SO of Day-ahead Ancillary Services Schedule (DAASS) to the AS Provider shall be made not later than 5:00 pm. 3. All day-ahead declaration of available capacity and approvals shall be made electronically thru web facility provided by NGCP-SO. In case web facility is not available, email shall be used. • **Schedule 2 – D. Ancillary Services Scheduling** The Firm Contracted Capacity shall be scheduled at all times. Full Firm capacity may be satisfied by available single or multiple units.

Terms of Reference	Description	Requirements under the TOR	Commission's Findings (subject to final evaluation)
			ESS with firm contracts shall ensure that they can provide the contracted service during its firm schedules (e.g. sufficient energy to maintain dispatch and to provide scheduled ancillary service capacity.)
Basis of Payment	Payment by NGCP for actual provision of AS by AS Provider	Payment by NGCP to the AS Provider shall be based on Scheduled Capacity and its corresponding dispatched energy for compliant hours only. Capacity and Energy costs for Non-compliant hour(s) shall not be paid, and shall be subject to applicable penalties. Further, payments by NGCP to the AS Provider shall be based on the actual collection from grid customers, on a pro-rated basis among all AS Providers on the first month. On the second month, NGCP to pay the balance from the previous month in full, and current month on a pro-rated basis, and so on. Please note that the remittance of the VAT shall be in accordance with ERC Resolution No. 20, Series of 2005.[33]	**Consistent with the TOR** The following Sections in the ASPA show the pertinent provisions relative to this information required under the TOR: • **Payment by NGCP to AS Provider** 6.5. NGCP shall pay the amount provided in the AS Power Bill including Value Added Tax (VAT). The remittance of the VAT shall be in accordance with ERC Resolution No. 20, Series of 2005, as may be applicable and the protocol to be agreed upon by the Parties. 6.6. Payment for the Ancillary Services as described under Section 6.1 to 6.3 shall be made by NGCP on the period and upon the terms provided for under this Agreement as it is understood that said payments are collected by NGCP from the grid users, and in accordance with Section 6.8 to 6.10. 6.7. The AS Provider has the option, upon prior notice to NGCP, to apply such amounts received from NGCP against its prior Billing Periods from the oldest outstanding amounts payable. For the avoidance of doubt, any payments made by NGCP shall be applied first against interest; then to the outstanding Ancillary Service Fees. • **Payment Method and Timeline**

[33] Implementing the Recovery of Value Added Tax (VAT) and Other Provisions of Republic Act No. 9337 Affecting The Electric Power Industry.

Terms of Reference	Description	Requirements under the TOR	Commission's Findings (subject to final evaluation)
			6.8. Payment of Ancillary Service Fees shall be based in the amount of AS charge actually collected by from its customers less VAT, if any, on a per gird basis (the "Total AS Collection") and shall proceed in the following manner: a. From the Total AS Collection, NGCP shall deduct the: (1) payments due to existing AS providers with "as-billed" payment arrangements, if any; and (2) the unpaid amounts due to AS Providers from the previous billing, in full and without interest. b. From the remaining amount of the Total AS Collection less deductions ("Net AS Collection"), NGCP shall pay AS Provider the latter's pro-rata share in the Net AS Collection. c. NGCP shall pay the AS Provider on the last business day of the calendar month immediately succeeding the subject Billing Period.
Penalty	Penalty of AS provider for Non-compliance to technical criteria, or not following the dispatch instructions of NGCP	Non-compliant hours shall also have a penalty of 50% of the Applicable Rate for Capacity Payment multiplied by the Scheduled Capacity on said hour(s). Such penalty shall be deducted directly from the AS cost payable to the affected AS Provider. Example: Scheduled Capacity = 10MW Capacity Payment Rate = 2.25 PhP/kW/hr Non-compliant hour = 1 hr Penalty = 10,000kW x 2.25PhP/kW per hr x 1 hr x 50% = 11,250 PhP	**Consistent with the TOR** **Section 5.2 of the ASPA** provides: The AS Provider shall not be paid the Total AS Cost for hour/s that it is declared Non-compliant. In addition, NGCP shall deduct an amount equivalent to fifty percent (50%) of the Capacity Payment for that particular type of Ancillary Service for the Non-compliant hour/s. Such deduction shall be applied to the total payment of the monthly AS cost.
AS Rates and Payment to be used for the bidding and	(A) Capacity Payment Rate for Scheduled Capacity	Offered rate in PhP/kW per hour, per AS type. Note that Incidental Energy Payment for	**Consistent with the TOR** **Schedule 3: Ancillary Service Payment** of the ASPA provides for the AS Rates and Payments.

Terms of Reference	Description	Requirements under the TOR	Commission's Findings (subject to final evaluation)
adopted in the ASPA	(B) Incidental Energy Payment for Dispatched portion of the Scheduled Capacity, with the following components:	Regulating Reserve and Contingency Reserve does not include the energy dispatch from the generating unit's technical Pmin, Real-Time Dispatch (RTD) in the WESM, or its Bilateral Contract Quantity (BCQ). Further, start-up and shutdown done outside of the scheduled hour will not be considered in the payment of Incidental Energy. The formula for Incidental Energy Payment shall be: Incidental Energy Payment = [G x (Capacity Payment Rate + Energy Fees)] - (WESM Revenue - WESM Payment) Where: • G = for conventional plants, summation of actual energy generated or dispatched from the Scheduled Capacity in kWh; for BESS RR, sum of the absolute value of the actual energy dispatched and absolute value of the actual energy absorbed due to frequency regulation; or for BESS CR, is the actual energy dispatched only, in kWh • Energy Fees, in PhP/kWh = Fuel Cost. Fixed and Variable O&M Cost, in PhP/kWh • Fuel Cost, in PhP/kWh = prevailing price of relevant fuel index based on published data for the month of December 2022	**Ancillary Service Payment:** For DR, Ancillary Service Payment is the total of the Capacity Payment and the Incidental Energy Payment: **Ancillary Service Payment = Capacity Payment + Incidental Energy Payment** **Capacity Payment = Undispatched Scheduled Capacity x Applicable Rate per AS type** For Reactive Power Support (RPS), Ancillary Service Payment is as follows: kVAR Payment = (Incidental kVARh Rate x Compensable kVARh) + Incidental Energy Payment (if applicable) Real Time Incidental kVARh Utilization while Providing Contingency or Dispatchable Reserves. This shall be paid based on the total recorded kVARh delivered/absorbed beyond 0.85 power factor lagging or 0.9 power factor leading from the time when the dispatch of RPS was instructed. The compensable kVARh shall be paid at: Incidental kVARh Rate: Php 4.00 / kVARh **Compensable kVARh = Actual kVARh – Base kVARh** Where: • Actual kVARh = actual reactive power provided within each interval • Base kVARh = corresponding kVARh at 0.85 power factor lagging or 0.9 power factor leading, for the unit's MW loading. For clarity, the MW loading is the unit's Pmin, or

Terms of Reference	Description	Requirements under the TOR	Commission's Findings (subject to final evaluation)
		• Fixed O&M Cost, in PhP/kWh = as applicable • Variable O&M Cost, in PhP/kWh = VOM rate x (Current CPI = Base CPI); where Base CPI is CPI of December 2022 • WESM Revenue = summation of WESM revenue based on market clearing price at the generator's trading node, arising from G. • WESM Payment = summation of WESM purchases based on market clearing price at the generator's trading node for generator's feedback power if applicable.	RTD schedule, whichever is greater. The Payment Cost of Incidental Energy is computed as follows: **Incidental Energy Payment = {G x (Capacity Payment Rate + Energy Fees)} – (WESM Revenue – WESM Payment)** Where: • G =summation of actual energy generated or dispatched from the Scheduled DR Capacity, in kWh • Capacity Rate Payment = Applicable Rate for DR (PhP0.6821/kWh) • Energy Fees = Fuel Cost + Variable O&M Cost, in PhP/kWh • Fuel Cost = fuel cost based on prevailing price with relevant fuel index based on published data, in PhP/kWh • Where: o HFO Payment = HFO Price * HFO Consumption Rate * G; o HFO Price = actual Heavy Fuel Oil net delivered price, in PhP/liter, based on "first in first out" inventory price; o HFO Consumption Rate = 0.2429 L/kWh or actual consumption rate, whichever is lower o LFO Payment = LFO Price * LFO Consumption Rate * n * TEU o LFO Price = actual Light Fuel Oil net delivered price, in PhP/liter, based on "first in first out" inventory price; o LFO Consumption Rate = 200L per engine per

Terms of Reference	Description	Requirements under the TOR	Commission's Findings (subject to final evaluation)

			instance of start-up and shutdown
			o TEU = Total engine used;
			o n = number of start-up and shutdown;
			o LO Payment = LO Price * LO consumption rate * G
			o LO Price = actual Lube Oil net delivered price, in PhP/liter, based on "first in first out" inventory price;
			o LO Consumption rate = 0.0022 liter/kWh or the actual consumption rate, whichever is lower;
			
			• Variable O&M Cost = VOM rate (no indexation). VOM rate is PhP0.50/ kWh (as approved by ERC)
			
			• WESM Revenue = summation of WESM revenue based on market clearing price at the generator's trading node, arising from G.
			
			• WESM Payment = summation of WESM purchases based on market clearing price at the generator's trading node, for generator's feedback power if applicable.
			
			Note: Fuel cost, as a pass-thru cost, shall be settled based on actual cost and as supported by official proof of payment, *i.e.*, official receipts and/or sales invoice.

Total AS Cost during ASPA implementation	Computation of the cost of actual AS provided	Hourly AS Cost = [(Undispatched Capacity x A) + B] — Penalty + any billing adjustments Where: A = Capacity Payment (details provided above) B = Incidental Energy Payment (details provided above) Penalty = 50% x (A x Scheduled Capacity) Billing adjustments = applicable adjustments	**Consistent with the TOR** The following Sections in the ASPA show the pertinent provisions relative to this information required under the TOR: • **Schedule 3: Ancillary Service Payment of the ASPA** provides for the computation of the cost of total AS Cost. • **Schedule 2: Dispatch Protocol /Guidelines / Items for Adjustment; and Billing and Payment** provides for the following pertinent provisions:

Terms of Reference	Description	Requirements under the TOR	Commission's Findings (subject to final evaluation)
		as a result of monthly billing reconciliation	**M. ADJUSTMENT** Adjustments shall be made on a monthly basis should there be scheduled AS capacities that are dispatched within a billing month. Such adjustments shall be reflected on the Statement of Provided Ancillary Services (SPAS) of the AS Provider within ninety (90) days after the end of current billing month. The AS Provider shall only bill the adjustments that are reflected in the SPAS. **N. BILLING AND PAYMENT** a. NGCP and the AS Provider shall refer to the billing and payment provisions of the ASPA for the method of settlement on AS provisions of the AS Provider every billing month. b. The AS Provider shall pick up the original copies of SPAS from the office of the RSO upon notice of its availability. c. Soft copies shall be emailed by NGCP to the corresponding contact persons for advance copy.
AS Cost Simulation	Simulated Total AS Cost in Pesos	Provide a simulated Total AS Cost for each AS type using the components provided in the Ancillary Services rates portion above, and the Template for AS Cost Simulation. Include cost of VAT in the Total AS Cost. Cost of technical Pmin for Regulating Reserve and Contingency Reserve are not included in the Total AS Cost.	The required AS Cost Simulation is not included in the ASPA provisions but was submitted as part of the Co-applicant's bid offer, attached to the *Application*.
Basis of Termination of ASPA	The ASPA shall be considered for termination upon the occurrence of any of the scenarios below: 1. AS Provider's Annual Performance Evaluation indicates below 90% compliance, even after conducting		**Consistent with the TOR** The following Sections in the ASPA show the pertinent provisions relative to this information required under the TOR:

Terms of Reference	Description	Requirements under the TOR	Commission's Findings (subject to final evaluation)
	Monthly Performance Evaluation with recommendations to improve performance; 2. In cases of unavailability of Firm Contracted Capacity during or as a result of Force Majeure events for a period of fifteen (15) days or less, the AS Provider shall not be obligated to provide Replacement AS Capacity and will not be penalized for unavailability. Accordingly, the AS Provider shall not be paid for the period of unavailability. Starting on the sixteenth (16th) day of unavailability, AS Provider shall provide Replacement AS capacity if its generating unit is still unavailable. By the ninetieth (90th) day of unavailability, if generating unit is still unavailable, the ASPA shall be subject to termination. 3. AS Providers whose generating unit undergoes outage for a period of not more than thirty (30) consecutive days shall be required to provide Replacement AS capacity during the entire duration of the outage. Otherwise, the APSA shall be considered for termination. Outages which exceed thirty (30) consecutive days, shall subject the ASPA to termination. 4. Power plant [that] fails the regular AS Certification test (conducted every 2 years) and cannot resolve the technical problem for re-certification within thirty (30) days from the issuance of the test report; 5. Persistent occurrences of power plant tripping/ non-compliances during the period it is scheduled for AS provision, which will reflect in the Annual and Monthly Performance Evaluation; 6. Material adverse change in the Terms of Reference and the ASPA due to changes in law, rules and regulation, and/or significant modification of the ASPA by the ERC in its Provisional Authority to implement or Final Decision; 7. Termination of Connection Agreement and Service Agreements with NGCP. 8. Termination due to implementation of new AS Rules as promulgated by the ERC.		1. AS Provider's Annual Performance Evaluation is found in Schedule 5. Annual and Monthly Performance Evaluation for computation of the ASPA. • **Section 12.3 of the ASPA** also provides: In the event that the AS Provider continues to fail in any of the standards set in Schedule 5 of this Agreement beyond the period of improvement agreed upon in Section 12.2, NGCP may terminate this Agreement at its discretion subject only to written notice to the AS Provider. 2. Force Majeure – • **Section 11.2 of the ASPA** provides: This Agreement shall remain in full force and effect notwithstanding the occurrence of a Force Majeure Event; however, the AS Provider shall be temporarily relived from fulfilling its obligations under this Agreement for a period of fifteen (15) days from the occurrence of the Force Majeure Event, should its facilities be affected. • **Section 11.3 of the ASPA** also provides: Beginning on the sixteenth (16th) day from the occurrence of the Force Majeure Event, the AS Provider shall provide a Replacement AS Capacity if its generating unit is still unavailable. In the event that on the 90th day from the occurrence of the Force Majeure Event, the generating unit is still unavailable, this Agreement may be terminated ay the option of NGCP.

Terms of Reference	Description	Requirements under the TOR	Commission's Findings (subject to final evaluation)
			3. Outages – • **Section 13.1 of the ASPA** provides: Termination due to Default. The following events are grounds for the termination of this Agreement. xxx e. Forced outage of the plant beyond thirty (30) consecutive days. xxx 4. Power plant fails the regular AS Certification test – • **Section 13.1 of the ASPA** provides: Termination due to Default. The following events are grounds for the termination of this Agreement. xxx d. The failure of AS Provider to meet the technical criteria during the regular AS certification testing, and its subsequent failure to meet such technical criteria within 30 days from the initial AS certification testing, resulting to non-issuance of an AS certification; xxx 5. Persistent occurrence of power plant tripping/ non-compliances, which will reflect in the Annual and Monthly Performance Evaluation. • **Section 13.1 of the ASPA** provides: Termination due to Default. The following events are grounds for the termination of this Agreement.

Terms of Reference	Description	Requirements under the TOR	Commission's Findings (subject to final evaluation)
			xxx g. The failure of the AS Provider to meet the minimum requirements of the Annual Performance Evaluation as provided under Schedule 5 of this Agreement, and subject to Section 12 hereof; or xxx 6. Material adverse change in the TOR and the ASPA – • **Section 13.3 of the ASPA** provides for the Termination due to Material Adverse Change. 7. Termination of Connection Agreement and Service Agreements with NGCP • **Section 13.2 of the ASPA** provides for the Termination without Default, as follows: This Agreement shall be rendered inoperative upon the termination of any of the service agreements of the AS provider with NGCP pursuant to the 2022 OATS Rules. 8. Termination due to implementation of new AS Rules as promulgated by the ERC • **Section 13.3. of the ASPA** provides for the Termination due to Material Adverse Change, as follows: a. In the event of the implementation of a law or regulation, or issuance of an administrative and/or judicial ruling, resulting in a material adverse effect on the rights and/or obligations of either Party, such Party may terminate this Agreement through written notice to the other Party within thirty (30) days of such change, effective

Terms of Reference	Description	Requirements under the TOR	Commission's Findings (subject to final evaluation)
			upon receipt of such notice. The AS Provider's termination of this Agreement after the lapse of the thirty (30) day period shall fall under Section 13.1(f) of this Agreement. xxx
Bid Participation Fee	There shall be no bid participation fee, nor bid documents fee for this bidding.		**Not Applicable**
Bid Security	Eligible Bidders shall post Bid Security upon submission of bids, equal to or greater than two percent (2%) of the total computed Capacity Payment Cost for one (1) year, using the maximum offered AS Capacity and offered AS Capacity Payment rate per AS type (equivalent contract price). Should an offer consist of varying AS Capacity offers, the maximum capacity offered, and the total number of hours offered in a year will be the basis for the Bid Security computation. A separate Bid Security shall be posted for each AS type offered. 1.Computation of Bid Security for Regulating Reserve (RR), Contingency Reserve (CR), and Dispatchable Reserve (DR) For example, an offer of 20MW RR for 16 hours and 15MW for 8 hours, 320 days in a year at PhP 2.25/kW per hour, take the highest capacity offer of 20MW, which will result to a Bid Security of: 20,000kW x 24hrs x 320days x 2.25PhP/kw per hr x 2% = PhP6,912,000.00. 2.Computation of Bid Security for Black Start Service (BSS) BSS capacity as certified (kVV) x 12hrs x BSS rate (PHP/kWh) x 2%. The assumption is the BSS will be utilized once a year for 12 hours. 3.Computation of Bid Security for Reactive Power Support (RPS) The maximum RPS kVAR as certified (kVAR) x 5hrs x 5months x 4.00/kVAR per hr x 2%. The assumption is the RPS will be utilized for 5 hours a day for 5 months (dry season) per year.		The Bid Security requirement is not included in the ASPA provisions but was submitted as part of the Co-applicant's bid offer, which is pending submission by the Applicants as part of their compliance to the AS-CSP.

Terms of Reference	Description	Requirements under the TOR	Commission's Findings (subject to final evaluation)
	The maximum RPS kVAR as certified (kVAR) x 5hrs x 5months x 4.00/kVAR per hr x 2%. The assumption is the RPS will be utilized for 5 hours a day for 5 months (dry season) per year. Bid Security shall be in the form of security bond or irrevocable standby letter of credit from NGCP's list of approved providers. The Bid Security shall be (i) forfeited in favor of NGCP if the Eligible Bidder withdraws its bid after the bid opening, fails to complete Post-Qualification Requirements, or refuses to execute the ASPA after it has been provided a Notice of Award; and (ii) valid for 120 days starting on the date of bid submission. In case the ERC has not yet issued a Provisional Authority for the ASPA within 90 days of the 120-day Bid Security validity period, the Eligible Bidder shall extend such Bid Security for another 60 days from the expiration (there will be a 30-day window prior to expiration of Bid Security validity to extend it)		
Performance Bond	Winning Bidders shall post a Performance Bond upon execution of the ASPA equivalent to 30% of the total computed Capacity Payment Cost for one (1) year based on the Firm Contracted Capacity, for the offered AS Capacity per AS type (equivalent contract price). The Performance Bond shall be updated annually, thirty (30) days prior to the anniversary date, and computed as follows i. Computation of Performance Bond for RR, CR, and DR For example, 20MW RR for 24hours, 320 days in a year at PhP 2.25/kW per hour, will result to a Performance Bond of: 20,000kW x 24hrs x 320days x 2.25PhP/kw per hr x 30% = PhP 103,680,000.00. ii. Computation of Performance Bond for BSS BSS capacity as certified (kW) x 12hrs x BSS rate (PHP/kWh) x 30%. The assumption is the BSS will be utilized once a year for 12 hours. iii. Computation of Performance Bond for RPS RPS kVAR as certified (kVAR) x 5hrs x 5months x 4.001kVAR per hr x 30%. The		**Consistent with the TOR** • **Section 7 of the ASPA** provides for the **Performance Bond,** as follows: o 7.1 The AS Provider shall post a Performance Bond equivalent to thirty percent (30%) of the total computed Capacity Payment for the contracted capacity for the first year of AS provision (i.e. one year equivalent), within fifteen (15) days from receipt of the ERC PA, IR, or Decision, whichever comes first. o 7.2 The Performance Bond shall be in the form of Standby Letter of Credit or Surety Bond issued by entities acceptable to NGCP, valid for one year, and updated annually, at least thirty (30) days prior to the current Performance Bond's expiration date. o 7.3 The Performance Bond shall be forfeited in favor of

Terms of Reference	Description	Requirements under the TOR	Commission's Findings (subject to final evaluation)
	assumption is the RPS will be utilized for 5 hours a day for 5 months (dry season). Performance Bond shall be (i) in the form of security bond or irrevocable standby letter of credit from NGCP's list of approved providers, and (ii) subject to withdrawal in favor of NGCP upon termination of the ASPA due to default of the AS Provider (Winning Bidder), to be posted upon the execution of the ASPA.		NGCP in the event of default by the AS Provider, as specified in Section 13.1 of this Agreement.

Based on the DOE-approved TOR requirements outlined in the table above, the Commission determines that the ASPA between NGCP and KEGI is consistent with the DOE-approved TOR. The Commission also notes that the following TOR requirements were not incorporated in the ASPA provisions but were either submitted as part of the *Application* or as part of compliance with the CSP requirements by the Applicants:

(1) Required Certifications which are part of the post qualification requirements attached to the *Application*;

(2) Grid interface and control requirements are specified in the AS Accreditation Certificate, which was attached to the *Application*;

(3) AS Cost Simulation was part of the bid offer, which was attached to the *Application*; and

(4) Bid Security is part of the AS-CSP requirements submitted by NGCP as part of its *Compliance*.

C. NGCP's Compliance with DOE 2021 AS-CSP Circular

The Commission examined the submissions of NGCP relative to its procurement of its AS to determine whether the said submissions have met the parameters as set forth under the DOE 2021 AS-CSP Circular, as follows:

SECTION 1. GENERAL PRINCIPLES.

The procurement by the System Operator (SO) of Ancillary Services (AS) through contracts shall be governed by the following principles:

1.1. Transparency and non-discriminatory treatment of all Ancillary Service Providers (ASPs) in the procurement of AS through the conduct of CSP that allows wide dissemination of bid opportunities and participation of all companies capable of providing AS;

1.2. Promote competition in the procurement and supply of AS to the grid by extending equal opportunity to eligible and qualified companies to participate in CSP for AS;

1.3. Protect the interest of the general public as it is affected by the rates and services of ASPs by ensuring sufficient and least-cost provision of AS;

1.4. Accountability in the procurement process by ensuring timely observance in the processes involved in the conduct of CSP, particularly the capability testing of generating facilities and issuance of other requisites in accordance with the ease of doing business principles;

1.5. All AS contracts shall be entered into by the SO in accordance with the competitive procurement mechanisms as provided in this Circular; and

1.6. Encourage additional investments through the contracting of future AS requirements as provided under Section 12.6 of DOE Department Circular No. DC2019-12-0018.

Upon careful examination of the records of the case *vis-à-vis* the requirements/parameters outlined hereunder, and the attendant specific requirements therein, the Commission has determined that NGCP's AS selection process has complied with the requirements of the DOE 2021 AS-CSP Circular, as follows:

Table 2: Compliance of NGCP with the AS-CSP Parameters

	Parameters	Documents Required/Relevant Provisions under the DOE 2021 AS-CSP Circular	Commission's Findings
1	Third Party Bids and Awards Committee (TPBAC)	Establishment of TPBAC, Technical Working Group (TWG) and Secretariat (Sec. 5) - SO's BOD *(Board Resolution)* shall designate five members of the TPBAC, composed of the following: 1. SO officer/employee knowledgeable in the technical operations of the transmission system;	**Compliant.** In the *Application*, NGCP submitted the TPBAC Evaluation Report,[34] showing that the TPBAC is composed of the members from the NGCP, IEMOP, and TRANSCO. Further, in the *Compliance* filed by NGCP, it submitted the respective Board Resolution or

[34] Attached as Annex "I" of the *Application*.

	Parameters	Documents Required/Relevant Provisions under the DOE 2021 AS-CSP Circular	Commission's Findings
		2. SO officer/employee with knowledge and/or experience with any local or international competitive bidding procedures and has knowledge on electricity pricing; 3. SO lawyer knowledgeable in the legal framework of operating the transmission system; 4. Market Operator (MO) representative 5. Representative from National Transmission Corporation (TRANSCO)	Secretary's Certificate showing the due constitution of the TPBAC to conduct the AS-CSP of NGCP.
2	AS CSP Observers	• An invitation in writing and electronic mail (e-mail) to AS CSP Observers, which includes the DOE, the National Electrification Administration (NEA) and Energy Regulatory Commission (ERC), shall be extended at each of the following stages: Pre-Bid, Submission and Opening of Bids, Bid Evaluation, Post Qualification, Awarding and Contract Signing • Observers cannot participate in the proceedings and have no right to vote (Sec. 6.3) Note: The absence of AS CSP observers will not nullify the AS CSP proceedings; Provided, that AS CSP Observers have been duly invited in writing and email within the prescribed period. (Sec.6.6)	**Compliant.** NGCP submitted the TPBAC Resolution Evaluation Report[35] stating that CSP Observers from DOE, NEA, and the ERC were invited to attend the Pre-bid Conference and the Bid Opening. Further, in the *Compliance* filed by NGCP, it submitted proof, such as letters or emails inviting the foregoing agencies.
3	Terms of Reference Annex A of DC2021-10-0031	Prior to the publication of the Invitation to Bid, the SO shall submit to the DOE for approval the following documents: 1. TOR, if consistent with CSP policy; and 2. Draft Instruction to Bidders, if consistent with the final TOR Annex A of DC2021-10-0031 also prescribes the ASPA TOR.	**Compliant.** In its *Application*, NGCP submitted the following in compliance with this parameter: • DOE *Letter* dated 22 November 2022 approving the Terms of Reference (TOR) and Instruction to Bidders;[36] and • DOE-approved TOR.[37]
4	Invitation to Bid	Requirements: (Sec 7.3.2)	**Compliant.**

[35] Attached as Annex "I" of the *Application*.
[36] Attached as Annex "C" of the *Application*.
[37] Attached as Annex "C-1" of the *Application*.

	Parameters	Documents Required/Relevant Provisions under the DOE 2021 AS-CSP Circular	Commission's Findings
		1. Cooperation Period/Contract Year 2. Type of AS 3. Level of AS required 4. Eligibility requirements 5. Information memorandum 6. Instruction to bidders 7. Schedule and Deadlines up to the Notice to Proceed (Sec 7.3.2)	NGCP submitted its *Notice of Invitation to Bid* which contained all the required information for the conduct of its CSP as required under the DOE 2021 CSP Circular.
5	Other Bidding documents	TPBAC shall prepare the Bid Documents which consists of: 1. Corporate Profile of the Bidders 2. Technical Proposal's requirements 3. Financial Proposal's Requirements 4. Method and Criteria for evaluation 5. Bidding Procedure 6. Awarding, Signing of Contract and Notice of Implementation 7. Acceptable form of Bid and Performance Securities 8. Proposed timelines or Milestones 9. ASPA template 10. Notarized Statement attesting to the information submitted for the bid 11. Protest Mechanism 12. Other documents as may be required by other government agencies (Sec 7.3)	**Compliant.** NGCP submitted the following in compliance with this parameter: 1. Corporate Profile of the Bidders – submitted through a *Compliance*;[38] 2. Technical Proposal's requirements – submitted through a *Compliance*;[39] 3. Financial Proposal's Requirements – submitted through a *Compliance*;[40] 4. Method and Criteria for evaluation – which can be found in the DOE Approved Instruction to Bidders;[41] 5. Bidding Procedure - which can be found in the DOE Approved Instruction to Bidders;[42] 6. Awarding, Signing of Contract and Notice of Implementation - which can be found in the DOE Approved Instruction to Bidders;[43] 7. Acceptable form of Bid and Performance Securities – submitted through a *Compliance*;[44]

[38] Attached as Annex "C" of *Compliance (with Motion for Confidential Treatment of Information)* dated 07 August 2023, filed by NGCP.
[39] Attached as Annex "C-1" of *Compliance (with Motion for Confidential Treatment of Information)* dated 07 August 2023, filed by NGCP.
[40] Attached as Annex "C-2" of *Compliance (with Motion for Confidential Treatment of Information)* dated 07 August 2023, filed by NGCP.
[41] Attached as Annex "C-2" of the *Application*.
[42] Attached as Annex "C-2" of the *Application*.
[43] Attached as Annex "C-2" of the *Application*.
[44] Attached as Annex "C-3" of *Compliance (with Motion for Confidential Treatment of Information)* dated 07 August 2023, filed by NGCP.

	Parameters	Documents Required/Relevant Provisions under the DOE 2021 AS-CSP Circular	Commission's Findings
			8. Proposed timelines or Milestones – which can be found in Item No. 7 of the Notice of Invitation to Bid;[45] 9. ASPA template – submitted through a *Compliance*;[46] 10. Notarized Statement attesting to the information submitted for the bid – submitted through a *Compliance*;[47] 11. Protest Mechanism – which can be found in the Item No. 7 of the DOE Approved Instruction to Bidders;[48] 12. Other documents as may be required by other government agencies – NGCP submitted the following: • Articles of Incorporation[49] • Latest SEC GIS/Proof of Business[50] Registration • Certification issued by ERC on extension request of Provisional Authority to Operate[51] • Latest Audited Financial Statement[52] • WESM Registration[53] • Computation of True Cost of Generation (PhP/kW & PhP/kWh)[54] • Summary of computed Consumer Price Index (CPI) indexation for Variable and Maintenance (VOM) Cost, including their computations.[55] • Single-Line Diagram Connections.[56]

45 Attached as Annex "C-3" of the *Application*.
46 Attached as Annex "C-4" of *Compliance (with Motion for Confidential Treatment of Information)* dated 07 August 2023, filed by NGCP.
47 Attached as Annex "C-5" of *Compliance (with Motion for Confidential Treatment of Information)* dated 07 August 2023, filed by NGCP.
48 Attached as Annex "C-2" of the *Application*.
49 Attached as Annex "S" of the *Application*.
50 Attached as Annex "S" of the *Application*.
51 Attached as Annex "T" of the *Application*.
52 Attached as Annex "U" of the *Application*.
53 Attached as Annex "V" of the *Application*.
54 Attached as Annex "W" of the *Application*.
55 Attached as Annex "X" of the Application.
56 Attached as Annex "Z" of the *Application*.

	Parameters	Documents Required/Relevant Provisions under the DOE 2021 AS-CSP Circular	Commission's Findings
6	Posting of Invitation to Bid	Invitation to Bid, all bid bulletins and related announcements shall be posted in: 1. DOE website or DOE AS CSP E-based Portal; and 2. Through other means of publication and posting (Sec 7.5.1)	**Compliant.** NGCP submitted the following: • *Letter* to DOE requesting that the invitation to bid be posted in the Department's website;[57] and • Posting of the Invitation to Bid on NGCP's website.[58]
7	Publication of Invitation to Bid	Invitation to Bid shall be published in a newspaper of general circulation once weekly for two (2) consecutive weeks. (Sec 7.5.2)	**Compliant.** In the *Application*, NGCP submitted the following: • The 31 January 2023 edition of the *Malaya Business Insight*[59] and the page on which the Notice of Invitation to Bid appears;[60] and Affidavit of Publication issued by the *Malaya Business Insight*.[61] • The 31 January 2023 edition of the *Philippine Star*[62] and the page on which the Notice of Invitation to Bid appears;[63] and Affidavit of Publication issued by the *Philippine Star*.[64] • The 07 February 2023 edition of the *Business Mirror*[65] and the page on which the Notice of Invitation to Bid appears;[66] and Affidavit of Publication issued by the *Business Mirror*.[67] • The 07 February 2023 edition of the *Manila Bulletin*[68] and the page on which the Notice of Invitation to Bid appears;[69] and Affidavit of Publication

57 Attached as Annex "D" of *Compliance (with Motion for Confidential Treatment of Information)* dated 07 August 2023, filed by NGCP.
58 Attached as Annex "D-1" of *Compliance (with Motion for Confidential Treatment of Information)* dated 02 August 2023, filed by NGCP.
59 Attached as Annex "D" of the *Application*.
60 Attached as Annex "D-1" of the *Application*.
61 Attached as Annex "D-2" of the *Application*.
62 Attached as Annex "E" of the *Application*.
63 Attached as Annex "E-1" of the *Application*.
64 Attached as Annex "E-2" of the *Application*.
65 Attached as Annex "F" of the *Application*.
66 Attached as Annex "F-1" of the *Application*.
67 Attached as Annex "F-2" of the *Application*.
68 Attached as Annex "G" of the *Application*.
69 Attached as Annex "G-1" of the *Application*.

	Parameters	Documents Required/Relevant Provisions under the DOE 2021 AS-CSP Circular	Commission's Findings
			issued by the *Manila Bulletin*.[70]
8	Pre-Bid Conference	• Conference must be conducted within fourteen (14) days after publication of Invitation to Bid (Sec 7.6.1) - It shall discuss the eligibility requirements, TOR, and the technical, legal and financial components of the ASPA to be bid out.	**Compliant.** NGCP submitted the following: • TPBAC Evaluation Report,[71] stating that the pre-bid conference was conducted on 20 February 2023 at 10:00 AM. • DOE Approved Instruction to Bidders,[72] stating the instruction to bidders as to how the pre-bid conference should be conducted. • Minutes of the pre-bid conference as well as attendance reports.[73]
9	Bid Evaluation Criteria and Process	The TPBAC shall evaluate the bidders technical, legal and financial qualifications based on the criteria indicated in the Bid Documents.	**Compliant.** In the *Application*, NGCP submitted the TPBAC Evaluation Report,[74] discussing how the bidders were evaluated based on the documents they submitted.
10	Receipt and Opening of Bids	Opening of Bids shall take place in the presence of qualified bidders and/or their duly authorized representatives, and AS CSP Observers. (Sec 7.8.3) NOTE: the time, date and place of the opening of the bids shall be specified in the Bidding Documents.	**Compliant.** NGCP submitted the following: • TPBAC Evaluation Report,[75] stating the time, date and place of the opening of the bids, as follows: Time: 10:00AM of the following dates: Luzon: March 14, 2023 Visayas: March 15, 2023 Mindanao: March 16, 2023 • Minutes of the meeting of the opening of bids as well as attendance reports.[76]

[70] Attached as Annex "G-2" of the *Application*.
[71] Attached as Annex "I" of the *Application*.
[72] Attached as Annex "C-2" of the Application.
[73] Attached as Annex "E" and series of *Compliance (with Motion for Confidential Treatment of Information)* dated 07 August 2023, filed by NGCP.
[74] Attached as Annex "I" of the *Application*.
[75] *Ibid.*
[76] Attached as Annex "F" of *Compliance (with Motion for Confidential Treatment of Information)* dated 07 August 2023, filed by NGCP.

	Parameters	Documents Required/Relevant Provisions under the DOE 2021 AS-CSP Circular	Commission's Findings
			• Proof of receipt of online and physical bid submissions.[77] • Photos during the bid opening.[78]
11	Determination of Winning Bidder	Issuance of Notice of Award	**Compliant.** In the *Application*, NGCP submitted Notice of Award in favor of KEGI.[79]
12	Conduct of Post Qualification process	The winning bidder shall undergo a post qualification process to determine its compliance with all the requirements and conditions as specified in the TOR and other pertinent bidding documents.	**Compliant.** NGCP submitted the following: • The Notice of Invitation to Bid[80] enumerated the post-qualification requirements as follows: 1. ERC Certificate of Compliance or Provisional Authority to Operate;[81] 2. WESM Registration;[82] 3. Ancillary Services Accreditation Certificate.[83] NGCP conducted a post-qualification process as evidenced by the Applicant's submissions of the above-listed required documents.

Based on the requirements and parameters outlined in the Table above, the Commission found that NGCP complied with all the compliance parameters in the selection of KEGI and the procurement of its AS. Thus, the Commission hereby determines that the Applicants are compliant with the AS-CSP requirements.

D. Salient Features of the ASPA

The salient features of the ASPA are the following:

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[77] Attached as Annex "F-1" of *Compliance (with Motion for Confidential Treatment of Information)* dated 07 August 2023, filed by NGCP.
[78] Attached as Annex "F-2" of *Compliance (with Motion for Confidential Treatment of Information)* dated 02 August 2023, filed by NGCP.
[79] Attached as Annex "K" of the *Application*.
[80] Attached as Annex "C-3" of the *Application*.
[81] Attached as Annex "U" of the *Application*.
[82] Attached as Annex "W" of the *Application*.
[83] Attached as Annex "B" of the *Application*.

1. **Term:** The term of the ASPA shall be for a period of five (5) years effective upon the approval by the Commission, whether it be a provisional authority, interim relief, or final authority, whichever comes first, unless a different effective date is provided by the Commission in its *Order* or *Decision*;

2. **Proposed Capacities and Rates:** Under Schedule 1 (Ancillary Services to be Provided) and Schedule 3 (Ancillary Service Payment) of the ASPA, the proposed capacities and rates of the Applicants are summarized in Table 3:

Table 3. Proposed Rates for Ancillary Service

Type of Ancillary Service	Contracted Capacity (MW)	Capacity Payment Rate
Dispatchable Reserve (DR)	Maximum of 15.5 MW	PhP0.6821/kW/hr
Reactive Power Support (RPS) Service	Available capacity of Reactive Power outside the range of 85% lagging and 90% leading[84] power factor	PhP4.00/kVAR/hr

DR:

KEGI_MOPP3U01

DISPATCHABLE RESERVE	01:00	02:00	03:00	04:00	05:00	06:00	07:00	08:00	09:00	10:00	11:00	12:00	13:00	14:00	15:00	16:00	17:00	18:00	19:00	20:00	21:00	22:00	23:00	24:00
JANUARY	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5
FEBRUARY	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5
MARCH	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5
APRIL	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5
MAY	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5
JUNE	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5
JULY	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5
AUGUST	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5
SEPTEMBER	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5
OCTOBER	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5
NOVEMBER	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5
DECEMBER	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5
TOTAL	90	90	90	90	90	90	90	90	90	90	90	90	90	90	90	90	90	90	90	90	90	90	90	90

KEGI_MOPP3U02

DISPATCHABLE RESERVE	01:00	02:00	03:00	04:00	05:00	06:00	07:00	08:00	09:00	10:00	11:00	12:00	13:00	14:00	15:00	16:00	17:00	18:00	19:00	20:00	21:00	22:00	23:00	24:00
JANUARY	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8
FEBRUARY	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8
MARCH	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8
APRIL	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8
MAY	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8
JUNE	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8
JULY	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8
AUGUST	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8
SEPTEMBER	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8
OCTOBER	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8
NOVEMBER	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8
DECEMBER	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8
TOTAL	96	96	96	96	96	96	96	96	96	96	96	96	96	96	96	96	96	96	96	96	96	96	96	96

[84] This is the proposal under Schedule 1 of the ASPA although NGCP certified only for lagging PF operation as indicated in the AS Certificate.

Note that the capacities in the hourly profile are the maximum ancillary service capacities that can be provided by each unit. However, declaration and scheduled shall be based on the latest AS Accreditation Certificate, which shall not exceed the Firm capacities in the hourly profile.

3. **Proposed Ancillary Service Payment:** For Dispatchable Reserve (DR), Ancillary Service Payment is the total of the Capacity Payment and the Incidental Energy Payment:

Ancillary Service Payment = Capacity Payment + Incidental Energy Payment

Capacity Payment = Undispatched Scheduled Capacity x Applicable Rate per AS type

The Payment Cost of Incidental Energy for DR is computed as follows:

Incidental Energy Payment = {G x (Capacity Payment Rate + Energy Fees)} – (WESM Revenue – WESM Payment)

Where:

- *G = summation of actual energy generated or dispatched from the Scheduled DR Capacity, in kWh*
- *Capacity Payment Rate = Applicable Rate for DR (PhP0.6821/kWh)*
- *Energy Fees = Fuel Cost + Variable O&M Cost, in PhP/kWh*
- *Fuel Cost = fuel cost based on prevailing price with relevant fuel index based on published data, in PhP/kWh*

  Where:

  - *HFO Payment = HFO Price * HFO Consumption Rate * G;*
  - *HFO Price = actual Heavy Fuel Oil net delivered price, in PhP/liter, based on "first in first out" inventory price;*
  - *HFO Consumption Rate = 0.2429 L/kWh or actual consumption rate, whichever is lower*
  - *LFO Payment = LFO Price * LFO Consumption Rate * n * TEU*
  - *LFO Price = actual Light Fuel Oil net delivered price, in PhP/liter, based on "first in first out" inventory price;*

- *LFO Consumption Rate = 200L per engine per instance of start-up and shutdown*
- *TEU = Total engine used;*
- *n = number of start-up and shutdown;*
- *LO Payment = LO Price * LO consumption rate * G*
- *LO Price = actual Lube Oil net delivered price, in PhP/liter, based on "first in first out" inventory price;*
- *LO Consumption rate = 0.0022 liter/kWh or the actual consumption rate, whichever is lower;*

- *Variable O&M Cost = VOM rate (no indexation). VOM rate is PhP0.50/ kWh (as approved by ERC)*
- *WESM Revenue = summation of WESM revenue based on market clearing price at the generator's trading node, arising from G.*
- *WESM Payment = summation of WESM purchases based on market clearing price at the generator's trading node, for generator's feedback power if applicable.*

For RPS Service, the Ancillary Service Payment is as follows:

kVARh Payment = (Incidental kVARh Rate x Compensable kVARh) + Incidental Energy Payment(if applicable)

Compensable kVARh = Actual kVARh – Base kVARh

Where:

- *Incidental kVARh Rate: PhP4.00/kVARh*
- *Actual kVARh = actual reactive power provided within each interval*
- *Base kVARh = corresponding kVARh at 0.85 power factor lagging or 0.9 power factor leading, for the unit's MW loading. For clarity, the MW loading is the unit's Pmin, or RTD schedule, whichever is greater.*

4. **Performance Evaluation:** Schedule 5 of the ASPA (Annual and Monthly Performance Evaluation) provides that NGCP shall, on an annual and monthly basis, conduct Performance Evaluations (PE) of the AS Provider to determine the capability of the latter's Generation Facility in providing the Ancillary Services specified in Schedule 1 of the ASPA, based on the following formula.

$$PE = \frac{\text{Total No. of Hours Complied in a Year or in a Month}}{\text{Total No. of Hours Scheduled in a Year or in a Month}} \times 100\%$$

In addition, Schedule 5 further provides that if the AS Provider performs poorly or has an Annual PE or less than 90%, NGCP may terminate the ASPA.

Lastly, Schedule 5 provides that the PE shall cover the period starting from the implementation date of the ASPA.

All provisions of the subject ASPA, including those indicated, shall be further evaluated and reviewed in the final evaluation and determination of the instant case.

E. ASPA Rate Impact

NGCP simulated the rate impact of the subject ASPA using the awarded AS capacities and AS rates offered to come out with the simulated cost, and the billing determinants for year 2022.

Table 4 shows the Simulated AS Cost as per computation by NGCP.

Table 4. Simulated AS Cost

Type of Ancillary Service	Total AS Capacity Schedule for One (1) Year, kW-h	Simulated Cost, PhP
DR	135,780,000.00	112,821,790.24
RPS	32,025,000.00	143,472,000.00

Table 5 shows a summary of the average monthly billing determinants for the Mindanao Grid for year 2022:

Table 5. Billing Determinants

Billing Determinants	Mindanao	Unit
Billing Determinant Demand	2,051,305	kW
Billing Determinant Energy	967,307,965	kWh

Using the data in Tables 4 and 5, NGCP was able to derive the simulated AS Pass-thru Charge to be passed on to grid customers in the Mindanao grid once the ASPA is implemented, as shown in Table 6.

Table 6. Simulated Rate Impact

Ancillary Service	PhP/kW-mo.	PhP/kWh equivalent
DR	4.5833	0.0097
RPS	5.8285	0.0124

Based on the data in Table 6, the indicative rate impact with KEGI for MOPP 3 resulted to PhP4.5833/kW-mo. or equivalent to a PhP0.0097/kWh for DR, to be reflected every billing cycle. For RPS, the indicative rate impact resulted to PhP5.8285/kW-mo. or equivalent to a PhP0.0124/kWh, to be reflected on the corresponding billing cycle of the dispatched ancillary service. NGCP noted that these amounts may change depending on the actual AS schedule and dispatch, as well as actual fuel and VOM costs of the AS Provider.

The Commission authorizes the procurement of AS capacities on a firm basis to maintain reliability of grid operation, in consonance with Department Circular No. DC2019-12-0018. The said circular requires the procurement of the required level and specifications of AS through firm contracts only. Under this arrangement, providers of firm capacity are obligated to make contracted capacities available, and any failure to do so shall result in penalties or payments. Thus, firm capacities are reliable and can be tapped by the NGCP according to the agreed-upon schedule.

F. The Commission's Initial Findings

1. KEGI MOPP 3 – Diesel Bunker Power Plant

KEGI is the owner and operator of the MOPP 3, a diesel bunker power plant with a rated capacity of 16.239 MW located in Brgy. San Isidro, Jimenez, Misamis Oriental. On 15 January 2019, the said plant was granted by the Commission a Certificate

of Compliance (COC) No. 19-01-M-00169M for its Unit 1 with rated capacity of 7.841 MW, dependable capacity of 7.5 MW and 200 kW Blackstart. Subsequently, on 03 September 2019, the Commission granted another COC, No. 19-09-M-00181M, for KEGI's MOPP3 for its Unit 2, with rated capacity of 8.398 MW and dependable capacity of 8.0 MW. The said COCs were valid until 09 July 2022.

On 27 October 2022, the Commission issued a Provisional Authority to Operate (PAO) for KEGI's renewal of the COC for both Units 1 and 2 of MOPP3, with total rated capacity of 16.239 MW. The said PAO was valid from 10 July 2022 to 09 July 2023.

On 29 June 2023, the ERC issued a *Certification* that KEGI has requested for the first extension of PAO for its 16.239 MW Power Plant and the same is currently being evaluated. The said *Certification* is valid for a period of six (6) months from the date of its issuance or until the resolution of its COC application, whichever comes earlier.

Further, NGCP issued Accreditation Certificate (AS Certificate) No. 2021-M013 valid from 14 November 2021 to 13 November 2023 for KEGI's MOPP 3, certifying that both Units 1 and Unit 2 as capable of providing 7.5 MW and 8.0 MW DR, respectively, and RPS for lagging power factor operation.

The said AS Certificate was issued pursuant to the following rules:

(1) Section 4.3 of the ASPP under ERC Case No. 2002-253, which provides:

> x x x
>
> Section 4.3. Qualification of Ancillary Service Providers
>
> TRANSCO, as the System Operator, may use reasonable endeavors to procure and enter into "Ancillary Services Procurement Agreement" with qualified generation companies to provide sufficient ancillary services to the Grid.
>
> x x x

(2) Section 4.4.2 of the ASPP which states that:

x x x

Section 4.4.2. Testing of Ancillary Service Providers

Scheduled tests shall be conducted to confirm the compliance of generating units' capability and availability to deliver the Ancillary Services that the Generator had agreed to provide.

x x x

(3) Grid Operations (GO) 6.6.5 (Primary Reserve), GO 6.6.6 (Secondary Reserve), and GO 6.6.7 (Tertiary Reserve) of the Philippine Grid Code (PGC) 2016 Edition which provide that these AS, in the form of Reserves, shall be provided by Generating Units certified by the System Operator;

(4) Lastly, GO 6.11.1.1 of the PGC 2016 Edition which provides:

x x x

Tests shall be conducted, in accordance with the agreed procedure and standards, to confirm the compliance of Generating Units for the following:

(a) Capability of Generating Units to operate within their registered Generation parameters;

(b) Capability of the Generating Units to meet the applicable requirements of the Philippine Grid Code;

(c) Capability to deliver the Ancillary Service that the Generation Company had agreed to provide;

(d) Availability of Generating Units in accordance with their capability declaration; and

(e) Annual testing of Over Frequency Relays (OFR) and Under Frequency Relays (UFR).

x x x

Based on the submitted AS Certificate, KEGI's MOPP 3 was certified by NGCP to have met and complied with the above-mentioned Standard Ancillary Services Technical Requirements of the System Operations during the actual testing; however, only lagging power factor is certified for the RPS Service.

In view of the foregoing, the Commission deemed that the AS capacities indicated in Schedule 1 of the ASPA is the hourly Firm capacity, which shall be used for scheduling and dispatch of DR. Moreover, for the RPS provision under this ASPA, only the MVAR for lagging power factor shall be provided.

2. AS Requirement in the Mindanao Grid

This section offers a comprehensive overview of the AS requirements in the Mindanao grid. Through an examination of recently approved ASPAs, existing contracted firm capacities, and the ASPAs for approval, this analysis aims to provide insights into the status of Ancillary Service Provision. Emphasis is given to the capacities of DR to assess their adequacy in meeting the grid's evolving operational needs.

Table 7 offers an overview of the existing contracted AS capacities as of July 2023. Within this table, a condensed visual representation of Regulating Reserve (RR), Contingency Reserve (CR), and DR capacities can be found.

Table 7. Available Contracted AS Capacities as of July 2023

Grid	RR			CR			DR		
	Required (MW)	Contracted (MW)		Required (MW)	Contracted (MW)		Required (MW)	Contracted (MW)	
		Firm	Non-Firm		Firm	Non-Firm		Firm	Non-Firm
Luzon	525	45	135	668	60	90	668	145	360
Visayas	108	±20	0	153	0	30	153	84	88.4
Mindanao	96	0	165	138	0	201	138	7.5	131.8

The data in Table 7 highlights deficiencies in contracted firm capacities of AS in the Luzon, Visayas, and Mindanao Grids.

Following the recent approval of capacities of the ASPAs, which underwent a CSP, the Commission prepared an updated outlook on AS contracted capacities. In preparing such updates, particularly for the Mindanao grid, the Commission found it instructive to consider the hourly firm capacities of DR in its evaluation. This analysis also factored in the capacities specified under Schedule 1 of the subject ASPA for approval.

This approach helps determine the extent to which the AS providers' capacities align with the hourly AS requirements, given that AS providers have been awarded varying capacities for

each hour and month through the year. The data are shown in Table 8.

Table 8. Consolidated Contracted Firm DR in Mindanao

DISPATCHABLE RESERVE	01:00	02:00	03:00	04:00	05:00	06:00	07:00	08:00	09:00	10:00	11:00	12:00	13:00	14:00	15:00	16:00	17:00	18:00	19:00	20:00	21:00	22:00	23:00	24:00
JANUARY	108	108	108	108	108	108	108	108	100.5	138	138	138	138	138	138	138	138	138	138	138	138	100.5	100.5	100.5
FEBRUARY	138	138	138	138	138	138	138	138	138	138	138	138	138	138	138	138	138	138	138	138	138	138	138	138
MARCH	138	138	138	138	138	138	138	138	138	138	138	138	138	138	138	138	138	138	138	138	138	138	138	138
APRIL	138	138	138	138	138	138	138	138	138	138	138	138	138	138	138	138	138	138	138	138	138	138	138	138
MAY	138	138	138	138	138	138	138	138	138	138	138	138	138	138	138	138	138	138	138	138	138	138	138	138
JUNE	138	138	138	138	138	138	138	138	138	138	138	138	138	138	138	138	138	138	138	138	138	138	138	138
JULY	138	138	138	138	138	138	138	138	138	138	138	138	138	138	138	138	138	138	138	138	138	138	138	138
AUGUST	138	138	138	138	138	138	138	138	138	138	138	138	138	138	138	138	138	138	138	138	138	138	138	138
SEPTEMBER	138	138	138	138	138	138	138	138	138	138	138	138	138	138	138	138	138	138	138	138	138	138	138	138
OCTOBER	138	138	138	138	138	138	138	138	138	138	138	138	138	138	138	138	138	138	138	138	138	138	138	138
NOVEMBER	138	138	138	138	138	138	138	138	138	138	138	138	138	138	138	138	138	138	138	138	138	138	138	138
DECEMBER	138	138	138	138	138	138	138	138	138	138	138	138	138	138	138	138	138	138	138	138	138	138	138	138

It is apparent in Table 8 that the firm DR capacities in Mindanao grid are still below the required level of 138 MW, making the timely approval of the instant ASPA *Application*, the procurement of which underwent a CSP, crucial and necessary, subject to the determination of least cost.

For the RPS, the following are the existing RPS Provider in the Mindanao Grid, namely: PSALM-Agus HEPPs located in Lanao del Sur, Lanao del Norte, and Iligan City; PSALM-Pulangi HEPP plant located in Maramag, Bukidnon; KEGI – MOPP2 and KEGI- MOPP3 located in Misamis Occidental; and WMPC Bunker C-Fired DPP located in Sangali, Zamboanga.

3. Existing Bilateral Contracts of KEGI

Based on the documents in the *Application*, and as validated by the Commission, KEGI certified that MOPP3 has no existing Power Supply Agreement (PSA) with any Distribution Utility since 25 December 2022.

On the other hand, KEGI's MOPP3 has an existing ASPA with NGCP providing non-firm DR and RPS under ERC Case No. 2019-076 RC.[85] Nonetheless, KEGI declared during the scheduled hearing that the said non-firm ASPA shall be

85 Entitled, "In the Matter of the Application for Approval of the Ancillary Services Procurement Agreement Between the National Grid Corporation of the Philippines and King Energy Generation, Inc. (Misamis Occidental Power Plant 3 – Jimenez), with Prayer for the Issuance of Provisional Authority."

superseded by the firm DR and RPS of the instant ASPA under its new terms and conditions.

Thus, MOPP3 of KEGI can provide the firm DR contracted capacity of 15.5 MW as indicated in Schedule 1 of the instant ASPA.

The provision of AS under this ASPA shall be subject to the validity of the accreditation certificate issued by NGCP.

4. Modification on Proposed Formulas

The Commission notes that the proposed formulas by the Applicants for the payment of DR and RPS in subject ASPA are not consistent with the previous ASPA approval by the Commission particularly in the component of the IE formulas.

The Commission therefore modifies the formula for the IE provided in Schedule 3 of the ASPA to align with the general formula previously approved in other ASPA cases. The basis for the general formula was derived from the Commission's *Decision* in ERC Case No. 2009-007 RC,[86] as follows:

Xxx

b. *Scheduled capacity with energy dispatched*

The corresponding nominated price of the nominated ancillary capacity shall be disregarded and the pricing shall be as follows:

i) *Market clearing price is higher than the reasonable cost of generation or the nominated price.*

NGCP shall not pay SN Aboitiz considering that its cost or its nominated price is already recovered thru settlement on the market. Thus, in this case, the ancillary capacity is free of charges as the cost is recovered thru the market.

ii) *Market clearing price is lower than the reasonable cost of generation.*

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86 Entitled "In the Matter of the Application for Approval of the Ancillary Services Procurement Agreement Between the National Transmission Corporation and SN Aboitiz Power-Magat, Inc. with Prayer for Provisional Authority," pages 26-27.

> *NGCP shall pay the difference between the market clearing price and the lower of SN Aboitiz's reasonable cost and the nominated price.*
>
> *In this case, the reasonable cost of generation shall be the Capacity Fee and O&M Fee (PhP2.1443/kW capacity per hour) plus the actual cost paid by SN Aboitiz to the National Irrigation Administration (NIA) as cost of water utilized in producing such energy. The energy shall mean the energy produced from the scheduled Ancillary Service capacity.*
>
> *xxx*

According to the aforesaid *Decision*, the Commission has devised a pricing scheme that combines the true cost of generation and the opportunity cost. As a result, the general formula was introduced for the recovery of true cost and opportunity cost in the settlement of IE, as shown below:

$$\mathbf{IE = G \times (AR + VOM + Fuel) - (REV_{WESM})}$$

The proposed formula for IE in the subject ASPA contains components that do not conform to the general formula previously adopted by the Commission – specifically, the term *Capacity Payment Rate*; the term *Energy Fees* which consists two (2) components: Fuel cost, and Variable O&M cost; and the term *WESM Payment*.

The component Applicable Rate (AR) was replaced by *Capacity Payment Rate*, while the *Energy Fees* now includes the fuel cost and VOM. However, the *WESM Payment* in the proposed formula defined in Schedule 3 pertains to the generator's feedback power[87] which is considered to be already part of the VOM.

The WESM Payment definition under this ASPA is defined differently from the PMT_{WESM} in the IE formula of the previously approved BESS ASPA, such as that in the Kabankalan BESS under ERC Case No. 2021-056 RC,[88] that pertains to purchased energy from WESM for charging of the battery units.

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[87] Feedback power is the energy supply for the administrative operation of the plant and its related equipment/components in the generation of energy.

[88] *Order* dated 30 September 2021, "In the Matter of the Application for Approval of the Ancillary Services Procurement Agreement Between the National Grid Corporation of the Philippines and SMCGP Philippines Energy Storage Co. Ltd. with Prayer for Provisional Authority."

In view of the foregoing, the following formula shall be applied instead of the proposed formula under Schedule 3 of the ASPA. Thus, the revised IE Payment for DR and RPS Payment for the subject ASPA shall be as follows:

For DR:

Incidental Energy = G x (AR + VOM + Actual Fuel Cost) − (REV_{WESM})

Where:

- G = summation of actual energy generated or dispatched from the Scheduled DR Capacity, in kWh
- AR = Applicable Rate for DR
- VOM = All actual costs and charges incurred by the AS provider in provision of ancillary services as supported by receipts and/or invoices and supporting documents, in PhP/kWh
- Actual Fuel Cost = fuel cost based on prevailing price with relevant fuel index based on receipts, PhP/kWh
- REV_{WESM} = summation of WESM revenue based on market clearing price at the generator's trading node, arising from G.

Further, consistent with the above-cited *Decision* in ERC Case No. 2009-007 RC,[89] the Applicants shall submit details on the components of all actual costs and charges for the provisions of DR, particularly the VOM, and provide justifications to ascertain the cost/s attributed to it.

The formula as indicated herein is provisionally adopted, pending the receipt of justifications from the Applicants.

Further, the Commission notes that the VOM rate as awarded to KEGI in the AS-CSP has no indexation and adjustment.

Two-fold concerns have been raised by the Commission on the VOM costs. First, it is imperative that these costs remain both reasonable and justifiable. Maintaining grid indeed incurs costs,

89 *Id.* at note 88.

but consumers must be assured that these expenses are efficiently managed, and any increases are vigorously justified. Unchecked escalation in VOM costs can lead to unjustified higher electricity bills, impacting consumers significantly.

Secondly, transparency is key. VOM costs should not only be accurately calculated, but also subject to transparent and well-justified components.

In view of this, the principles of transparency, reasonableness, and vigorous justification are central to ensuring the sustainability and afforability of AS while maintaining the reliability of the grid.

For the purpose of granting provisional authority to the Applicants in the subject ASPA, the scheduling and provision of DR capacity shall be on a per dispatch requirement of the grid, which should not be more than 15.5 MW, in accordance with the valid AS certificate.

For RPS:

RPS Payment = Compensable kVARh x AR

Compensable kVARh = Actual kVARh – Base kVARh

Where:

- AR = applicable AS Rate for RPS
- Base kVARh = normal kVARh within the range of 85% lagging power factor.
- Actual kVARh = additional kVARh outside the range of 85% lagging power factor.
- Compensable kVARh = Difference between the Actual kVARh and Base kVARh, provided during the RPS provision.

For the RPS, the Compensable kVARh shall be computed and paid based on the total recorded kVARh delivered beyond 0.85 power factor lagging operation from the time when the dispatch of RPS was instructed by the System Operator.

Further, consistent with the previous ruling of the Commission, in the event that the IE resulted to a negative amount due to higher net result between the WESM revenue and payment, said negative amount shall be used to off-set any positive amount determined within the relevant period or to the succeeding billing month.

5. Rate Benchmarking

For the purpose of the issuance of a provisional authority and to determine the reasonableness of the Applicants' proposed rates, the Commission compared the rates of the previously approved ASPAs *vis-à-vis* the Applicants' proposed rates as shown in Table 9, provided below:

Table 9. Comparison of KEGI's Proposed DR and RPS Rates & the Previously Approved ASPA Rates of other GenCos

Ancillary Service	Therma Mobile Inc. (TMO) (ERC Case No. 2020-022 RC)[90]	SPC Power Corporation (SPC) (ERC Case No. 2019-011RC)[91]	Toledo Power Co. (TPC) (ERC Case No. 2018-109 RC)[92]	Panay Power Corp. (PPC) (ERC Case No. 2018-108 RC)[93]	Central Negros Power Reliability, Inc. (CENPRI) (ERC Case No. 2019-024 RC)[94]	KEGI (ERC Case No. 2023-084 RC) Instant case
DR	PhP0.85/kW/hr	PhP0.85/kW/hr	-			PhP0.6821/kW/hr
RPS	-	-	PhP4.00/kVAR/hr	PhP4.00/kVAR/hr	PhP4.00/kVAR/hr	PhP4.00/kVAR/hr

Table 9 shows the distinction between KEGI's DR and RPS rates and the previously approved rates of existing DR and RPS AS Providers. Based on the foregoing, KEGI's proposed DR rate is lower compared to previously-approved rate of existing DR Provider, while the RPS rate is the same as the previously-approved rate of existing RPS.

In view of the substantial deficiency in the total contracted capacity for DR and RPS in Mindanao, as explained above, the

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90 Entitled, "In the Matter of the Application for Approval of the Ancillary Services Procurement Agreement Between the National Grid Corporation of the Philippines and Therma Mobile Inc., with Prayer for the Issuance of Provisional Authority."

91 Entitled, "In the Matter of the Application for Approval of the Ancillary Services Procurement Agreement Between the National Grid Corporation of the Philippines and SPC Power Corporation, with Prayer for the Issuance of Provisional Authority."

92 Entitled, "In the Matter of the Application for Approval of the Ancillary Services Procurement Agreement Between the National Grid Corporation of the Philippines and Toledo Power Company, with Prayer for the Issuance of Provisional Authority."

93 Entitled, "In the Matter of the Application for Approval of the Ancillary Services Procurement Agreement Between the National Grid Corporation of the Philippines and Panay Power Corporation, with Prayer for the Issuance of Provisional Authority."

94 Entitled, "In the Matter of the Application for Approval of the Ancillary Services Procurement Agreement Between the National Grid Corporation of the Philippines and Central Negros Power Reliability, Inc., with Prayer for the Issuance of Provisional Authority."

Commission deems it necessary to fill in the gap in the supply for AS through a provisional authority for the ASPA under this *Application*, pending final evaluation, and subject to the conditions provided under this *Order*.

Under this provisional authority, the Commission deems it necessary to cap the DR and RPS rate authorized herein at the level of previously-approved rate for other DR and RPS under previous Orders of the Commission or at the level of the awarded DR and RPS rates under this ASPA, whichever is lower.

For clarity, the conditions imposed by the Commission under this provisional authority shall be as folows:

1. The AS rate authorized under this provisional authority shall be capped at the level of previously approved rate for DR and RPS under previous Orders of the Commission or at the level of the awarded DR and RPS rates under this ASPA, whichever is lower. As such, the authorized rates shall be as follows:

Ancillary Service	Commission's Previously Approved Rate	Awarded Rate (Hourly Rate)
	Firm	Firm
DR	PhP0.85/kW/hr	**PhP0.6821/kW/hr**
RPS	PhP4.00/kVAR/hr	**PhP4.00/kVAR/hr**

2. Subject to the same terms and conditions previously approved by the Commission to other ASPA cases.

It bears to reiterate that in the light of the need to maintain grid stability and reliability, the Commission is issuing this provisional authority without prejudice to its final evaluation and resolution. Notwithstanding, the Commission, in its final evaluation of this case, will further review the provisions of the Agreement and the issue of the appropriate benchmark to use for different power plant technologies to establish the reasonableness of the proposed ASPA rates and the propriety of the awarded AS rates for the subject ASPA.

WHEREFORE, the foregoing premises considered, the National Grid Corporation of the Philippines (NGCP) and King Energy Generation, Inc. (KEGI) are **GRANTED PROVISIONAL AUTHORITY** to implement their Ancillary Services Procurement Agreement (ASPA) for the 16.239 MW capacity of Misamis Oriental Power Plant 3 (MOPP 3) located in Brgy. San Isidro, Jimenez, Misamis, subject to the following rates and conditions, and without prejudice to the evaluation of the compliance of NGCP to the Ancillary Service – Competitive Selection Process (AS-CSP), pursuant to the Department of Energy's (DOE) Department Circular No. DC2021-10-0031[95] (DOE 2021 AS-CSP Circular):

1. Applicable Rates:

KEGI shall charge the Applicable rate (in Peso per kW capacity per hour) for the Dispatchable Reserve (DR), and per occurrence basis for Reactive Power Support (RPS), as defined below.

The AS capacity indicated in Schedule 1 of the ASPA is the hourly Firm capacity.

Schedule 1:

DR

KEGI_MOPP3U01

DISPATCHABLE RESERVE	01:00	02:00	03:00	04:00	05:00	06:00	07:00	08:00	09:00	10:00	11:00	12:00	13:00	14:00	15:00	16:00	17:00	18:00	19:00	20:00	21:00	22:00	23:00	24:00
JANUARY	75	75	75	75	75	75	75	75	75	75	75	75	75	75	75	75	75	75	75	75	75	75	75	75
FEBRUARY	75	75	75	75	75	75	75	75	75	75	75	75	75	75	75	75	75	75	75	75	75	75	75	75
MARCH	75	75	75	75	75	75	75	75	75	75	75	75	75	75	75	75	75	75	75	75	75	75	75	75
APRIL	75	75	75	75	75	75	75	75	75	75	75	75	75	75	75	75	75	75	75	75	75	75	75	75
MAY	75	75	75	75	75	75	75	75	75	75	75	75	75	75	75	75	75	75	75	75	75	75	75	75
JUNE	75	75	75	75	75	75	75	75	75	75	75	75	75	75	75	75	75	75	75	75	75	75	75	75
JULY	75	75	75	75	75	75	75	75	75	75	75	75	75	75	75	75	75	75	75	75	75	75	75	75
AUGUST	75	75	75	75	75	75	75	75	75	75	75	75	75	75	75	75	75	75	75	75	75	75	75	75
SEPTEMBER	75	75	75	75	75	75	75	75	75	75	75	75	75	75	75	75	75	75	75	75	75	75	75	75
OCTOBER	75	75	75	75	75	75	75	75	75	75	75	75	75	75	75	75	75	75	75	75	75	75	75	75
NOVEMBER	75	75	75	75	75	75	75	75	75	75	75	75	75	75	75	75	75	75	75	75	75	75	75	75
DECEMBER	75	75	75	75	75	75	75	75	75	75	75	75	75	75	75	75	75	75	75	75	75	75	75	75
TOTAL	90	90	90	90	90	90	90	90	90	90	90	90	90	90	90	90	90	90	90	90	90	90	90	90

KEGI_MOPP3U02

DISPATCHABLE RESERVE	01:00	02:00	03:00	04:00	05:00	06:00	07:00	08:00	09:00	10:00	11:00	12:00	13:00	14:00	15:00	16:00	17:00	18:00	19:00	20:00	21:00	22:00	23:00	24:00
JANUARY	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8
FEBRUARY	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8
MARCH	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8
APRIL	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8
MAY	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8
JUNE	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8
JULY	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8
AUGUST	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8
SEPTEMBER	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8
OCTOBER	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8
NOVEMBER	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8
DECEMBER	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8
TOTAL	96	96	96	96	96	96	96	96	96	96	96	96	96	96	96	96	96	96	96	96	96	96	96	96

95 DOE, entitled "Prescribing the Policy for the Transparent and Efficient Procurement of Ancillary Services by the System Operator."

1.1. The applicable rates shall be as follows:

a. Scheduled capacity without energy dispatched

NGCP shall pay KEGI the Applicable Rate, as herein defined, for the scheduled capacities in Schedule 1, which should not be more than the indicated capacity of 15.5 MW for DR. The authorized rates are as follows:

Ancillary Service	Authorized Rate (Hourly Rate)
	Firm
DR	PhP0.6821/kW/hr
RPS (on per occurrence)	PhP4.00/kVAR/hr

b. Scheduled capacity with energy dispatched

Based on actual dispatch, the cost of generation shall be recovered through settlement in the Wholesale Electricity Spot Market (WESM). Thus, the Incidental Energy (IE) Cost Payment for DR and Payment for RPS based on actual dispatch shall be calculated using the following formula:

Incidental Energy Cost Payment for DR

Incidental Energy = G x (AR + VOM + Actual Fuel Cost) – (REV_{WESM})

Payment for RPS (per occurrence basis)

RPS Payment = Compensable kVARh x AR

Compensable kVARh = Actual kVARh – Base kVARh

In the event that the IE resulted in a negative amount due to a higher net result between WESM revenue

and payment, said negative amount shall be used to off-set any positive amount determined within the relevant period or to the succeeding billing month;

1.2. The Variable Operations and Maintenance (VOM) rate as awarded in the AS-CSP will not be subject to any indexation and adjustment. Should the ASPA provider receive payments beyond the allowable revenues as provided herein, such amounts in excess shall be used to off-set all or part of the payables in the immediately succeeding billing month;

1.3. The term of the ASPA shall be for a period of five (5) years upon the approval by the Commission, subject to Section 13 (Termination) of the ASPA. Renewal shall not be allowed, and termination of the ASPA shall be subject to prior approval by the Commission;

1.4. The total dispatched capacity for DR shall not exceed 15.5 MW, at any given time;

1.5. The RPS under the ASPA shall be provided at all times as necessary as per declaration by the System Operator to protect the grid and avoid the occurrence of Manual Load Dropping;

1.6. Applicant KEGI shall only be allowed to provide the RPS within the scope accredited by NGCP, as indicated in the AS Accreditation Certificate;

1.7. For the replacement of AS capacity, the rate to be applied shall be the provisionally approved rate, or the actual replacement cost, whichever is lower, pursuant to the Commission's policy on replacement power;

1.8. The implementation of the ASPA shall be valid and contingent to the validity of the AS Accreditation Certificate issued by NGCP and the Certificate of Compliance (COC) issued by the Commission;

2. NGCP is **DIRECTED** to optimize the economic and technical dispatch of the available AS capacity, wherein it

shall schedule a mix of hourly AS capacity, at the least cost, for a reserve needed to maintain power quality, security, reliability and integrity of the grid;

3. The rate to be paid by NGCP as AS cost shall be passed on to its customers, in accordance with the approved Ancillary Services-Cost Recovery Mechanism (AS-CRM).[96]

   In relation thereto, NGCP is **DIRECTED** to submit its monthly computation of AS rates, encompassing a comprehensive breakdown, including but not limited to scheduled, dispatched, VOM, and fuel costs that it passed on to its customers, with supporting documents including receipts of fuel purchases, on or before the 15th day of the month after the computed billing month;

4. NGCP must **ENSURE** that the rates of KEGI must be in accordance with Item 1.1 above. In the event that the final rates are lower than those of the provisionally granted, the amount corresponding to the reduction shall be refunded by KEGI to NGCP and the latter shall pass it on to its customers;
5. To ensure the reliability and integrity of the grid, Applicants are **DIRECTED** to deliver the contracted capacities under their Firm AS contract arrangements. Applicants must honor their Firm AS contract arrangements, which means that NGCP must **ENSURE** that the contracted capacities under the instant ASPA shall be both declared and scheduled for dispatch at the least cost manner. Further, KEGI must ensure that its contracted capacities shall be available at all times to provide the AS requirements of the grid; and

6. NGCP is **DIRECTED** to prioritize the drawing of reserves from its Firm AS contracts. No non-firm AS capacities shall be drawn, notwithstanding the existing or continued implementation of the non-firm contracts, for as long as capacities under the firm contracts are available.

   If NGCP should draw reserves from its non-firm AS contracts in violation of the above prioritization, NGCP

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96 *Decision*, ERC Case No. 2006-049 RC, entitled "In the Matter of the Application for the Approval of Ancillary Services-Cost Recovery Mechanism (AS-CRM) of the Ancillary Services Procurement Plan, with Prayer for Provisional Authority, National Transmission Corporation (TRANSCO)."

shall not be allowed to recover any and all costs attendant to such drawing of capacities from non-firm contracts. NGCP, on its own account, shall be responsible for settling such amount from with its AS provider.

SO ORDERED.

Pasig City, 15 August 2023.

ERC
Office of the Chairperson and CEO
MCD2024-014654

MONALISA C. DIMALANTA
Chairperson and CEO

ALEXIS M. LUMBATAN
Commissioner

CATHERINE P. MACEDA
Commissioner

FLORESINDA G. BALDO-DIGAL
Commissioner

MARKO ROMEO L. FUENTES
Commissioner

LS: NMK/LSP/MCCG

ROS: JBA/FJTA/NVP/AJMO/LLG

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corpcom@ngcp.com

2. Attys. Luis Manuel U. Bugayong, Mark Anthony S. Actub, Rich L. Almario, Bienz Reiner Draeion A. Que, Jerome C. Versoza, Pamela Domenique M. Dizon and Joy Celine B. Ferrer-Javier
Counsels for Applicant NGCP
Office of the General Counsel
NGCP Building, Quezon Ave. cor. BIR Road, Diliman, Quezon City
Email: lubugayong@ngcp.ph; msactub@ngcp.ph; rlalmario@ngcp.ph; baque@ngcp.ph; jcversoza@ngcp.ph; jfjavier@ngcp.ph; and pmdizon@ngcp.ph

3. King Energy Generation, Inc. (KEGI)
Co-Applicant
Brgy. San Luis, Gingoog City, Misamis Oriental

4. Ubaña Cajucom Law Office
Attys. Lea Mona P. Chu, Ariadne Kirsten E. Hornilla, Raymond M. Cajucom, and Ronald Michel R. Ubaña
Counsel for Co-Applicant KEGI
140 Kalayaan Ave. cor Mayaman St.,
Diliman, Quezon City
Email: uc_lawoffice@yahoo.com; leamonapchu@gmail.com; akhornillauclaw@gmail.com; raymondcajucom@uclawph.com; ronaldubana@uclawph.com

5. Office of the Solicitor General (OSG)
134 Amorsolo Street, Legaspi Village, Makati City
docket@osg.gov.ph

6. Commission on Audit (COA)
Commonwealth Avenue, Quezon City
citizensdesk@coa.gov.ph

7. Senate Committee on Energy
GSIS Building, Roxas Boulevard, Pasay City
senateenergycommittee@gmail.com

8. House Committee on Energy
Batasan Hills, Quezon City
committee.energy@house.gov.ph

9. Office of the City Mayor
Quezon City

10. Office of the Sangguniang Panlungsod
Quezon City

11. Office of the Governor
Province of La Union

12. Office of the Sangguniang Panlalawigan
Province of La Union

13. Office of the City Mayor
San Fernando, La Union

14. Office of the Sangguniang Panlungsod
San Fernando, La Union

15. Office of the Governor
Province of Laguna

16. Office of the Sangguniang Panlalawigan
Province of Laguna

17. Office of the City Mayor
Binan, Laguna

18. Office of the Sangguniang Panlungsod
Binan, Laguna

19. Office of the Governor
Province of Lanao del Norte

20. Office of the Sangguniang Panlalawigan
Province of Lanao del Norte

21. Office of the City Mayor
Iligan City

22. Office of the Sangguniang Panlungsod
Iligan City

23. Office of the City Mayor
Davao City

24. Office of the Sangguniang Panlungsod
Davao City

25. Office of the City Mayor
Cebu City

26. Office of the Sangguniang Panlungsod
Cebu City

27. Office of the Governor
Province of Misamis Oriental

28. Office of the Local Government Unit (LGU) Legislative Body
Province of Misamis Oriental

29. Office of the Mayor
City of Gingoog, Province of Misamis Oriental

30. Office of the Sangguniang Bayan
City of Gingoog, Province of Misamis Oriental

31. Office of the Municipal Mayor
San Isidro Jimenez, Province of Misamis Oriental

32. Office of the Local Government Unit (LGU) Legislative Body
San Isidro Jimenez, Province of Misamis Oriental

33. National Transmission Corporation (TRANSCO)
Quezon Avenue cor. BIR Road, Diliman, Quezon City
OVP-Legal@transco.ph, customerservice@transco.ph

34. Power Sector Assets and Liabilities Management Corporation (PSALM)
24th Floor Vertis North Corporate Center 1, Astra corner Lux Drives
Vertis North, Mindanao Avenue, Quezon City
infos@psalm.gov.ph

EXHIBIT 6

ANCILLARY SERVICES PROCUREMENT AGREEMENT
FOR KING ENERGY GENERATION, INC.
SURIGAO DEL SUR POWER PLANT

This ANCILLARY SERVICES PROCUREMENT AGREEMENT (hereinafter referred to as the "Agreement") is entered into by and between:

The NATIONAL GRID CORPORATION OF THE PHILIPPINES (hereinafter referred to as "NGCP"), a corporation duly organized and existing under and by virtue of the laws of the Republic of the Philippines with principal office address at the NGCP Building, Quezon Avenue corner BIR Road, Diliman, Quezon City, represented herein by its President and Chief Executive Officer, ANTHONY L. ALMEDA, who is duly authorized to represent NGCP in this Agreement;

- and -

KING ENERGY GENERATION, INC., also known as KEGI (hereinafter referred to as "Service Provider"), a corporation, duly organized and existing under and by virtue of the laws of the Republic of the Philippines, with office address at Brgy. San Luis, Gingoog City, Misamis Oriental, represented herein by its General Manager, ENGR. GILBERT J. RODRIGUEZ, who is duly authorized to represent the Service Provider in this Agreement,

NGCP and Service Provider are hereinafter collectively referred to as "Parties" and individually as "Party":

WITNESSETH:

WHEREAS, NGCP is the concessionaire which operates and maintains the nationwide transmission system pursuant to Republic Act No. 9136, otherwise known as the "Electric Power Industry Reform Act of 2001" (EPIRA) and by virtue of the congressional franchise granted under Republic Act No. 9511;

WHEREAS, as the System Operator, NGCP is responsible for determining, acquiring, and dispatching the needed Ancillary Services levels required to maintain power quality and the reliability and security of the nationwide grid;

WHEREAS, the Ancillary Services Procurement Plan ("ASPP")[1] authorizes NGCP to enter into "Ancillary Services Procurement Agreements" ("ASPA") with qualified generation companies for procurement of the required ancillary services levels;

WHEREAS, in accordance with the Ancillary Services Cost Recovery Mechanism ("AS-CRM"), the cost of acquiring Ancillary Services under this Agreement shall be a passed-through charge to the grid users;

WHEREAS, the Service Provider is the owner of the Surigao Del Sur Power Plant (SSPP) generating facility in Brgy. Telaje, Tandag City, Surigao del Sur, (the "Generation Facility") which has been certified and accredited by NGCP as capable of providing the Ancillary Services specified in Schedule 1 of the Agreement;

[1] Order dated 29 March 2006, ERC Case No. 2002-253

KING ENERGY GENERATION, INC.
By:
GILBERT J. RODRIGUEZ
General Manager

Signed in the Presence of:

NATIONAL GRID CORPORATION OF THE PHILIPPINES
By:
ANTHONY L. ALMEDA
President and CEO

REVIEWED LEGAL BY

OGC REVIEWED NGCP

KING ENERGY GENERATION, INC.
By:
GILBERT J. RODRIGUEZ
General Manager

WHEREAS, the Parties agreed to execute this Agreement to set the terms and conditions: (a) under which NGCP shall procure Ancillary Services from the Service Provider, and (b) for the operation and dispatch of the Generation Facility in order to provide Ancillary Services to the Mindanao Grid, as may be deemed necessary;

NOW THEREFORE, for and in consideration of the foregoing premises, NGCP and the Service Provider hereby stipulate and agree on the following:

1. Defined Terms

1.1. For purposes of this Agreement and the attached Schedules, the capitalized terms shall have the same meaning ascribed under the EPIRA, the Philippine Grid Code (PGC), the OATS Rules, and the ASPP, and the WESM Rules, unless otherwise defined in this Agreement.

2. Term and Effectivity

2.1 The term of this Agreement shall be for a period of five (5) years, subject to Clause 12 (Termination) of this Agreement.

2.2 The effectivity of this Agreement shall commence on NGCP's next billing period from receipt of an order granting Provisional Authority (PA), or Interim Relief (IR), or Decision, whichever comes first, unless otherwise directed by the Energy Regulatory Commission (ERC).

2.3 Prior to the implementation of this Agreement, the parties must execute the Implementing Guidelines to reflect the directives of the ERC to the parties in the PA, IR or Decision.

Signed in the Presence of:

3. Provision of Ancillary Services

The Service Provider shall provide NGCP with the Ancillary Services specified in Schedule 1 of this Agreement, in accordance with the terms and conditions set out in this Agreement, the ASPP, AS-CRM, the OATS Rules, and all other relevant issuances of the ERC, including any amendments thereto, subject to the provisions on Material Adverse Change.

4. Nomination, Scheduling and Dispatch of Ancillary Services

The nomination, scheduling and dispatch of Ancillary Services shall be in accordance with the provisions of the Dispatch Protocol/Guidelines provided in Section 3.4.1 of the ASPP, and Schedule 2 of this Agreement.

5. Rates and Penalty

5.1. The Applicable Rates for the computation of AS cost to be paid to the Service Provider shall be in accordance with Schedule 3 (Applicable Rates) of this Agreement.

5.2. For an ASPA with Firm Contracted Capacity arrangement, the Service Provider shall not be paid the Applicable Rate for the Non-compliant Interval/s. In

NATIONAL GRID CORPORATION OF THE PHILIPPINES
By:
ANTHONY L. ALMEDA
President and CEO

OGC REVIEWED

addition, NGCP shall deduct an amount equivalent to fifty percent (50%) of the Applicable Rate for that particular type of Ancillary Service for the Non-compliant Interval. Such deduction shall be applied to the payment of the monthly AS cost.

5.3. For an ASPA with Firm Contracted Capacity arrangement, non-compliances shall be composed of the following:

a. Failure of the Service Provider to declare the availability of its Firm Contracted Capacity on a day-ahead basis subject to the allowable Outage Hours Allowance provide in Schedule 6 hereof;

b. Failure of the Service Provider to make available/provide its scheduled Firm Contracted Capacity;

c. Failure of the Service Provider to make available its scheduled Non-firm capacity, if applicable;

d. Failure of the Service Provider to comply with the Ancillary Services Standard Technical Requirements under Attachment 5 of the ASPP, as assessed by NGCP at the end of the billing period;

e. Failure of the Service Provider to comply with the dispatch instructions from the System Operator in accordance with the ERC-approved ASPP, and Schedule 2 (Dispatch Protocol/Guidelines) of this Agreement;

5.4. The Service Provider shall ensure NGCP that all Ancillary Services provided are at all times fully compliant with the specifications provided in Attachment 5 of the ASPP - Ancillary Services Standard Technical Requirements because NGCP cannot monitor such performance on a real-time basis.

5.5. For an ASPA with Firm Contracted Capacity arrangement, during a scheduled testing and within the outages period in accordance with Schedules 4 and 6 hereof, the Service Provider shall be exempted from the deduction of 50% of the Applicable Capacity Rate but shall not be paid during the affected intervals.

5.6. The Service Provider shall not be considered as non-compliant under Clause 5.2 due to the implementation by the Market Operator of the Central Scheduling and Dispatch of Energy and Contracted Reserves in the WESM pursuant to DOE Department Circular No. 2014-03-009, as amended by Department Circular No. DC.2012-12-0022 and DC 2015-11-0018 subject to validation from Independent Electricity Market Operator of the Philippines, Inc. (IEMOP).

6. Billing and Payment

Preparation of Billing

6.1. The Statement of Provided Ancillary Services ("SPAS") shall indicate the Ancillary Service Fees due to the Service Provider per Billing Period (26th day of the calendar month until the 25th day of the succeeding calendar month). It shall be based

KING ENERGY GENERATION, INC.
By:
GILBERT J. RODRIGUEZ
General Manager

Signed in the Presence of:

NATIONAL GRID CORPORATION OF THE PHILIPPINES
By:
ANTHONY L. ALMEDA
President and CEO

REVIEWED LEGAL BY:

OGC REVIEWED NGCP

KING ENERGY GENERATION, INC.
By:
GILBERT J. RODRIGUEZ
General Manager

on NGCP's Day-Ahead Ancillary Services Schedule (DAASS) of the Service Provider's day-ahead ancillary services capacity nominations pursuant to Schedule 2 hereof.

6.2. NGCP shall provide the Service Provider the SPAS after five (5) working days of each Billing Period,

References to the approved Ancillary Services Provider Schedule or the AS schedule in this Agreement shall be deemed to refer to NGCP's DAASS of day-ahead ancillary services capacity nominations, as applicable.

6.3. The Service Provider shall submit to NGCP an Ancillary Services Power Bill (the "AS Power Bill") for the aggregate amount specified in the SPAS., within three (3) working days from receipt of the SPAS.

Notice of Claim

6.4. In case there is a need to dispute the amount in the SPAS, the Service Provider must still submit the AS Power Bill as provided in Clause 6.3 and, a written Notice of Claim stating the amount/s disputed and the grounds relied upon therefore not later than the 25th day of the calendar month immediately succeeding the subject Billing Period, otherwise, the Service Provider waives such opportunity to dispute the SPAS and the contents of the SPAS are deemed accurate.

In the event that NGCP timely received a Notice of Claim, a dispute resolution process shall commence in accordance with Section 8.

Payment by NGCP to Service Provider

6.5. NGCP shall pay the amount provided in the AS Power Bill including Value Added Tax (VAT). The remittance of the VAT shall be in accordance with ERC Resolution No. 20, Series of 2005, as may be applicable and the protocol to be agreed upon by the Parties.

6.6. The amount of payment to be paid to the Service Provider for a Billing Period shall be based on "as collected" basis. NGCP shall exert its best efforts to ensure the timely collection of the Ancillary Service charge from the grid users and shall provide the Service Provider with relevant information of its collection efficiency in respect of each Billing Period.

6.7. NGCP shall pay all amounts due to the Service Provider in accordance with this Agreement. The Service Provider has the option, upon prior notice to NGCP, to apply such amounts received from NGCP against its prior Billing Periods from the oldest outstanding amounts payable.

For the avoidance of doubt, any payments made by NGCP shall be applied first against interest; then for the outstanding Ancillary Service Fees.

Signed in the Presence of:

NATIONAL GRID CORPORATION OF THE PHILIPPINES
By:
ANTHONY L. ALMEDA
President and CEO

REVIEWED LEGAL

OGC REVIEWED NGCP

KING ENERGY GENERATION, INC.
By:
GILBERT J. RODRIGUEZ
General Manager

Payment Method and Timeline

6.8. NGCP shall pay the Service Provider on the last business day of the calendar month immediately succeeding the subject Billing Period. The Service Provider shall receive a pro-rata of NGCP's collection from its customers for the Ancillary Services cost less VAT, if any, on a per grid basis (the "AS Collection"). From the AS Collection, NGCP shall deduct payments due to existing service providers with as-billed payment arrangements (the "Net AS Collection").

NGCP shall pay Service Provider the latter's pro-rata share in the Net AS Collection as Service Provider's bill bears to the total sum due from NGCP to all existing service providers with as-collected payment arrangement.

6.9. NGCP shall pay the Service Provider any unpaid amount in the AS Power Bill under Clauses 6.7 to 6.9 - on the last business day of the immediately succeeding calendar month, in full and without interest. The payment shall the amount due in the AS Power Bill for the current Billing Period.

Signed in the Presence of:

6.10. In the event that a due date falls on a weekend or a holiday, payment shall be made on or before 11:00AM of the immediately preceding working day. Payments may be made through: (a) Checks payable to the Service Provider with readily available funds; or (b) via electronic transfer of funds to Service Provider's bank account as indicated in the subject Ancillary Service Power Bill, which transfer shall be duly communicated in writing by NGCP to the Service Provider, making appropriate references to the Ancillary Service Power Bill number against which payment is being made.

6.11. The Parties shall not offset any payments made under this Agreement to any other account/s due from either Party, without the consent of the Service Provider.

6.12. If NGCP fails to pay in full the Ancillary Service Fees payable under Clause 6.7 and Clause 6.8 on the corresponding due dates, it shall pay interest per month equivalent to the 91-day T-bill rate (reckoned on a daily basis) based on the amount due, from the date when such payment is due until the date such amount is received in full by Service Provider.

7. ERC Approval

The Parties shall jointly file an application with the ERC for the approval of this Agreement. All incidental expenses related to the securing of the approval, including, but not limited to, the filing of the proper application/s with the ERC and/or the publication of this Agreement, shall be for the account of the Service Provider.

8. Dispute Resolution Procedures

8.1. In the event that the Service Provider submits a written Notice of Claim pursuant to Clause 6.4, the Parties shall follow the following procedures:

NATIONAL GRID CORPORATION OF THE PHILIPPINES
By:
ANTHONY L. ALMEDA
President and CEO

REVIEWED LEGAL BY:
OGC REVIEWED NGCP

KING ENERGY GENERATION, INC.
By:
GILBERT J. RODRIGUEZ
General Manager

a. The Parties shall meet within a period of five (5) calendar days from NGCP's receipt of the Notice of Claim, and endeavour to resolve the dispute;

b. If unresolved for a period of 45 days, either Party may resort to the remedies provided in Module A9 of the OATS Rules;

c. Following resolution of a dispute, any amount agreed or determined to be payable shall be included in the payment of AS for the next Billing Period.

8.2. All disputes arising from this Agreement shall be subject to the pertinent provisions of Module A9 of the OATS Rules on Dispute Resolution Procedures, as the same may be amended from time to time.

9. Indemnity

The Service Provider will indemnify, hold harmless, and defend NGCP from and against any and all liabilities, damages, losses, costs and expenses (including but not limited to reasonable legal and other professional fees) third party claim arising from Service Provider's failure to perform its obligations under this Agreement.

10. Force Majeure

Either Party shall not be considered in breach of its obligations if prevented from performing its obligation due to a Force Majeure Event, as defined in the OATS Rules, provided that:

a. the Service Provider shall, by telephone, electronic mail, telegram or facsimile followed by a written notice, promptly inform NGCP about the existence of a Force Majeure Event, its expected duration, affected Ancillary Service, and other probable impact thereof on its performance or compliance with its obligations in this Agreement;

b. In accordance with Good Industry Practice and to reduce the further effects of the Force Majeure Event, the Service Provider must exert reasonable effort to immediately resume full operation of its facilities affected by the Force Majeure Event. Pending the full resumption of operation, the Service Provider must still provide its available Ancillary Services not affected by the Force Majeure Event; and

c. The Service Provider shall immediately notify NGCP in writing of the cessation of the Force Majeure Event; and resumption the performance, whether partial or full, of its obligations under this Agreement.

Signed in the Presence of:

NATIONAL GRID CORPORATION OF THE PHILIPPINES
By:
ANTHONY L. ALMEDA
President and CEO

REVIEWED LEGAL BY:
OGC REVIEWED

KING ENERGY GENERATION, INC.
By:
GILBERT J. RODRIGUEZ
General Manager

This Agreement shall remain in full force and effect; however, the Service Provider shall be relieved from fulfilling its obligations under this Agreement for the duration of the Force Majeure Event;

The Service Provider shall not be responsible, or liable, to NGCP for any loss or damage which NGCP may incur as a result of its failure to deliver the Ancillary Services rendered unavailable by the Force Majeure Event;

11. Annual Performance Evaluation

11.1. NGCP shall annually evaluate the performance of the Service Provider to determine the capability of the latter's Generation Facility in providing the Ancillary Services specified in Schedule 1 of this Agreement. The evaluation shall be conducted in accordance with the standards set in Schedule 5 of this Agreement.

In the event that the Service Provider fails in any of the standards set in Schedule 5 of this Agreement, NGCP may terminate this Agreement upon written notice to the Service Provider, effective upon receipt of such notice.

Signed in the Presence of:

12. Termination

12.1 Termination due to Default. The following events are grounds for the termination of this Agreement:

a. The failure of a Party to comply with any provision of this Agreement which remains unremedied within thirty (30) days from receipt of the notice of default;

b. The failure of the Service Provider to comply with the Dispatch Protocol/Guidelines in Schedule 2 of this Agreement, and remedy the same within fourteen (14) days from its receipt of notice of non-compliance; or

c. The termination of the Connection Agreement and/or Transmission Service Agreement of the Service Provider as a result of a breach or default by the Service Provider under said agreements.

12.2 Termination without Default. This Agreement shall be rendered inoperative upon the termination of any of the service agreements of the Service Provider with NGCP pursuant to the OATS.

12.3 Termination due to Material Adverse Change

a. In the event of the implementation of a law or regulation, or issuance of an administrative and judicial ruling, after the execution of this Agreement, resulting to a material adverse effect on the rights and/or obligations of either Party, such Party may terminate this Agreement through written notice to the other Party within thirty (30) days of such change, effective upon receipt of such notice.

b. If the affected Party opts to continue this Agreement, it shall inform the other party, within the same period provided above, of such intention. The Parties shall

NATIONAL GRID CORPORATION OF THE PHILIPPINES
By:
ANTHONY L. ALMEDA
President and CEO

REVIEWED LEGAL
OGC REVIEWED GCS

KING ENERGY GENERATION, INC.
By:
GILBERT J. RODRIGUEZ
General Manager

exert effort to address the impact of the Material Adverse Change and to restore (in so far as possible) the same overall balance of benefits, liabilities and risks between the Parties. However, if the Parties fail to reach an agreement within thirty (30) days from the commencement of negotiations, or such agreed extension, the Party adversely affected may terminate this Agreement through a written notice, effective upon receipt of such notice by the other Party.

c. For avoidance of doubt, a "material adverse change" in law or regulation contemplated in sub-clause (a) above shall include such changes which result or may result in:

i. full or partial inability of a Party to perform any of its obligations or exercise any of its rights under this Agreement;
ii. diminution of the rate under Schedule 3, including the effect of the ERC approval for this Agreement;
iii. any significant change in the Dispatch Protocol/Guidelines under Schedule 2; and
iv. imposition of additional penalties or burden on the Service Provider not contemplated at the time of the execution of this Agreement.

12.4 Effect of Termination

In the event of termination or expiration of this Agreement, the Service Provider shall cease to provide Ancillary Services to NGCP. Termination shall be without prejudice to any rights and obligations of any Party accrued prior to the date of termination.

13. General Provisions.

Assignment. The Parties may assign the rights and obligations under this Agreement (e.g. following a merger, sale or asset transfer) in accordance with Module A11 of the 2006 OATS Rules. Also, with notice to NGCP, the Service Provider may assign, transfer, mortgage, charge or otherwise encumber all of its rights hereunder made in favour to its lenders. Further, NGCP may, at its election, assign and transfer all of its rights, title, and interest in and to, and obligations under this Agreement, to TRANSCO or its nominee, upon the expiration of its Concession Agreement, or earlier termination thereof.

Governing Laws, Rules and Regulations. This Agreement shall be governed by and construed in accordance with the laws of the Republic of the Philippines and existing policies, rules and regulations, administrative orders, and other issuances of the Department of Energy and the ERC.

Coercion. In carrying out the obligations of this Agreement, no Party shall require the other to take any action in violation of any provision of the OATS Rules or Grid Code, especially on reliability criteria, standards, guidelines and operating procedures, or applicable governmental laws or regulations.

Signed in the Presence of:

NATIONAL GRID CORPORATION OF THE PHILIPPINES
By:
ANTHONY L. ALMEDA
President and CEO

REVIEWED LEGAL BY:
OGC REVIEWED

KING ENERGY GENERATION, INC.
By:
GILBERT J. RODRIGUEZ
General Manager

Amendments. This Agreement may be amended, superseded, cancelled, renewed or extended, and the terms hereof may be waived, only by a written instrument signed by the Parties, or, in the case of a waiver, by the Party waiving compliance.

Non-waiver. The right of a Party to insist upon the other Party to strictly adherence to any term of this Agreement on any occasion may not be waived.

Applicability of Regulatory Laws. The obligations of the Parties under this Agreement shall be governed by the OATS Rules, the Philippine Grid Code, and other relevant issuances, orders, rules and regulations as promulgated by proper government agencies and authorities as if they are originally adopted herein. This shall be understood to include all amendments and modifications thereof, as may be issued from time to time. Parties warrant that they fully understood their rights and obligations under the above-mentioned regulatory laws, including Good Industry Practices with respect to this Agreement.

Re-negotiation. This agreement shall be re-negotiated once the Department of Energy or ERC approves new technical requirements for Ancillary Services.

Signed in the Presence of:

Severability. If any provision in this Agreement or any part thereof shall, for any reason, be held invalid or unenforceable in any respect under the laws of the Philippines or any other relevant jurisdiction, this Agreement shall continue in full force and effect with the remaining valid provisions, to the extent permitted by law, and the Parties will negotiate in good faith to replace such nullified provisions in light of the intention of the Parties expressed herein.

14. Non-Waiver of Rights

Any failure or delay by any Party in exercising its rights under this Agreement shall not operate as waiver by such Party, nor shall any single or partial exercise of such right preclude any further exercise of such right. No waiver by any Party to act in case of breach of this Agreement shall be deemed to be a waiver to act in any subsequent breach of this Agreement.

15. Notices

All notices, demands, requests or communications to a Party under this Agreement, or any instrument or documentation required or permitted to be delivered to the other, shall be in writing, unless during emergency conditions that reasonably prevents giving of such or as otherwise provided in law or regulation.

NATIONAL GRID CORPORATION OF THE PHILIPPINES
By:
ANTHONY L. ALMEDA
President and CEO

REVIEWED LEGAL BY: OGC REVIEWED OGC

The notices for NGCP shall be given at the following address:

Ma. Cynthia Y. Manrique
Vice President and Head, Revenue and Regulatory Affairs
National Grid Corporation of the Philippines
Quezon Avenue corner BIR Road,
Diliman, Quezon City
Phone: (02) 928-1861
Email Address: mymanrique@ngcp.ph
Back-up email: lgbacani@ngcp.ph

The notices for the Service Provider shall be given at both of the following addresses:

Engr. Gilbert J. Rodriguez
General Manager
King Energy Generation Inc.
Brgy. San Luis, Gingoog City
Misamis Oriental
Phone: +639177246260
Email Address: gjr@kingenergy.info

A Party must immediately notify the other of any change of its address and contact persons and numbers.

IN WITNESS WHEREOF, the Parties have executed this Agreement this ___ day of _____, 20__ in the Philippines.

NATIONAL GRID CORPORATION OF THE PHILIPPINES (NGCP)	KING ENERGY GENERATION INC. (Service Provider)
ANTHONY L. ALMEDA President and CEO	GILBERT J. RODRIGUEZ General Manager

Signed in the Presence of:

_____ _____

REVIEWED LEGAL BY:

OGC REVIEWED

KING ENERGY GENERATION, INC.
By:
GILBERT J. RODRIGUEZ
General Manager

Signed in the Presence of:

NATIONAL GRID CORPORATION OF THE PHILIPPINES
By:
ANTHONY L. ALMEDA
President and CEO

REPUBLIC OF THE PHILIPPINES)
QUEZON CITY) S.S

ACKNOWLEDGEMENT

I, _____, a Notary Public duly authorized in the city named above to take acknowledgments, certify that on this ____ day of _____ 2020, the following personally appeared and presented the following:

Name	Valid ID	Validity
NATIONAL GRID CORPORATION OF THE PHILIPPINES Represented by: Anthony L. Almeda	Driver's License D14-84017252 Issued at Quezon City	
KING ENERGY GENERATION, INC. Represented by: Gilbert J. Rodriguez	Gov't Issued ID No. P8062286A Issued at DFA CDOC on 07/24/2018	

who represented themselves to be the same persons who executed this instrument and acknowledged the same to be their true and voluntary act and deed and of the corporation/s they represent, as applicable and who have satisfactorily proven their identities through the foregoing valid IDs.

This instrument, consisting of 11 pages, including the page on which this acknowledgment is written, has been signed on the left margin of each and every page thereof by the concerned parties and their witnesses, and sealed with my notarial seal.

IN WITNESS WHEREOF, I have hereunto set my seal and signature. 21 May 2021

Doc. No. 397;
Page No. 81;
Book No. 23;
Series of 2020.

Notary Public

Atty. RICO R. CAGARA
Notary Public, Appointment No. 082
Commission until 31 December 2021
PTR No.0599222; 01-04-2021; Quezon City
IBP Lifetime No.08600; Bulacan
Roll of Attorney's No.53664
MCLE Compliance No.VI-0012004, valid until 4-14-2022
Unit 305, J. Rosa Condominium
44 Matimtiman Street, Teacher's Village East
Diliman, Quezon City

REVIEWED LEGAL BY
DGC REVIEWED

SCHEDULE 1: ANCILLARY SERVICES TO BE PROVIDED

Types of Ancillary Services (AS) and Capacity

A. Firm Contracted Capacity:

Dispatchable Reserve – 7.5 MW, 16 Hours (0100H-1200H and 2100H-2400H)
Once the Power Supply Agreements with Distribution Utility has expired, Service Provider shall provide the 7.5MW DR for 24 hours

Note that the capacity listed above is the maximum ancillary service capacity that can be provided. However, nomination and schedule shall be based on the latest AS Accreditation Certificate.

REVIEWED LEGAL BY:
DOC REVIEWED GCS

SCHEDULE 2: DISPATCH PROTOCOL/ GUIDELINES

The Parties acknowledge that the current Dispatch Protocol/Guidelines is subject to revisions or amendments from time to time, which shall form integral parts of and be deemed incorporated in this Agreement. All revisions or amendments shall be agreed upon by both parties.

ANCILLARY SERVICES GUIDELINES

A. NOMINATION OF ANCILLARY SERVICE

1. Nomination by the Service Provider of available capacity should be submitted to NGCP - System Operations day-ahead not later than 2:00 pm based on available generating units:

   a. Weekdays for the next day nomination except Friday
   b. Friday for Saturday, Sunday and Monday
   c. Working Day before Holiday until the next working day

2. Submission by NGCP of Day-Ahead Ancillary Services Schedule (DAASS) to the Service Provider shall be made not later than 5:00 pm.

3. Whenever deemed implemented, all day-ahead nomination of available capacity and approvals shall be made electronically thru web facility provided by System Operations-NGCP. In case web facility is not available, email shall be used.

B. RE-NOMINATION OF ANCILLARY SERVICE

1. Re-nomination of available capacity shall be submitted by the Service Provider to NGCP and shall only be approved due to outage or de-ration of a certain generating plant/s providing ancillary services.

2. Re-nomination of available capacity may be required by the System Operator due to any of the following:

   a. Outage of Transmission Lines or Substation facilities that would result to Line Constraints or Islanding operation
   b. Reduction of generation availability/supply capacity of Service Provider
   c. Emergency security measures
   d. Unavailability or Tripping of Service Provider
   e. Non-availability of Real time monitoring

3. The Service Provider shall be notified immediately through the issuance of the revised DAASS of any changes or revisions as a result of cancellation of the approved AS Schedule due to any of the reasons stated in Item 2 of Section D.

4. The Service Provider shall be required to submit the request for re-nomination of available capacity through fax, email or web facilities.

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5. Approval of the re-nomination of available capacity may be granted only for the next interval as required by the system provided it is not scheduled for energy supply or traded in the WESM (as applicable).

C. ANCILLARY SERVICES SCHEDULING

1. The Firm Contracted Capacity shall be scheduled first by NGCP before the Non-Firm Contracted Capacity. The Firm Contracted Capacity shall be scheduled at all times except when the unit is not available due to technical reasons.

D. ANCILLARY SERVICES DISPATCH IMPLEMENTATION

1. In cases where the response of Service Provider is delayed to provide service due to plant's fault, payment shall be subject to Clause 5.2 (Penalty) of this Agreement for the affected interval.

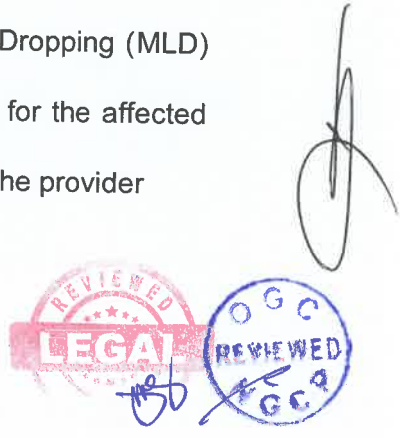
2. In cases where the response of Service Provider is non-compliant with Ancillary Services Standard Technical Requirements under Attachment 5 of the ASPP, payment shall also be subject to Clause 5.2 (Penalty) of this Agreement for the affected interval. Note that compliance to the Ancillary Services Standard Technical Requirements under Attachment 5 of the ASPP are not monitored by NGCP on a real-time basis and is the responsibility of the Service Provider to ensure that provision of Ancillary Services are within the standards at all times.

3. The following events could trigger the cancellation or re-nomination of approved AS schedule:

a. Outage of Transmission Lines or Substation facilities that would result to Line Constraints or Islanding operation.
b. Reduction of generation availability/supply capacity of provider
c. Emergency security measures
d. Unavailability or Tripping of Service Provider during the interval
e. Non-scheduling of nomination (DAASS Revision 0) shall mean non-acceptance of re-nomination
f. Non-compliance to dispatch instructions
g. Non-compliance to required scheduled nomination
h. Non-availability of real time monitoring except the current RR prior to the incident provided it would operate on free-governor mode for all throughout the interval/s.
i. Non-availability of the unit prior to or at the start of the interval

4. The following events will mean automatic cancellation of approved AS schedule except Regulating Reserve Services:

a. Market Intervention due to implementation of Manual Load Dropping (MLD) for generation deficiency, once applicable
b. Unavailability or Tripping of a particular restoration highway for the affected Service Provider
c. Total System Failure except Black-start Service schedule of the provider
d. Force majeure



5. NGCP shall inform the Service Provider of the automatic cancellation of the approved AS Schedule promptly when the cancellation occurred.

E. DISPATCHABLE RESERVE SERVICES

1. System Operator shall instruct the Service Provider to synchronize the unit/s scheduled as Dispatchable Reserve without delay to address the security and reliability of the Grid at any given interval.

2. The System Operator shall require the Dispatchable Reserve provider to be on-line anytime as required by the system.

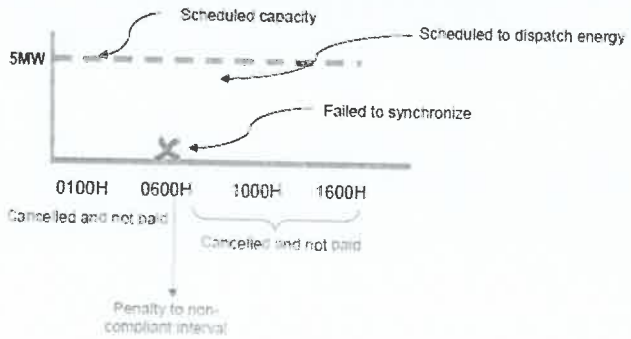
3. The System Operator shall make use of the Dispatchable Reserve in the following situation:

a. Forced Outage of generating unit or transmission line which will cause generation-load imbalance.
b. To replenish the Contingency Reserve service due to high demand vis-à-vis forecast or variation of VRE generation.
c. Maintaining the security and reliability of the Grid during N-1-1 of critical transmission lines.
d. Maintaining the security and reliability of the Grid, when the frequency or voltage is at alert or near the emergency level, if all available Regulating and Contingency reserves or Reactive Power support have been exhausted to stabilize the frequency or voltage of the Grid, and the next action of the System Operator is to implement manual load dropping (MLD).

4. Scheduled or dispatch capacity shall be delivered within 15 minutes after synchronization of the generating unit. Failure of Dispatchable Reserve provider to provide service or comply with the dispatch instruction within the interval shall be declared non-compliant and henceforth cancellation of schedule of all intervals prior to and after the non-compliant interval. For clarity, the following scenarios were provided:

Scenario 1: Generating unit scheduled to provide 5MW DR from 0100H to 1600H; It is called to dispatch from 0600H to 1000H. However, it fails to synchronize within 45 minutes – this is considered a non-compliance. Penalty will be applied for the interval 0600H, and the schedules from 0100H to 0500H and 0700H to 1600H will be canceled.

Figure No.1: Illustration of Scenario 1



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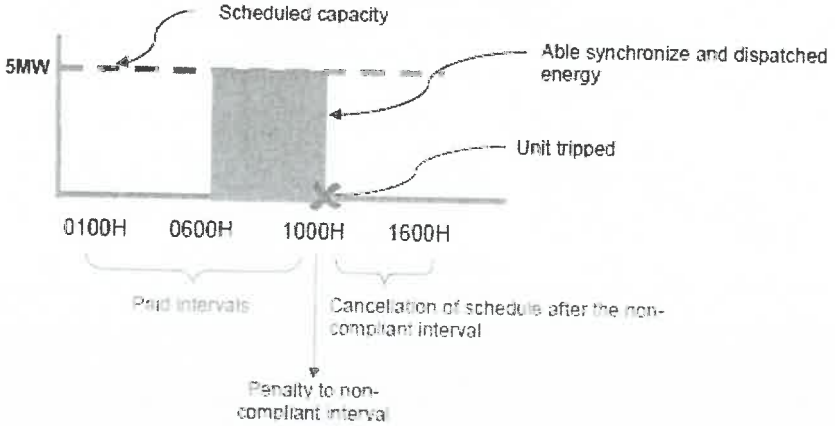
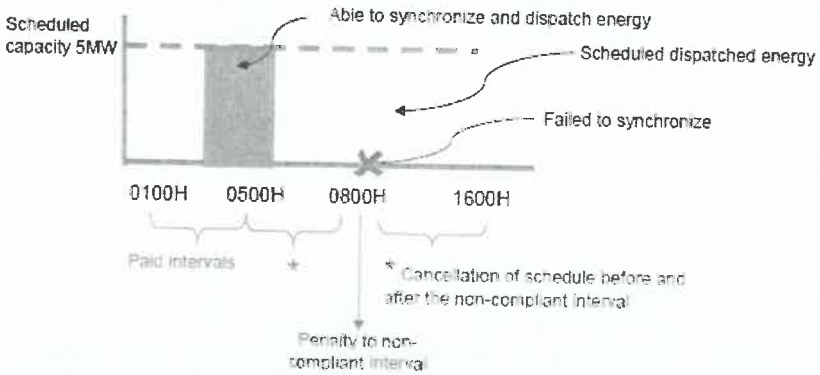
Scenario 2: Generating unit scheduled to provide 5MW DR from 0100H to 1600H; it is called to dispatch from 0600H to 1000H. It was able to dispatch but at 0900H, the unit tripped – this is considered a non-compliance. Penalty will be applied for the interval 0900H, and the schedules from 1000H onwards will be canceled. Intervals 0100H to 0800H will be paid.

Figure No.2: Illustration of Scenario 2



Scenario 3: Generating unit scheduled to provide 5MW DR from 0100H to 1600H; It is called to dispatch from 0300H to 0500H, then again at 0800H to 1000H. It was able to provide on the first call to dispatch, but on the second call to dispatch, the unit was not able to synchronize – this is considered a non-compliance. Penalty will be applied for the interval 0800H, and the schedules from 0600H to 0700H and 0900H onwards will be canceled, intervals 0100H to 0500H will be paid.

Figure No.3: Illustration of Scenario 3



F. IMPLEMENTING GUIDELINES

Any other technical requirements and operational details that may be necessary will be included in the Implementing Guidelines.

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G. COMPLIANCE MONITORING

Mindanao System Operations (MSO) shall monitor the compliance of the Service Provider in providing the scheduled capacity for AS using the following data from SCADA:

a. Breaker Status Report – to determine if the Service Provider provided the scheduled capacities from the start until the end of the scheduled interval hour(s).
b. Hourly Reactive Power Generation Profile – to determine the actual reactive power generation of the Service Provider.
c. Alternative of the Service Provider in the absence of SCADA data – Distributed Control System (DCS) Data or Intelligent Electronic Device (IED) Meter (with backup storage of generation profile, in per second resolution, thru local server or IED meter, or fixed type PQA).

MSO shall also verify the compliance of the Service Provider with the dispatch instructions Mindanao Regional Control Center (MRCC) through written records and documentation.

H. ADJUSTMENTS

Adjustments shall be made on a monthly basis should there be scheduled AS capacities that are dispatched within a billing month. Such adjustments shall be reflected on the Statement of Provided Ancillary Services (SPAS) of the Service Provider within ninety (90) days after the end of current billing month. The Service Provider shall only bill the adjustments that are reflected in the SPAS.

I. BILLING AND PAYMENT

a. NGCP and the Service Provider shall refer to the billing and payment provisions of the ASPA for the method of settlement on AS provisions of the Service Provider every billing month.
b. The Service Provider shall pick up the original copies of SPAS from the office of the Luzon System Operations upon notice of its availability.
c. Soft copies shall be emailed by NGCP to the corresponding contact persons for advance copy.

J. METER QUANTITY AND BILATERAL CONTRACT QUANTITY

The Service Provider shall allow NGCP to access its generating facility's Meter Quantity (MQ) data on a monthly basis throughout the duration of the ASPA. NGCP shall secure the MQ data for facilitating the billing process for the provided AS.

Further, the Service Provider shall submit to NGCP its bilateral contract quantity per interval, on a monthly basis, for reference in the settlement of IE.

K. MARKET PRICE DATA

Once applicable, the Service Provider shall allow the Independent Electricity Market Operator of the Philippines (IEMOP) to provide NGCP directly with the final market

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prices and energy quantities for purposes of computing the applicable Incidental Energy costs.

L. **WAIVER OF LIABILITY ON THE CONDUCT OF REGULAR "AS"** CERTIFICATION TEST

For the conduct of regular AS certification of Service Provider's units, NGCP shall not be held liable for any damage that the tests may cause to the power plant. Moreover, the Service Provider shall hold NGCP free and harmless from any claims by third party that the test may cause.

M. CHANGE OF RULES IN ENERGY INDUSTRY

Both parties agree to revisit the Implementing Guidelines, in the event that there are changes in the rules and regulations in the energy industry that shall impact the same.

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SCHEDULE 3: APPLICABLE RATES

A. FIRM CONTRACTED CAPACITY APPLICABLE RATES:

Dispatchable Reserve (DR): PhP 0.85/kW/h for scheduled capacity without energy dispatch.

B. INCIDENTAL ENERGY PAYMENT

The Cost of Incidental Energy ("IE") is the cost of actual energy generated for the Firm Scheduled Capacity which shall be paid and computed using the formula below:

During Pre-WESM regime:
$IE_{DR} = G_{DR}$ x (AR + VOMP + Actual Fuel Cost)

During WESM regime:
$IE_{DR} = [G_{DR}$ x (AR + VOMP + Actual Fuel Cost)] - REV_{WESM}

Where:

G = Summation of energy generated or dispatched due to Firm Scheduled Capacity, in kWh
AR = Applicable Rate per AS type
VOMP = Variable Operation and Maintenance Payment

$VOMP = [VOM*(PCI_m/PCI_b)]*G$

Where:

VOM = Variable O&M Rate equivalent to PhP 0.5/kWh as approved by ERC
PCI_m = Philippine CPI of the current billing month
PCI_b = Philippine CPI of the effectivity month of this agreement

Actual Fuel Cost = HFO Payment + LFO Payment + LO Payment

Where:
HFO Payment = HFO Price * HFO Consumption Rate* G;
HFO Price = actual Heavy Fuel Oil net delivered price, in PhP/liter, based on "first in first out" inventory price;
HFO Consumption Rate = 0.2429 L/kWh or actual consumption rate, whichever is lower
LFO Payment = LFO Price*LFO Consumption Rate*n*TEU
LFO Price = actual Light Fuel Oil net delivered price, in PhP/liter, based on "first in first out" inventory price;
LFO Consumption Rate = 200L per engine per instance of start-up and shutdown
TEU = Total of engine used;
n = number of start-up and shutdown
LO Payment = LO Price* LO consumption rate*G
LO Price = actual Lube Oil net delivered price, in PhP/liter, based on "first in first out" inventory price;

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LO Consumption rate = 0.0022 liter/kWh or the actual consumption rate, whichever is lower;

REV_{WESM} = Summation of WESM revenue based on Final Ex-post market clearing price of the Service Provider's trading Node arising from G above, once WESM is implemented. This will be set to ZERO while WESM is not yet in place in the Mindanao Grid.

C. SUBMISSION OF DOCUMENTS FOR COMPUTATION OF FUEL COSTS

Service Provider shall submit the necessary documents detailing the actual fuel costs (e.g. invoice or official receipts) along with the bill.

Failure to submit the necessary documents within the next billing period for two successive months after the relevant billing period will forfeit the payment to Service Provider for IE. NGCP shall only pay for the Applicable Rate for the undispatched scheduled capacities and shall not be obligated to pay for the IE.

NGCP shall provide due notice to Service Provider for any additional documents that may be required in relation to the computation of Actual Fuel Costs.

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SCHEDULE 4: TESTING, MONITORING AND VERIFICATION OF ANCILLARY SERVICES

A. The Generation Facility shall be tested, to ensure its continuing capability to provide the Ancillary Services specified in Schedule 1 of this Agreement, in accordance with the requirements and procedures set out in Section 6.11 of the 2016 Philippine Grid Code and testing procedures of NGCP for AS Certification.

B. The Service Provider shall submit to NGCP, within one (1) month from the effectivity of this Agreement as provided under Section 2.1 herein, its preferred schedule for the testing of the Generation Facility, which shall not be more than twice within a calendar year. NGCP shall then evaluate the submitted schedule based on its availability and in consideration to the system condition. The submitted schedule shall be mutually accepted by both NGCP and the service provider. Preferred schedule of testing shall be during weekdays.

C. Pursuant to Section 6.11.1.4 of the 2016 Philippine Grid Code, NGCP may at any time issue instructions requiring tests to be carried out on the Generation Facility. All such tests shall be of sufficient duration and shall be conducted not more than twice within a calendar year except when there are reasonable grounds to justify the necessity for further tests.

D. All relevant and incidental costs incurred in relation to the testing and certification activities in relation to Section 5.3 above shall be approved and agreed upon by the Parties in writing within a reasonable time prior to the actual conduct of said activities and shall be for the Service Provider's own account.

E. NGCP is not obligated to pay for the capacity of a specific unit of the Generation Facility during the period of testing pursuant to Section 5.3 above. Any incidental energy that may be injected to the Grid during such testing and certification activities in respect of such units shall be recovered from the WESM, as applicable.

F. Subject to the procedures set out in the ASPP, NGCP shall regularly monitor the Generation Facility's performance to determine its capability of providing the Ancillary Services set out in Schedule 1 hereof.

G. NGCP may, at any time, and in accordance with the ASPP, verify whether the provision of an Ancillary Service is in accordance with this Agreement. At NGCP's request, the Service Provider shall provide and not unreasonably withhold, the results of any testing conducted which may have a Material Effect on the capability of the Generation Facility to meet its required performance level/s.

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SCHEDULE 5: ANNUAL PERFORMANCE EVALUATION

A. The Annual Performance Evaluation which is required by NGCP as a basis of monitoring and evaluating the performance of the Ancillary Service (AS) Provider for its provision of Ancillary Services shall be the following:

1. The total number of Hours to be complied with by the Service Provider shall be at least 97% of the total number of Scheduled Hours in a year.

Formula: Total no. of Hours Complied in a year/total no. of hours scheduled in a year) x 100 ≥ 97%

B. For the purpose of this Section:

1. "Hours Complied" means an hour where the Service Provider was able to provide the scheduled AS capacity following the current Dispatch Protocol, dispatch instruction from System Operator pursuant to the approved NASS, and the Ancillary Services Standard Technical Requirements.

2. "Scheduled Hours" means each hour when the Service Provider was scheduled to provide AS pursuant to the approved NASS.



SCHEDULE 6: OUTAGE HOUR ALLOWANCE (OHA) FOR FIRM CONTRACTED CAPACITY

A. For purposes of this Agreement, an OHA is defined as a period where the Service Provider, on a day-ahead and real-time bases, informs NGCP that it is unable to provide the Firm Contracted Capacity, due to outage or maintenance (planned and unplanned).

B. The Service Provider shall be allowed a number of OHA per year, and the aggregate number of the Outage Hours (OH) shall be called the Outage Hour Allowance (OHA). During the OHA, the Service Provider shall be deemed unavailable; hence, NGCP shall not schedule the Service Provider for the Firm Contracted Capacity, resulting in non-payment during such OHA.

C. The Service Provider shall be allowed an OHA per year under the following schedule:

Year	Outage Hour Allowance (hours/year)
	Unit 1
1	360
2	360
3	360
4	600
5	600

The OHA shall be subject to annual review by the NGCP.

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EXHIBIT 6

POWER SUPPLY AGREEMENT

BETWEEN

KING ENERGY GENERATION, INC.

AND

CAMIGUIN ELECTRIC COOPERATIVE, INC.

(CAMELCO)

CPP

POWER SUPPLY AGREEMENT

This **Power Supply Agreement** (hereinafter referred to as "**Agreement**") is entered into this _____ day of _____, 2013 in _____, Philippines, by and between:

KING ENERGY GENERATION INC., a corporation duly organized and existing under the laws of the Republic of the Philippines, with address at G/F Divine Savior Building 102 Juan Luna St., Davao City, Philippines, herein represented in this act by its President, **MR. EDGARDO L. SALVAME**, who is duly authorized to represent it in this transaction (hereinafter referred to as "**SUPPLIER**");

And

CAMIGUIN ELECTRIC COOPERATIVE, INC. (CAMELCO), a non-stock, non-profit electric cooperative organized and existing under and by virtue of P.D. 269, as amended, with principal office address at Pandan, Mambajao, Camiguin Province herein represented in this act by its Board President, **MR. HENRY T. UDANG,** who is duly authorized to represent it in this transaction, (hereinafter referred to as "**CUSTOMER**");

The SUPPLIER and the CUSTOMER shall be individually referred to herein as "**Party**", and collectively, as "**Parties**"

MR. RAYMOND B. ANG

MR. ADRIAN A. EBCAS

MR. HENRY T. UDANG

MR. EDGARDO L. SALVAME

WITNESSETH THAT:

WHEREAS, CUSTOMER is an electric cooperative engaged in the distribution of electricity and/or power in the Province of Camiguin;

WHEREAS, SUPPLIER is a corporation engaged in the generation and supply of electric power;

WHEREAS, CUSTOMER is in need of and desires to contract capacity and energy from SUPPLIER, and the SUPPLIER is willing and agrees to provide capacity and energy to CUSTOMER;

NOW THEREFORE, for and in consideration of the mutual covenants and agreements hereinafter set forth, the Parties, for themselves, their successors and assigns, have mutually agreed as follows:

Words used in this Agreement shall be understood in accordance with the meanings and definitions provided under Schedule 1 hereof.

-SECTION ONE-
SCOPE AND TERM

1.1 This Agreement shall govern the terms and conditions by which the CUSTOMER shall reserve, receive and pay for the capacity and energy that will be made available by the SUPPLIER.

1.2 This Agreement shall take effect immediately upon the signing of this Agreement (the "**Effective Date**")and shall remain in full force and effect for a period of **TWENTY (20) years** counted from the Closing Date (the "**Term**") as defined under Section 1.3, unless earlier terminated in accordance with Section 9 hereof.

1.3 The Closing Date shall be on March 15, 2013 or on such date that may be provided by the **SUPPLIER** in accordance with Section 1.6 (b) hereof.

For purposes of this Agreement, Closing Date shall refer to the date when the SUPPLIER shall commence delivery of the contracted capacity and energy to the CUSTOMER.

1.4 Unless **WRITTEN NOTICE** is served by the duly authorized representative of one Party to the other not later than sixty (60) days prior to the expiration of the *Term*, this Agreement shall be ***automatically renewed*** for a period of another **TWENTY (20) years** without need for any further action or notice by either of the Parties to the other.

1.5 Notwithstanding the execution of this Agreement and the occurrence of the *Effective Date* and/or *Closing Date*, the obligation of SUPPLIER to commence deliveries of energy shall be subject to the satisfaction of the following conditions precedent:

(a) receipt by the SUPPLIER of a certificate executed by the corporate secretary of the CUSTOMER, attesting that the Board of Directors of CUSTOMER adopted resolutions: (i) authorizing CUSTOMER to execute, enter into, deliver this Agreement and the performance of its obligations hereunder, and (ii) designating the person authorized to execute this Agreement in behalf of the CUSTOMER;

(b) receipt by the SUPPLIER of the Security Deposit referred to under Section 3.2;

(c) receipt by the SUPPLIER of the proposed location for the *Genset* which must be at least one (1) hectare, including the title, contract of lease duly registered with the Register of Deeds and/or other evidence of ownership of the property where the Genset is proposed to be installed;

(d) receipt by the SUPPLIER of all permits, licenses, and other requirements necessary for the operation of the power generation

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MR. EDGARDO L. SALVAME

facility in the area of operation of the CUSTOMER which the CUSTOMER undertook to secure in accordance with Section 7.1 (k);

(e) the ERC shall have issued an approval for this Agreement, including the pricing structure set out herein (and any provisional authority issued by the ERC shall be considered as satisfaction of this condition);

(f) the ERC shall have issued a Certificate of Compliance in favor of SUPPLIER;

Upon satisfaction of the aforesaid conditions precedent, SUPPLIER shall deliver to CUSTOMER written notice confirming receipt of the documents and instruments described above;

1.6 If any of the conditions set out in Section 1.5 shall not have been satisfied upon Closing Date, the SUPPLIER shall have the option to:

(a) Terminate this Agreement by delivery of written notice of such termination;

(b) Waive, or in its ***sole discretion***, provide a grace period for, the satisfaction of any condition precedent that shall not have been satisfied, excluding Section 1.5 (d),(e) and (f), and deliver written notice of such waiver or grace period to the CUSTOMER (In the event the SUPPLIER grants a grace period, the written notice shall specify the date, which date shall be considered as the Closing Date);

MR. RAYMOND B. ANG
MR. ADRIAN A. EBCAS

-SECTION TWO-
SUPPLY OF ENERGY

2.1 During the Term of this Agreement, and provided that all the conditions precedent under Section 1.5 have been complied with SUPPLIER shall supply and deliver Energy to the CUSTOMER during the Billing Periods, at the Metering Points specified in **Annex "A"** (*Metering Points*) and at the fixed rate specified in **Annex "B"** (*Rates Schedule*).

With reference to Annex "B" hereof, Fuel shall mean Actual Fuel Cost, inclusive of freight, insurance and duties, charged on a pass through basis subject to a gross fuel consumption rate equivalent to 0.26 liter/kWh for bunker and 0.28 liter/kWh for diesel.

MR. HENRY T. UDANG

2.2 The SUPPLIER shall conduct all meter readings at the end of each Billing Period. The CUSTOMER may dispute the Meter Results in accordance with Section 4.

2.3 The SUPPLIER shall be allowed reasonable time for preventive maintenance upon giving of written notice to the CUSTOMER.

"Reasonable time" shall be in accordance with Good Industry Practice.

MR. EDGARDO L. SALVAME

-SECTION THREE-
PAYMENT OF FEES AND SECURITY DEPOSIT

3.1 ***Payment of fees***

3.1.1 SUPPLIER shall deliver a Billing Statement setting out the Electricity Fees due on account of all Energy delivered within seven (7) working days from the end of each Billing Period.

3.1.2 CUSTOMER shall pay in full all Electricity Fees without need of any demand **not later than the 26th day** of the succeeding calendar month after the end of each Billing Period.

Payment shall only be made at the bank account designated by the Supplier and in lawful currency of the Philippines.

Failure of the CUSTOMER to remit or cause the remittance of such payments to the designated account shall cause the unpaid portion of the invoice to earn interest at the rate of **two percent (2%) per month** (a fraction of a month shall be considered as one month) until actual payment in full of the amount due has been made.

In Addition to the penalty, SUPPLIER shall have the right (i) to draw against the Security Deposit; (ii) to temporarily suspend its obligation to generate and sell electric power to CUSTOMER without need of notice; (iii) to rescind or terminate this Agreement; and/or (iv) to declare fees and charges for electricity supplied in the current Billing Period and such other unbilled periods, as due and payable, whereupon CUSTOMER shall pay such fees and charges immediately upon delivery by SUPPLIER of the corresponding Billing Statement to Customer.

3.1.3 In case of shortfalls in the consumption of CUSTOMER, it shall remain liable to pay to the SUPPLIER the minimum contract energy fee.

3.1.4 All payments made by CUSTOMER hereunder shall be made free and clear of and without any deductions for or on account of any set-off or counterclaim, except as required by law or as mutually agreed in writing by the Parties.

At any event, bank charges shall be borne by the CUSTOMER and shall not be deducted from the payment made by the CUSTOMER.

CUSTOMER may deduct applicable withholding taxes due and/or paid for the supply of energy by SUPPLIER subject to CUSTOMER's timely submission to SUPPLIER of the corresponding *Withholding Tax Certificate*.

Upon receipt by the SUPPLIER of the *Withholding Tax Certificate*, official receipt shall then be issued to the CUSTOMER.

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3.2 ***Security Deposit***

3.2.1 A Security Deposit at an amount equivalent to one month of the sum of the average monthly Capacity Fee, Fixed and Variable O&M Fees and Fuel Cost Recovery Fee of the Buyer shall be posted by the CUSTOMER in the form of a (1) manager's check or (2) cashier's check from a bank or other financial institutions acceptable to the SUPPLIER on or prior to the Closing Date. CUSTOMER may, if it chooses to do so, furnish a Security Deposit in the form of cash.

The Security Deposit shall be calculated based on the minimum usage for the first contract year and shall be adjusted in accordance with the next succeeding Section.

3.2.1 Prior to the commencement of each Contract Year after the first Contract Year, the value at which the Security Deposit shall be maintained shall be adjusted based on the average monthly Capacity Fee, Fixed and Variable O&M Fees and Fuel Cost Recovery Fee of the CUSTOMER for the immediately preceding Contract Year. The CUSTOMER shall post the Security Deposit in the adjusted amount on or prior to the first day of the first Billing Period of each succeeding Contract Year.

3.2.2 In the event that SUPPLIER draws against the Security Deposit as provided under this Agreement, CUSTOMER shall replenish the Security Deposit to restore the value thereof to its original amount prior to SUPPLIER having drawn thereon within fifteen (15) calendar days from receipt of notice from SUPPLIER.

3.2.3 In the event that CUSTOMER does not replenish its Security Deposit in full within fifteen (15) calendar days as per Section 3.2.2, SUPPLIER may unilaterally terminate the Agreement with immediate effect, and customer shall be liable to pay a Termination Fee equivalent to the amount stated in Section 9.3.

3.2.4 The Security Deposit shall be returned by SUPPLIER to the CUSTOMER together with interest earned within thirty (30) days from expiration of this Agreement.

Interest shall be fixed at two percent (2 %) per annum.

Any amount which may be due to the SUPPLIER which remains unpaid until the expiration of this Agreement may automatically be deducted by the SUPPLIER from the Security Deposit.

-SECTION FOUR-
BILLING DISPUTE

4.1 If CUSTOMER disputes any Billing Statements, it shall so inform SUPPLIER in writing within a period of **FIFTEEN (15)** days from receipt thereof. The CUSTOMER must specify the items that are disputed in the Billing Statement.

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MR. EDGARDO L. SALVAME

If the dispute is not resolved by the Payment Date provided under Section 3.1.2, CUSTOMER shall pay the full amount stated in the Billing Statement on or before such due date, with the disputed portion paid under protest. The Parties shall endeavour to resolve the dispute within ten (10) days after payment in full of the amount stated in the Billing Statement. In case the dispute is not resolved within ten (10) days, then the matter shall be deemed to be a Dispute and the provisions of Section 13 shall apply.

4.2 If the Parties resolve the dispute in favor of the CUSTOMER in accordance with Section 4.1, or if the Dispute on the Billing Statement is determined adversely to SUPPLIER pursuant to Section 13, SUPPLIER shall allow CUSTOMER a credit on the Billing Statement next due in an amount equivalent to that disputed by CUSTOMER (without interest or penalty thereon whatsoever).

4.3 Disputed billing shall not be an excuse or a ground for CUSTOMER to delay payment of succeeding billings or to unilaterally deduct any amount therefrom.

-SECTION FIVE-
TAXES, FEES AND COSTS

5.1 CUSTOMER shall be liable for and shall pay: (i)any taxes (including Value Added Tax, if any), fees, charges, levies and imposts imposed or assessed by any governmental authority on or in connection with the purchase and sale of electricity and/or payments due to SUPPLIER hereunder; and (ii) any new taxes, fees, charges, levies and imposts (including any increase in the rate or amount thereof after the date hereof but excluding income taxes) imposed on SUPPLIER, excluding fines and penalties directly attributed to SUPPLIER's own negligence, after the date hereof, in connection with the performance by the SUPPLIER of its obligations pursuant to this Agreement. Such payments shall be made as and when required pursuant to applicable laws in effect from time to time.

5.2 CUSTOMER shall also be liable for payment of the Universal Charge (as this term is defined under the EPIRA) upon the imposition thereof, it being understood that the imposition of the Universal Charge pursuant to the provisions of EPIRA should not be an event of Force Majeure.

5.3 Power generated during Commissioning and Testing of the Plant shall be charged to and paid for by the CUSTOMER in accordance with Annex B (Rates Schedule).

5.4 Save as otherwise provided in this Agreement, each party shall be liable for such costs and expenses that it may incur on account of the performance of its obligations hereunder.

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-SECTION SIX-
FORCE MAJEURE

6.1 Force Majeure means any event, matter or circumstance that is unforeseeable or is outside the reasonable control of a party and that prevents or restricts the performance by that party of its obligations hereunder, and shall include: (i) acts of God; (ii) acts of war or the public enemy, whether war be declared or not, invasion, armed conflict or act of foreign enemy, blockade, embargo, revolution and public disorders, including insurrection, rebellion, civil commotion, sabotage, riots and violent demonstrations; (iii) strikes, lock-outs, riots and labor disputes in any such case which are widespread or nationwide; (iv) floods, tidal waves, explosions, fire, earthquakes, typhoons and other natural calamities; (v) expropriation or compulsory acquisition of all or any material part of the Power Plants or the Site, or any other act of governmental authority that prevents or restricts SUPPLIER's access to the Power Plants or the Site; (vi) change in governmental requirements enforced from time to time after the date hereof, including any change in the policies (or the interpretation of the policies) of the Department of Energy, the Energy Regulatory Commission, National Grid Corporation of the Philippines, or any governmental agency that regulates or exercises jurisdiction over the electric power industry or any sector thereof;(vii) arbitrary or capricious or unreasonable denial, conditioning, variation, termination or voiding of, or failure, or delay, in granting or renewing , any governmental permit, such as but not limited to any permit, license, agreement, order, certificate, franchise, registration, filing, authorization, consent or approval issued by or filed with any governmental authority, which is required for such party's performance of its obligations hereunder, notwithstanding such party's due application therefor and diligent efforts to obtain the same; or any other event of similar nature which prevents the SUPPLIER from delivering electricity to the CUSTOMER, or prevents the CUSTOMER from receiving energy from SUPPLIER.

With respect to SUPPLIER, Force Majeure shall include the failure or inability of the SUPPLIER to manage and control the contracted capacity of the power plants on account of any failure or delay in the delivery of Fuel to, or the failure or inability of SUPPLIER to take and accept deliveries of fuel at the power plants due to any event or circumstance described in the preceding paragraph, or any act of governmental authority.

Force Majeure shall not include, among other things: (i) lack of funds for the performance of any obligation hereunder (ii) fluctuation in the Peso-Dollar exchange rate and (iii) ordinary or extraordinary inflation.

6.2 Neither Party shall be liable for any failure or delay in the performance of its obligations under this Agreement if such failure or delay arises out of, but only to the extent caused by, any event of Force Majeure: ***Provided*** that the relief granted by this Section shall be available only if and to the extent that the Party claiming relief has and continues to take all steps reasonably within its control to mitigate the effects of such Force Majeure event, and in no event

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shall late payment or non-payment of money due be excused by any event of Force Majeure.

6.3 The Party seeking to rely on an event of Force Majeure to excuse failure or delay in the performance of its obligations pursuant to Section 6.2 hereof shall notify the other party as soon as reasonably possible of the nature of the Force Majeure claimed and to the extent the Force Majeure claimed affects the party's obligation under this Agreement, and such party shall resume the performance of its obligations as soon as reasonably possible after the event of Force Majeure ceases to exist.

6.4 If any event of Force Majeure occurs during the Term of this Agreement, the Term, by mutual agreement of the Parties, may be extended by a period of time equal to the period of time for which performance is excused as a result of the Force Majeure. The parties will consult each other and will take all reasonable steps to minimize the losses of either Party resulting from Force Majeure.

6.5 Notwithstanding any other provision of this Agreement to the contrary, in the case of any situation in which, in the reasonable opinion of SUPPLIER, it would be dangerous to continue to provide electricity to CUSTOMER in accordance with this Agreement, SUPPLIER shall, if it would be reasonably impracticable under the relevant circumstances to obtain the prior approval of CUSTOMER, act unilaterally to take preventive and corrective actions in response to such situation in accordance with Good Industry Practices. SUPPLIER shall notify CUSTOMER as soon as reasonably practicable, following the occurrence of such situation, of any action taken or to be taken pursuant to this Section and the reasons therefor.

6.6 Any Party may terminate this Agreement upon thirty (30) days prior written notice to the other Party if an event of Force Majeure occurs during the Term of this Agreement and prevents either Party from performing its obligations under the Agreement for a period in excess of twelve (12) consecutive months.

-SECTION SEVEN-
REPRESENTATIONS, WARRANTIES AND COVENANTS

7.1 CUSTOMER hereby represents, warrants, and agrees to the following:

(a) It is duly incorporated, validly existing and in good standing under the laws of the Republic of the Philippines;

(b) It possesses full power and authority to enter into this Agreement, and has taken all the necessary action to authorize the entry into and delivery of this Agreement and the transactions contemplated hereby , and the performance of its obligations hereunder;

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(c) It has the qualifications, capacity, and abilities to perform the obligations hereunder, pursuant to and in accordance with this Agreement;

(d) No other Party has exclusive rights to supply CUSTOMER with energy and it is in no way compromising any rights or trusts relationships between any other party and CUSTOMER, or creating a conflict of interest, or any possibility thereof, for CUSTOMER or the SUPPLIER;

(e) It has the power, licenses and permits required to carry on its business as it is being conducted and as proposed to be conducted;

(f) This Agreement is binding upon all successors-in-interest, permitted assigns, agents and representatives of the CUSTOMER;

(g) It has not failed to disclose any material fact to the SUPPLIER;

(h) This Agreement and the consummation of the transactions contemplated herein are its legal , valid, binding and enforceable obligations;

(i) The entry into and the performance by it of this Agreement do not and will not conflict with or constitute a breach of or default under (a) any applicable law; (b) any provisions of its Articles of Incorporation or By-laws; (c) any agreement, contract, or instrument binding upon it or any of its assets, real or personal;

(j) There are no outstanding notices of or any violations by the CUSTOMER of any applicable law or any other requirements of any governmental authority having jurisdiction over or affecting any part of this Agreement;

(k) CUSTOMER undertakes to procure all local governmental, corporate and other requirements, licenses, authorizations, permits necessary or desirable in connection with the entry into, performance, validity and enforceability of, and the transactions contemplated by this Agreement and CUSTOMER hereby warrants that the same are in order and in full force and effect;

(l) There are no actions or suits or proceedings by or before any court, arbitral tribunal, administrative body or other judicial or quasi-judicial authority that are pending or threatened against it that if determined adversely against it could materially and adversely affect its ability to perform its obligations under this Agreement;

(m) It operates and maintains the CUSTOMER facility in accordance with Good Industry Practice and applicable laws as necessary to enable the CUSTOMER facility to accept and take the contract energy;

(n) It shall be solely responsible for violations of any applicable laws in the performance of its obligations under this Agreement; and

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(o) Except for any statutory preference or priority established under Philippine law, its financial obligations under this Agreement shall have first priority in order of payment, and CUSTOMER has no existing liability or obligation, or is under no legal impediment, which would prevent CUSTOMER from ensuring such preference in payment.

7.2 SUPPLIER hereby represents and warrants:

(a) It is duly incorporated, validly existing and in good standing under the laws of the Republic of the Philippines;

(b) This Agreement is binding upon all successor-in-interest, permitted assigns, agents and representatives of the SUPPLIER;

(c) This Agreement and the consummation of the transactions contemplated herein are its legal, valid, binding and enforceable obligations;

(d) The entry into and the performance by it of this Agreement do not and will not conflict with or constitute a breach of or default under (a) any applicable law; (b) any provisions of its Articles of Incorporation or By-laws; (c) any agreement, contract, or instrument binding upon it or any of its assets, real or personal;

(e) There are no outstanding notices of or any violations by the SUPPLIER of any applicable law or any other requirements of any governmental authority having jurisdiction over or affecting any part of this Agreement;

(f) The SUPPLIER undertakes to procure all national governmental, corporate and other requirements, authorizations and permits necessary or desirable in connection with the entry into, performance, validity and enforceability of, and the transactions contemplated by this Agreement.

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-SECTION EIGHT-
CONFIDENTIALITY

8.1 Each Party shall ensure that no confidential information of the other party (the "Disclosing Party") is disclosed to third parties unless consented to in writing by the Disclosing Party. A Party shall not accept Confidential Information from others on behalf of the other Party unless it is necessary and acquired pursuant to a written agreement with that other Party;

8.2 A Party shall not use confidential information except in the performance of its obligations under this Agreement. It shall not reproduce or otherwise copy any confidential information without the express prior written consent of the Disclosing Party except for a reasonable number of copies necessary to

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accomplish the purposes of this Agreement and subject to the condition that all copies shall, upon reproduction, contain appropriate and confidential notices and legends that may appear on the original confidential information;

8.3 Without limiting the foregoing, each Party shall use utmost efforts to prevent any unauthorized disclosure of confidential information, including the exercise of no lesser security measures and degree of care than those which it applies to its own confidential information, such as but not limited to keeping all documents and other material bearing or incorporating any of the confidential information separate from all other documents and materials;

8.4 Any consent given by the Disclosing Party for disclosure of confidential information shall be so given upon the condition that the other Party shall procure that each person or entity to whom disclosure is made shall, prior to disclosure, execute a confidentiality agreement with the disclosing party on the same terms as set out in this Section;

8.5 The provisions contained in this Section shall be effective from the Effective Date and survive the termination or expiration of this Agreement;

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-SECTION NINE-
ALLOWED DOWNTIME AND EVENTS RESULTING IN RESTRICTED ENERGY DELIVERY

9.1 The Parties agree that SUPPLIER is allowed to incur Scheduled Outage and Unscheduled Outage up to a maximum of Eight Hundred Seventy-Six (876) hours for a Genset per contract year.

1) Scheduled Outage. SUPPLIER shall notify CUSTOMER at least five (5) days prior to undertaking any planned inspection, testing, maintenance (Including preventive and corrective maintenance), repair, replacement, improvement or overhaul of the subject Generator Set or its related facilities ("*Scheduled Outage*"). Any desired changes to the schedule shall be communicated by SUPPLIER to Customer at least one (1) day prior to such Scheduled Outage.

2) Unscheduled Outage. SUPPLIER shall notify Customer no later than one (1) day after the occurrence of outage of any generating unit of the subject Generator Set or its related facilities caused by inspection, testing, maintenance (including preventive and corrective maintenance), repair, replacement, improvement, overhaul or otherwise causing unavailability of any generating unit of the subject Generator Set or its related facilities which could not be postponed until the next scheduled Outage ("*Unscheduled Outage*").

9.2 In any contract year and for every Generator Set (if more than one), the difference between Eight Hundred Seventy-Six (876) hours and the actual hours used by SUPPLIER for Schedules Outage and Unscheduled Outage in such contract year shall be credited and may be used by SUPPLIER to undertake Scheduled Outage or Unscheduled Outage for the relevant

Generator Set during succeeding contract years in addition to the 876 hours allowed for such relevant succeeding year.

9.3 SUPPLIER and CUSTOMER are excused from their obligation to deliver and receive energy, respectively, during the occurrence of Scheduled Outage or Unscheduled Outage, in which case the Contract Energy for the affected Billing Period may be adjusted pro rata or as agreed by the Parties.

9.4 SUPPLIER has the option to supply CUSTOMER (all or a portion of) the Contract Energy (and Additional Energy, if applicable) during the occurrence of Allowed Downtime or any other events other than Allowed Downtime, subsequent to closing date, which result in restricted energy delivery (whether full or partial) including load shedding.

1) For the portion of Contract Energy and Additional Energy, if applicable, provided by SUPPLIER from its own back up facility and/or third party, the supply of energy shall be made in accordance with Section 2 hereof.

2) For the portion of Contract Energy provided by SUPPLIER from the Generator Set, CUSTOMER shall pay the Contract Energy Fee, provided that, CUSTOMER shall pay the Load Curtailment Adjustment in lieu of the Capacity Fee (identified as CF under Annex B) component of the Contract Energy Fee for such affected period. Similarly, if applicable, CUSTOMER shall pay the Load Curtailment Adjustment in lieu of the Additional Energy Capacity Rate component of the Additional Energy Fee.

3) Notwithstanding the foregoing, CUSTOMER continues to be liable for the Variable Charge (Identified as VOM under Schedule B) component of the Contract Energy Fee (and Additional Energy Fee, if applicable).

-SECTION TEN-
TERMINATION

10.1 This Agreement may only be terminated by the Parties upon the following grounds:

1) The CUSTOMER may terminate this Agreement by written notice to SUPPLIER upon the occurrence of the following events of default:

(a) SUPPLIER fails to supply Energy for a period of 60 days for reasons wholly attributable to its fault and/or negligence and provided that SUPPLIER fails to take reasonable actions or remedies to solve its inability to deliver capacity and energy.

2) SUPPLIER may terminate this Agreement with immediate effect by serving written notice to CUSTOMER upon the occurrence of any of the following events of default:

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(a) (i) CUSTOMER admits in writing its inability to pay any debt as and when they fall due; (ii) any bankruptcy, insolvency, suspension of payment, reorganization or similar proceedings are commenced by or against CUSTOMER; (iii) as part of scheme of arrangement or composition with its creditors, CUSTOMER makes any assignment for the benefit of its creditors; or (iv) an effective order is made (and not set aside or stayed within sixty (60) days), or an effective corporate resolution is passed, for the liquidation, winding-up or dissolution of CUSTOMER;

(b) A receiver or trustee in bankruptcy, insolvency, suspension of payment, reorganization or similar proceedings is appointed in respect of all or any material part of CUSTOMER's assets and such appointment is not set aside or stayed within sixty (60) days;

(c) Any financial obligation of CUSTOMER under this Agreement and any other agreement of CUSTOMER with Supplier is not paid when due or within any applicable grace period , or is validly declared to be or otherwise becomes due and payable prior to its stated maturity as a result of any actual or potential default, howsoever described;

(d) CUSTOMER ceases or discontinues operations for a period of thirty (30) days;

(e) Any financial obligation of the CUSTOMER under any other agreement is not paid when due nor within any applicable grace period, or is validly declared to be or otherwise becomes due and payable prior to its stated maturity as a result of any actual or potential default, howsoever described, and;

(f) (i) the Security Deposit ceases to be valid, or (ii) CUSTOMER or the Party providing the Security Deposit asserts that it is or becomes entitled to revoke, cancel or suspend the Security Deposit or does revoke, cancel or suspend the Security Deposit or otherwise repudiates the same, or (iii) any of the events or circumstances described in clauses (a) through (e) above, inclusive, shall apply to or affect the person providing the Security Deposit within fifteen (15) calendar days from the date of notice from SUPPLIER requiring that a substitute Security Deposit be posted.

10.2 Upon termination of this Agreement under any circumstances, CUSTOMER shall immediately pay to SUPPLIER all unpaid Electricity Fees and all other amounts then payable by CUSTOMER to SUPPLIER under this Agreement.

10.3 In the event that this Agreement is terminated by the SUPPLIER on grounds of breach of this Agreement attributable to the CUSTOMER, the CUSTOMER shall immediately pay to the SUPPLIER the Termination Fee equivalent to the Minimum Capacity Fee which the CUSTOMER should have been liable to pay

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were it not for the early termination of the Agreement and all other costs arising from the termination of the Agreement.

CUSTOMER, in addition to the payment of the Minimum Capacity Fee for the unexpired portion of the Agreement shall also be liable to pay the SUPPLIER reasonable amount of damages equal to ten percent (10%) of the Minimum Capacity Fee for the said unexpired portion.

The Parties hereby agree that the amount of Termination Fee stated above is equivalent to reasonable approximate of damages which will be suffered by the SUPPLIER considering the nature of this Agreement and the amount of investments of the SUPPLIER;

10.4 Upon any termination of this Agreement, neither Party shall have any further obligation to the other Party, other than for those obligations arising prior to the date of termination and those which, by their nature, are to be performed after termination or which are expressed to survive the termination hereof. The termination of this Agreement under any circumstance hereunder shall be in addition to, and not exclusive of, any other right, remedy or relief as are available to the Party terminating this Agreement hereunder, at law or in equity.

-SECTION ELEVEN-
NOTICES

11.1 Each communication, notice, demand, or request to be made hereunder, including Billing Statements shall be made in writing and, unless otherwise stated, may be sent through personal delivery, facsimile, email, registered courier, or registered mail. Any notice to be made or delivered by one Party pursuant to this Agreement shall be made or delivered to the other Party at the contact details specified in **Annex "C"** (Notices).

Any Party may change its address, facsimile number or email address for purposes of receipt of Notices by giving the other Party not less than fifteen (15) days notice of such change. A notice shall be deemed to have been made or delivered (i) in the case of any notice made by personal delivery, registered courier, or by registered mail, when left at that address or otherwise received by the addressee; (ii) in the case of any communication made by facsimile, when a legible copy of such communication has been received, and (iii) in case of email, upon receipt by sender of the acknowledgement of the "receipt requested" message from the recipient.

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-SECTION TWELVE-
NON-WAIVER, AMENDMENTS AND REMEDIES

12.1 No waiver by the SUPPLIER of any provision of this Agreement shall be binding unless made in writing and signed by the SUPPLIER's authorized representative. The failure of the SUPPLIER to insist, in any one or more instances, upon strict performance of any of the provisions of this Agreement or to take advantage of any rights granted hereunder shall not be construed as a waiver of any such provisions or the relinquishment of any of such rights in the future.

12.2 No changes or modifications of this Agreement shall be effective unless made in writing and signed by both Parties.

12.3 Unless otherwise provided, the remedies under this Agreement shall be cumulative and not exclusive, and the exercise of one remedy shall not exclude the exercise and shall not be construed as a waiver of the right to exercise the other remedies.

MR. RAYMOND B. ANG

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-SECTION THIRTEEN-
DISPUTE RESOLUTION

13.1 The Parties shall refer any dispute, controversy, claim or difference between them arising out of or relating to this Agreement, or the breach thereof, or in the interpretation of any of the provisions hereof (each a "Dispute"), to their respective representatives who shall seek to amicably resolve such Dispute in accordance with the procedure set out in this Section.

13.2 The Party alleging a Dispute shall give written notice thereof to the other Party within thirty (30) calendar days from the occurrence thereof, which notice shall contain a description of the Dispute.

13.3 Promptly upon receipt by the other Party of Notice of Dispute, the Parties' respective representatives shall meet and discuss in good faith to resolve the Dispute within thirty (30) days from receipt of the notice, or within such longer period as the Parties may mutually agree.

-SECTION FOURTEEN-
JURISDICTION AND COURT LITIGATION

14.1 Any Dispute that is not resolved between the Parties in accordance with the provisions of Section 12 shall, unless the Dispute falls within the original and exclusive jurisdiction of the ERC, be submitted to jurisdiction of the proper courts of Davao City, Philippines, to the exclusion of all other courts

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elsewhere situated, and the Parties agree that the courts of Davao City are an appropriate forum for the settlement of Disputes and waive any claim or assertion that such courts are an inconvenient forum.

14.2 If SUPPLIER have instituted an action on a Dispute to enforce this Agreement or as a result of an alleged breach of this Agreement by CUSTOMER, CUSTOMER shall also be liable to the SUPPLIER for an amount equivalent to twenty percent (20%) of the value of any award made in favor of the SUPPLIER, to cover attorney's fees and other expenses of dispute resolution or litigation.

MR. RAYMOND B. ANG

-SECTION FIFTEEN-
GOVERNING LAW

15.1 This Agreement shall be governed by and construed in accordance with the laws of the Republic of the Philippines. The Parties shall perform all their obligations under this Agreement in accordance with Applicable Law. In case of any amendment, modification or change in Applicable Law, the Parties shall continue to perform their obligations under this Agreement unless made expressly unlawful or impossible by such amendment, modification or change.

MR. ADRIAN A. EBCAS

-SECTION SIXTEEN-
ENTIRE AGREEMENT

16.1 The Parties acknowledge that this Agreement constitutes the entire agreement between them and shall completely supersede all other prior understandings, previous communications, or contracts, oral or written, between the parties relating to the subject matter hereof;

MR. HENRY T. LIDANG

16.2 Nothing contained in this Agreement shall be construed to create an association, trust, partnership, or joint venture or impose a trust or partnership duty, obligation, or liability on or with regard to either Party, or to create any duty, standard of care or liability to any person or entity not a Party hereto. Each Party shall be liable individually and severally for its own obligations under this Agreement.

-SECTION SEVENTEEN-
ASSIGNMENT OR TRANSFER

MR. EDGARDO L. SALVAME

17.1 Neither party shall assign or transfer all or any part of its rights, benefits or obligations hereunder, without the prior written consent of the other Party, except that the **SUPPLIER** may assign all or any part of its rights, benefits or obligations hereunder to its holding companies, subsidiaries, or affiliates,

without need for notice to or consent of **CUSTOMER**. No assignment or transfer shall be valid unless the assignee or transferee shall issue a formal written assumption of liability of all the obligation of its assignor or transferor under this Agreement.

-SECTION EIGHTEEN-
SEVERABILITY

18.1 If one or more provisions of this Agreement shall be declared invalid, illegal or unenforceable, the remaining provisions shall remain in, and shall be given, full force and effect. The Parties shall meet in good faith to agree, to the fullest extent allowed by law, on a substitute provision that would most closely approximate the intention of the invalid provision, and amend this Agreement accordingly.

IN WITNESS WHEREOF, the Parties have hereunto set their signatures the place and date first above written.

KING ENERGY GENERATION INC.

BY:

MR. EDGARDO L. SALVAME
President

CAMIGUIN ELECTRIC COOPERATIVE, INC.

BY:

MR. HENRY T. UDANG
President

SIGNED IN THE PRESENCE OF:

MR. ADRIAN A. EBCAS
General Manager, CAMELCO

MR. RAYMOND B. ANG
COO, King Energy Generation, Inc.

ACKNOWLEDGMENT

Republic of the Philippines)
CITY OF CAGAYAN DE ORO)

Before me, a Notary Public for and in the City of CAGAYAN DE ORO, this MAR 2 6 2013 day of _____, 20___ personally appeared MR. EDGARDO L. SALVAME who is identified by me through his passport with nos. XX4601313 issued in Pasay City on 18 September 2001, known to me and to me known to be the same person who executed the foregoing Power Supply Agreement consisting of ____ pages including its attachments and the page wherein this Acknowledgment is made and he acknowledged that the same is his free and voluntary act and deed and of the Corporations he represents.

WITNESS my hand and seal on the date and place first above written.

ATTY. JC MA. ROSEBY LLIDO
NOTARY PUBLIC
COMMISSION EXPIRES DECEMBER 31, 2013
PTR NO. 2327858/03 JAN 13/CDO
IBP NO. 875602/03 JAN 13/MIS. OR.
ROLL NO. 58913/15 APR 2011

MR. RAYMOND B. ANG

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Doc. No. 95;
Page No. 39;
Book No. 3;
Series of 2013.

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ACKNOWLEDGMENT

Republic of the Philippines)
_____)

Before me, a Notary Public for and in the City of SM/Ca, this 27 day of _____, 2013 personally appeared MR. HENRY T. UDANG who is identified by me through his CTC with nos. 26333188 issued in Luinsiñoan, Camiguin on 02/22/13, known to me and to me known to be the same person who executed the foregoing Power Supply Agreement consisting of ____ pages including its attachments and the page wherein this Acknowledgment is made and he acknowledged that the same is his free and voluntary act and deed and of the Corporations he represents.

WITNESS my hand and seal on the date and place first above written.

NOTARY PUBLIC

VITO T. [illegible]
NOTARY PUBLIC
UNTIL DECEMBER 31, 2014
PTR NO. 0199130-A-1-2-13
ROLL NO. 24785
IBP NO. 895355-1-2-13
TIN NO. 131-638-099

Doc. No. 458
Page No. 94;
Book No. 34;
Series of 2013.

MR. RAYMOND B. ANG

MR. ADRIAN A. EBCAS

MR. HENRY T. UDANG

MR. EDGARDO L. SALVAME

ANNEX "A"

METERING POINTS

List of Metering Points

King Energy Generation Inc.

LOCATION	*DELIVERY VOLTAGE*
First Private Pole in Primary Metering	*13.2 KV*

MR. RAYMOND B. ANG

MR. ADRIAN A. EBCAS

MR. HENRY T. UDANG

MR. EDGARDO L. SALVAME

ANNEX "B"

RATES SCHEDULE

MR. RAYMOND B. ANG

MR. ADRIAN A. EBCAS

MR. HENRY T. UDANG

MR. EDGARDO L. SALVAME

1.Basic Electricity Fees Component

Capacity Fee (CF)	= Php 1,458/kw/month
Fixed O&M Fee (FOM)	= Php 314 /kw/month
Billing Capacity (BC)	= 4,000 kW
Variable O&M (VOM)	= Php 1.3368 / kwh
Number of Hours per day	= 8 hours

2.Contract Energy Fee per Month

CEF = FC + VC

FC = (CF + FOM x IFf) x BC

VC = (VOM x IFv + FL) x ED

Where:

BC = Billing Capacity in kW

FC = Fixed charge per month in Php

VC = Variable charge per month in Php

ED = Energy Delivered in kWh

CEF = Contract Energy Fee in Php/ month

VOM = Variable O&M per month in Php/kwh

CF = Capacity fee in Php/kW/month

FOM = Fixed O&M fee in Php/kW/month

IFf = Inflation factor fixed

IFv = Inflation factor variable

FL = Fuel and Lube oil in Php/kwh (Pass through subject to heat rate schedule I)

3. Inflation Factor

Inflation Factor for fixed O&M

IF (f) = 1 X (P CPI m / P CPI b)

Inflation Factor for variable O&M

IF (v) = 0.0075 + 0.1445 X (P CPI m / P CPI b) + 0.8480 X (P EX m / P EX b)

Where:

P CPI m = Philippine CPI of the current billing month

P CPI b = Philippine CPI on the effectivity month of this Agreement

P EX m = Peso to EURO exchange rate at the end of the current billing month

P EX b = Peso to EURO exchange rate on the effectivity month of this Agreement

Consumer Price Indices

P CPI m	169.80	BSP	Jan-12
P CPI b	169.80	BSP	Jan-12

Peso Foreign Exchange Rate

P EX m	59.0115 PHP/EUR	BSP	Jan-12
P EX b	59.0115 PHP/EUR	BSP	Jan-12

4. Computation of Fuel and Lube oil rate

FL = HFOCR x Actual Heavy Fuel cost per liter

Where:

HFOCR = Heavy fuel oil consumption rate in liters/kwh

= 0.26 L/kwh (based on the actual Capacity Factor per Schedule I)

MR. RAYMOND B. ANG

MR. ADRIAN A. EBCAS

MR. HENRY T. UDANG

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Note: The monthly actual cost per liter of fuel oil shall be based on the weighted average cost of actual monthly invoices of fuel oil deliveries, inventories and consumption.

5. Testing and Commissioning Fee

Only Actual Fuel cost and Variable O&M.

6. Start up Fee

Actual cost of additional start-up and shutdown with documents.

7. Additional Energy Fee in excess of eight (8) running hour per day

AEF = AC x BC x h + (VOM + FL) x EE

Where:

AEF = Additional Energy Fees in Php

AC = Additional cost (0.78 Php/kw/h) in excess of eight (8) running Hour per day

BC = Billing Capacity, as previously defined

h = Excess hours per day

VOM = Variable O&M, as previously defined

FL = Fuel and Lube oil, as previously defined

EE = Energy delivered in excess of eight (8) hours per day

MR. RAYMOND B. ANG

MR. ADRIAN A. EBCAS

MR. HENRY T. UDANG

MR. EDGARDO L. SALVAME

8. Sample Computation

CONTRACT ENERGY SAMPLE COMPUTATION					
CEF = (CF + FOM x IFf) x BC +(VOM x IFv + FL) x ED				**Php/month**	**Php/kwh**
CF	Capacity Fee	1,458	Php/kw/month	5,830,688.21	6.2472
BC	Billing Capacity	4,000	kw		
FOM	Fixed O&M	314	Php/kw/month	1,256,380.02	1.3461
IFf	Inflation factor fixed	1			
VOM	Variable O&M	1.3368	Php/kwh		
IFv	Inflation factor var.	1			
ED	Energy Delivered	933,333	Kwh	1,247,677.85	1.3368
Total Energy Fee				**8,334,746**	**8.9301**

Notes:

1. Fuel oil cost pass-on to the consumer

2. Inflation Factor for fixed O&M

   IF (f) = 1 X (P CPI m / P CPI b)

   = 1 x (169.8/169.8)

   = 1

3. Inflation Factor for variable O&M

   IF (v) = 0.0075 + 0.1445 x (P CPI m / P CPI b) + 0.848 x (P EX m / P EX b)

   = 0.0075 + 0.1445 x (169.8/169.8) + 0.848 x (59.0115/59.0115)

   = 1

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SCHEDULE I
of ANNEX B

Fuel Heat Rate

Capacity Factor (%)	Fuel Heat Rate (li/kWh)
50-60	0.2829
61-70	0.2727
71-80	0.2696
81-90	0.2689
91-100	0.2600

MR. RAYMOND B. ANG

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MR. HENRY T. UIPANG

MR. EDGARDO L. SALVAME

ANNEX "C"

NOTICES

FOR SUPPLIER	KING ENERGY GENERATION, INC.
General Concerns	
Name:	RAYMOND B. ANG
Designation:	CHIEF OPERATION OFFICER
Address:	G/F Divine Saviour Bldg. 102 Juan St., Davao City
Telephone :	09175399503 (082) 2251252
Facsimile:	(082) 2251252
Email:	raymond_angcdo@yahoo.com
For Billing Concerns	
Name:	RAYMOND B. ANG
Designation:	CHIEF OPERATION OFFICER
Address:	G/F Divine Saviour Bldg. 102 Juan St., Davao City
Telephone :	09175399503 (082) 2251252
Facsimile:	(082) 2251252
Email:	raymond_angcdo@yahoo.com
FOR CUSTOMER	CAMIGUIN ELECTRIC COOPERATIVE, INC.
General Concerns	
Name:	HENRY T. UDANG
Designation:	BOARD PRESIDENT
Address:	Pandan, Mambajao, Camiguin Province
Telephone :	(088) 387-1227 / 387-0114
Facsimile:	(088) 387-1227 / 387-0114
Email:	camelco1977@yahoo.com
For Billing Concerns	
Name:	ADRIAN A. EBCAS
Designation:	GENERAL MANAGER
Address:	Pandan, Mambajao, Camiguin Province
Telephone :	09169798966 (088) 387-1227 / 387-0114
Facsimile:	(088) 387-1227 / 387-0114
Email:	camelco1977@yahoo.com

MR. RAYMOND B. ANG

MR. ADRIAN A. EBCAS

MR. HENRY T. UDANG

MR. EDGARDO L. SALVAME

SCHEDULE I

DEFINITIONS OF TERMS

AGREEMENT- means this Power Supply Agreement and all its Annexes

APPLICABLE LAW- refers to law, statutes, orders, issuances, ordinances, rules, rulings, regulations, codes, decisions, opinions or interpretation of any Governmental Authority pertinent to or affecting a Party or both Parties

BASIC ENERGY CHARGE- refers to the unit price (Pesos per kWh) that Customer shall pay for Contract Energy as set out in Annex B (Rates Schedule)

BILLING PERIOD- means the period commencing at 00:00 hours on the twenty-sixth (26th) day of each calendar month, and ending at 24:00 hours on the twenty-fifth (25th) day of the following calendar month

BILLING STATEMENT- refers to the document that the Supplier will furnish Customer, indicating the total amount of Electricity Fees that Customer will pay Supplier

CLOSING DATE- shall be on March 15, 2013 or such date as may be extended by the Supplier in accordance with Section 1.6 (b) of the Agreement. It shall also have the meaning given to this term under Sec. 1.3 of the Agreement.

CONFIDENTIAL INFORMATION- means all data and information disclosed (whether before or after the date of this Agreement and whether in writing or in computer disc, verbally or by any other means and whether directly or indirectly) by the Disclosing Party (or by another person in behalf of the Disclosing Party) to the other Party in whatever form, tangible or intangible, that is not generally known to the public and relates to the operations, business, technology, practices, products, marketing, sales, services, finances or legal affairs of the Disclosing Party or of any third party doing business with or providing information to the Disclosing Party, including this Agreement, information about this Agreement and negotiations pertaining to this Agreement as well as actual or prospective customers, business partners, market opportunities, business, sales, marketing, technical, financial and legal plans, proposal and projections, product information, know-how, design rights, trade secrets, concepts, techniques, processes,

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methods, systems, designs, programs, codes, formula, research, experimental work and work in progress.

CONTRACT ENERGY- refers to the Energy quantity in kilowatt-hours per Billing Period consumed by Customer which in no case shall be below the Contract Energy provided under Annex B (Rates Schedule)

CONTRACT PERIOD- refers to the duration of this Agreement (10 years) commencing from the Closing date until the end of the last Billing Period

CONTRACT YEAR- refers to each period consisting of twelve (12) Billing Periods

CUSTOMER FACILITY- refers to the Customer's distribution franchise located at the _____

DELIVERY DATE- means the first day of the Billing Period or on such date as may be extended by the Supplier in accordance with Section 1.6 (b) of the Agreement

DISCLOSING PARTY- shall have the meaning given to this Term in Section eight (8) of the Agreement

DISPUTE- shall have the meaning given to this Term in Section thirteen (13) of the Agreement

EFFECTIVE DATE- refers to the date of execution of this Agreement

ELECTRICITY FEES- refers to the total amount of charges due from Customer in respect of all energy supplied during a Billing Period

ENERGY- refers to all Contract Energy , Additional Energy, Back-up Power and Replacement Power measured, in each case, in kilowatt-hours (kWh) delivered by Supplier to Customer during a Billing Period

EPIRA- means R.A. 9136, otherwise known as the "Electric Power and Industry Reform Act of 2001"

ERC- refers to the Energy Regulatory Commission, which is the regulating body of the electric power industry as provided under EPIRA

FORCE MAJEURE- refers to the circumstances defined under Section six (6)

MR. RAYMOND B. ANG

MR. ADRIAN A. EBCAS

MR. HENRY T. UDANG

MR. EDGARDO L. SALVAME

FUEL- means fuel required to operate the Power Plant and to generate energy

GOOD INDUSTRY PRACTICE- means those nationally recognized practices, methods, standards and acts engaged in or approved by the majority of the members of the power generation industry in the Philippines at any relevant time, including practices, methods and act which, in the exercise of reasonable judgment in light of the facts known at the time the decision was made, could have been expected to accomplish the desired result at the lowest reasonable cost consistent with good business practices, reliability, adequacy, quality, safety and expedition. Good Industry Practice is not intended to be limited to the optimum practice, method or acts generally accepted in the region and consistently adhered to by similar generating companies

MR. RAYMOND B. ANG

MR. ADRIAN A. EBCAS

GOVERNMENTAL AUTHORITY- means the Republic of the Philippines or any national, regional, provincial, municipal or other political subdivision thereof, and any department, ministry, instrumentality, agency, corporation, or commission under the direct or indirect control or supervision of the Republic of the Philippines or any political subdivision thereof; Provided, however, that for purposes of this Agreement, Customer shall not be considered a governmental authority

MR. HENRY T. UDANG

GOVERNMENTAL REQUIREMENT- means any all Applicable Laws, regulations, codes, directives, judgments, decrees, orders or interpretations of any court, arbitrator or Governmental Authority and any valid waivers, exemptions, variances, permits, licenses, authorizations, orders, consents or conditions of or from, in any such case, any Governmental Authority or Court or other entity having jurisdiction over the performance of the obligations of each Party to be performed hereunder, including all consents, licenses, registrations, concessions and permits required to be issued pursuant thereto by any Governmental Authority

MR. EDGARDO L. SALVAME

	in connection with any of the transactions contemplated hereby
METER RESULTS-	refers to the set of actual hourly quantities of Energy taken by the Customer as determined by the Metering Services Group of the Supplier or any other third party to which both Customer and Supplier may jointly reassign this responsibility ("Third Party Meter Reader)
METERING POINTS-	means the actual physical point (s) (e.g. plant metering point) where Supplier shall deliver the Energy to Customer
MINIMUM CONTRACT ENERGY-	refers to the minimum Energy quantity in kilowatt-hours as provided in Annex B (Rates Schedule)
MINIMUM ENERGY CHARGE	-refers to the load weighted average price of the Supplier for the Billing Period or the difference between the Minimum Contract Energy and the actual Energy consumed by the Customer in case the latter consumes less than the minimum Contract Energy
PAYMENT DATE-	means on or before the 26th day of the immediately following month on which a Billing Period ends and on which electricity fees in respect of energy delivered during that Billing Period are due
POWER PLANT-	means the 4.0 Megawatt Diesel Power Plant
SECURITY DEPOSIT-	means the instrument Customer is required to post to guarantee its outstanding accounts and other obligations under this Agreement, as more particularly described in the form and in the amount set out in Section 3.2.1

*****NOTHING FOLLOWS*****

MR. RAYMOND B. ANG

MR. ADRIAN A. EBCAS

MR. HENRY T. UDANG

MR. EDGARDO L. SALVAME

MEMORANDUM OF AGREEMENT

This Memorandum of Agreement (MOA) entered into by and between **Camiguin Electric Cooperative, Inc. (CAMELCO)** and **King Energy Generation, Inc. (KEGI)** represented by their duly authorized representatives, namely: Mario L. Sacal for CAMELCO and EDGARDO L. SALVAME for KEGI, agree as follows:

That upon the expiration of the term of the Power Supply Agreement (PSA) which has been amended to ten (10) years, the said term is automatically extended for another ten (10) years without need of an execution of another Contract or Agreement.

Confirming and affirming the said amendments as duly approved by the respective board of directors of CAMELCO and KEGI.

IN WITNESS WHEREOF, the authorized representatives of CAMELCO and KEGI hereto attached there respective signatures. Done this AUG 07 2014 day _____2014 at MANILA.

CAMELCO
By:

MARIO L. SACAL
Board President

KING ENERGY GENERATION, INC.
By:

EDGARDO L. SALVAME
President

ACKNOWLEDGMENT

Republic of the Philippines }
MANILA } S.S

AUG 07 2014

BEFORE ME, a notary public in the city of MANILA,----------, personally appeared:

Name	Competent Evidence of Identity	Expired On	Issued by
Edgardo L. Salvame	Driver's License no. N09-81-032236	July 07, 2018	Land Transportation Office
Mario L. Sacal	Driver's License no. K05 – 96- 002692		Land Transportation Office

Known to me to be the same persons who executed the foregoing Amendment to the PSA and they acknowledged before me that the same is the product of their free act and deed.

WITNESS my hand and seal.

Doc. No. 65
Page. No. 7
Book No. XXV
Series of 2014

ATTY. DELFIN R. AGCAOILI JR.
NOTARY PUBLIC
UNTIL DECEMBER 31, 2014
PTR NO. 2416105 / 2014 MLA
IBP NO. 943989 / 2014 MLA
ROLL NO. 24655 / TIN NO. 144-519-066
MCLE III - 0013521
COMMISSION NO. 2013-023

AMENDMENT TO THE POWER SUPPLY AGREEMENT

This is an amendment to the Power Supply Agreement (PSA) entered into by and between **Camiguin Electric Cooperative, Inc. (CAMELCO)** and **King Energy Generation, Inc. (KEGI)** dated March 25, 2013 regarding the term of the PSA, to read as follows:

1.2 This Agreement shall take effect immediately upon the signing of this Agreement [the "effective date"] and shall remain in full force and effect for a period of **TEN (10) YEARS** counted from the Closing Date [the "term"] as defined under Sec. 1.3, unless earlier terminated in accordance with Section 9 hereof.

1.4. This section is deleted

Confirming and affirming the said amendments as duly approved by the respective board of directors of CAMELCO and KEGI.

IN WITNESS WHEREOF, the authorized representatives of CAMELCO and KEGI hereto attached there respective signatures. Done this 22 day of July 2014 at Mambajao, Camiguin.

CAMELCO
By:

MARIO L. SACAL
Board President

KING ENERGY GENERATION, INC.
By:

EDGARDO L. SALVAME
President/CEO

ACKNOWLEDGMENT

Republic of the Philippines }
MANILA } S.S

MANILA AUG 07 2014

BEFORE ME, a notary public in the city of ----------,----------, personally appeared:

Name	Competent Evidence of Identity	Expired on	Issued by
Edgardo L. Salvame	Driver's License no. N09-81-032236	July 07, 2018	Land Transportation Office
Mario L. Sacal	Driver's License no. K05 – 96 - 002692		Land Transfortation Office

Known to me to be the same persons who executed the foregoing Amendment to the PSA and they acknowledged before me that the same is the product of their free act and deed.

WITNESS my hand and seal.

Doc. No. 66
Page. No. 7
Book No. 360
Series of 2014

ATTY. DELFIN L. AGCAOILI
NOTARY PUBLIC
UNTIL DECEMBER 31, 2014
PTR NO. 2413105 / 2014 MLA
IBP NO. 943989 / 2014 MLA
ROLL NO. 24655 / TIN NO. 144-519-086
MCLE III - 0013521
COMMISSION NO. 2013-023

EXHIBIT 6

POWER SUPPLY AGREEMENT

This **Power Supply Agreement** (hereinafter referred to as "**Agreement**") is entered into this 20th day of January, 2011 in Maramag, Bukidnon, Philippines, by and between:

KING ENERGY GENERATION INC., a corporation duly organized and existing under the laws of the Republic of the Philippines, with address at G/F Divine Savior Building 102 Juan Luna St., Davao City, Philippines, herein represented in this act by its President, **MR. EDGARDO L. SALVAME**, who is duly authorized to represent the company in this transaction (hereinafter referred to as "**SUPPLIER**");

And

FIRST BUKIDNON ELECTRIC COOPERATIVE, INC. (FIBECO), a non-stock, non-profit electric cooperative organized and existing under and by virtue of P.D. 269, as amended, with address at Anahawon, Maramag, Bukidnon, herein represented in this act by its Board President, **MR. RAUL L. ALKUINO**, who is duly authorized to represent FIBECO in this transaction, (hereinafter referred to as "**CUSTOMER**");

The SUPPLIER and the CUSTOMER shall be individually referred to herein as "**Party**", and collectively, as "**Parties**"

WITNESSETH THAT:

WHEREAS, **CUSTOMER** is an electric cooperative engaged in the distribution of electricity and/or power in the Province of Bukidnon;

WHEREAS, **SUPPLIER** is a corporation engaged in the generation and supply of electric power;

WHEREAS, **CUSTOMER** is in need of and desires to contract capacity and energy from SUPPLIER, and the SUPPLIER is willing and agrees to provide capacity and energy to CUSTOMER;

NOW THEREFORE, for and in consideration of the mutual covenants and agreements hereinafter set forth, the Parties, for themselves, their successors and assigns, have mutually agreed as follows:

MR. RAYMOND B. ANG

MR. RAUL L. ALKUINO

MR. RENATO S. CORTEZANO

MR. EDGARDO L. SALVAME

Words used in this Agreement shall be understood in accordance with the meanings and definitions provided under Schedule 1 hereof.

-SECTION ONE-
SCOPE AND TERM

1.1 This Agreement shall govern the terms and conditions by which the CUSTOMER shall reserve, receive and pay for the capacity and energy that will be made available by the SUPPLIER.

1.2 This Agreement shall take effect immediately upon the signing of this Agreement (the "**Effective Date**")and shall remain in full force and effect for a period of **TEN (10) years** counted from the Closing Date (the "**Term**") as defined under Section 1.3, unless earlier terminated in accordance with Section 9 hereof.

1.3 The Closing Date shall be on ***December 31, 2011*** or on such date that may be provided by the **SUPPLIER** in accordance with Section 1.6 (b) hereof.

For purposes of this Agreement, Closing Date shall refer to the date when the SUPPLIER shall commence delivery of the contracted capacity and energy to the CUSTOMER.

1.4 Unless **WRITTEN NOTICE** is served by the duly authorized representative of one Party to the other not later than sixty (60) days prior to the expiration of the *Term*, this Agreement shall be ***automatically renewed*** for a period of another **TEN (10) years** without a need for any further action or notice by either of the Parties to the other.

1.5 Notwithstanding the execution of this Agreement and the occurrence of the *Effective Date* and/or *Closing Date*, the obligation of SUPPLIER to commence deliveries of energy shall be subject to the satisfaction of the following conditions precedent:

(a) receipt by the SUPPLIER of a certificate executed by the corporate secretary of the CUSTOMER, attesting that the Board of Directors of CUSTOMER adopted resolutions: (i) authorizing CUSTOMER to execute, enter into, deliver this Agreement and the performance of its obligations hereunder, and (ii) designating the person authorized to execute this Agreement in behalf of the CUSTOMER;

(b) receipt by the SUPPLIER of the Security Deposit referred to under Section 3.2;

(c) receipt by the SUPPLIER of all permits, licenses, and other requirements necessary for the operation of the power generation facility in the area of operation of the CUSTOMER which the CUSTOMER undertook to secure in accordance with Section 7.1 (k);

MR. RAYMOND B. ANG

MR. RAUL L. ALKUINO

MR. RENATO S. CORTEZANO

MR. EDGARDO L. SALVAME

(d) the ERC shall have issued an approval for this Agreement, including the pricing structure set out herein (and any provisional authority issued by the ERC shall be considered as satisfaction of this condition);

(e) the ERC shall have issued a Certificate of Compliance in favor of SUPPLIER;

Upon satisfaction of the aforesaid conditions precedent, SUPPLIER shall deliver to CUSTOMER a written notice confirming receipt of the documents and instruments described above;

1.6 If any of the conditions set out in Section 1.5 shall not have been satisfied upon Closing Date, the SUPPLIER shall have the option to:

(a) Terminate this Agreement by delivery of written notice of such termination;

(b) Waive, or in its ***sole discretion***, provide a grace period for, the satisfaction of any condition precedent that shall not have been satisfied, excluding Section 1.5 (c),(d), and (e), and deliver written notice of such waiver or grace period to the CUSTOMER (In the event the SUPPLIER grants a grace period, the written notice shall specify the date, which date shall be considered as the Closing Date);

-SECTION TWO-
SUPPLY OF ENERGY

2.1 During the Term of this Agreement, and provided that all the conditions precedent under Section 1.5 have been complied with SUPPLIER shall supply and deliver Energy to the CUSTOMER during the Billing Periods, at the Metering Points specified in **Annex "A"** (*Metering Points*) and at the fixed rate specified in **Annex "B"** (*Rates Schedule*).

2.2 The SUPPLIER shall conduct all meter readings at the end of each Billing Period. The CUSTOMER may dispute the Meter Results in accordance with Section 4.

2.3 The SUPPLIER shall be allowed reasonable time for preventive maintenance upon giving of written notice to the CUSTOMER.

"Reasonable time" shall be in accordance with Good Industry Practice.

MR. RAYMOND B. ANG
MR. RAUL L. ALKUINO
MR. RENATO S. CORTEZANO
MR. EDGARDO L. SALVAME

-SECTION THREE-
PAYMENT OF FEES AND SECURITY DEPOSIT

3.1 *Payment of fees*

3.1.1 SUPPLIER shall deliver a Billing Statement setting out the Electricity Fees due on account of all Energy delivered within seven (7) working days from the end of each Billing Period.

3.1.2 CUSTOMER shall pay in full all Electricity Fees without need of any demand **not later than the 26th day** of the succeeding calendar month after the end of each Billing Period.

Payment shall only be made at the bank account designated by the Supplier and in lawful currency of the Philippines.

Failure of the CUSTOMER to remit or cause the remittance of such payments to the designated account shall cause the unpaid portion of the invoice to earn interest at the rate of **two percent (2%) per month** (a fraction of a month shall be considered as one month) until actual payment in full of the amount due has been made.

In Addition to the penalty, SUPPLIER shall have the right (i) to draw against the Security Deposit; (ii) to temporarily suspend its obligation to generate and sell electric power to CUSTOMER without need of notice; (iii) to rescind or terminate this Agreement; and/or (iv) to declare fees and charges for electricity supplied in the current Billing Period and such other unbilled periods, as due and payable, whereupon CUSTOMER shall pay such fees and charges immediately upon delivery by SUPPLIER of the corresponding Billing Statement to Customer.

3.1.3 In case of shortfalls in the consumption of CUSTOMER, it shall remain liable to pay to the SUPPLIER the minimum contract energy fee.

3.1.4 All payments made by CUSTOMER hereunder shall be made free and clear of and without any deductions for or on account of any set-off or counterclaim, except as required by law or as mutually agreed in writing by the Parties.

At any event, bank charges shall be borne by the CUSTOMER and shall not be deducted from the payment made by the CUSTOMER.

CUSTOMER may deduct applicable withholding taxes due and/or paid for the supply of energy by SUPPLIER subject to CUSTOMER's timely submission to SUPPLIER of the corresponding *Withholding Tax Certificate*.

Upon receipt by the SUPPLIER of the *Withholding Tax Certificate*, official receipt shall then be issued to the CUSTOMER.

MR. RAYMOND B. ANG

MR. RAUL L. ALKUINO

MR. RENATO S. CORTEZANO

MR. EDGARDO L. SALVAME

3.2 ***Security Deposit***

3.2.1 A Security Deposit at an amount equivalent to one month of the sum of the average monthly Capacity Fee, Fixed and Variable O&M Fees and Fuel Cost Recovery Fee of the Buyer shall be posted by the CUSTOMER in the form of a (1) manager's check or (2) cashier's check from a bank or other financial institutions acceptable to the SUPPLIER on or prior to the Closing Date. CUSTOMER may, if it chooses to do so, furnish a Security Deposit in the form of cash.

The Security Deposit shall be calculated based on the minimum usage for the first contract year and shall be adjusted in accordance with the next succeeding Section.

3.2.1 Prior to the commencement of each Contract Year after the first Contract Year, the value at which the Security Deposit shall be maintained shall be adjusted based on the average monthly Capacity Fee, Fixed and Variable O&M Fees and Fuel Cost Recovery Fee of the CUSTOMER for the immediately preceding Contract Year. The CUSTOMER shall post the Security Deposit in the adjusted amount on or prior to the first day of the first Billing Period of each succeeding Contract Year.

3.2.2 In the event that SUPPLIER draws against the Security Deposit as provided under this Agreement, CUSTOMER shall replenish the Security Deposit to restore the value thereof to its original amount prior to SUPPLIER having drawn thereon within fifteen (15) calendar days from receipt of notice from SUPPLIER.

3.2.3 In the event that CUSTOMER does not replenish its Security Deposit in full within fifteen (15) calendar days as per Section 3.2.2, SUPPLIER may unilaterally terminate the Agreement with immediate effect, and customer shall be liable to pay a Termination Fee equivalent to the amount stated in Section 9.3.

3.2.4 The Security Deposit shall be returned by SUPPLIER to the CUSTOMER together with interest earned within thirty (30) days from expiration of this Agreement.

Interest shall be fixed at two percent (2 %) per annum.

Any amount which may be due to the SUPPLIER which remains unpaid until the expiration of this Agreement may automatically be deducted by the SUPPLIER from the Security Deposit.

-SECTION FOUR-
BILLING DISPUTE

4.1 If CUSTOMER disputes any Billing Statements, it shall so inform SUPPLIER in writing within a period of **FIFTEEN (15)** days from receipt thereof. The CUSTOMER must specify the items that are disputed in the

MR. RAYMOND B. ANG
MR. RAUL L. ALKUINO
MR. RENATO S. CORTEZANO
MR. EDGARDO L. SALVAME

Billing Statement. If the dispute is not resolved by the Payment Date provided under Section 3.1.2, CUSTOMER shall pay the full amount stated in the Billing Statement on or before such due date, with the disputed portion paid under protest. The Parties shall endeavour to resolve the dispute within ten (10) days after payment in full of the amount stated in the Billing Statement. In case the dispute is not resolved within ten (10) days, then the matter shall be deemed to be a Dispute and the provisions of Section 13 shall apply.

4.2 If the Parties resolve the dispute in favor of the CUSTOMER in accordance with Section 4.1, or if the Dispute on the Billing Statement is determined adversely to SUPPLIER pursuant to Section 13, SUPPLIER shall allow CUSTOMER a credit on the Billing Statement next due in an amount equivalent to that disputed by CUSTOMER (without interest or penalty thereon whatsoever).

4.3 Disputed billing shall not be an excuse or a ground for CUSTOMER to delay payment of succeeding billings or to unilaterally deduct any amount therefrom.

MR. RAYMOND B. ANG

-SECTION FIVE-
TAXES, FEES AND COSTS

MR. RAUL L. ALKUINO

5.1 CUSTOMER shall be liable for and shall pay: (i)any taxes (including Value Added Tax, if any), fees, charges, levies and imposts imposed or assessed by any governmental authority on or in connection with the purchase and sale of electricity and/or payments due to SUPPLIER hereunder; and (ii) any new taxes, fees, charges, levies and imposts (including any increase in the rate or amount thereof after the date hereof but excluding income taxes) imposed on SUPPLIER, excluding fines and penalties directly attributed to SUPPLIER's own negligence, after the date hereof, in connection with the performance by the SUPPLIER of its obligations pursuant to this Agreement. Such payments shall be made as and when required pursuant to applicable laws in effect from time to time.

MR. RENATO S. CORTEZANO

5.2 CUSTOMER shall also be liable for payment of the Universal Charge (as this term is defined under the EPIRA) upon the imposition thereof, it being understood that the imposition of the Universal Charge pursuant to the provisions of EPIRA should not be an event of Force Majeure.

5.3 Power generated during Commissioning and Testing of the Plant shall be charged to and paid for by the CUSTOMER in accordance with Annex B (Rates Schedule).

MR. EDGARDO L. SALVAME

5.4 Save as otherwise provided in this Agreement, each party shall be liable for such costs and expenses that it may incur on account of the performance of its obligations hereunder.

-SECTION SIX-
FORCE MAJEURE

6.1 Force Majeure means any event, matter or circumstance that is unforeseeable or is outside the reasonable control of a party and that prevents or restricts the performance by that party of its obligations hereunder, and shall include: (i) acts of God; (ii) acts of war or the public enemy, whether war be declared or not, invasion, armed conflict or act of foreign enemy, blockade, embargo, revolution and public disorders, including insurrection, rebellion, civil commotion, sabotage, riots and violent demonstrations; (iii) strikes, lock-outs, riots and labor disputes in any such case which are widespread or nationwide; (iv) floods, tidal waves, explosions, fire, earthquakes, typhoons and other natural calamities; (v) expropriation or compulsory acquisition of all or any material part of the Power Plants or the Site, or any other act of governmental authority that prevents or restricts SUPPLIER's access to the Power Plants or the Site; (vi) change in governmental requirements enforced from time to time after the date hereof, including any change in the policies (or the interpretation of the policies) of the Department of Energy, the Energy Regulatory Commission, National Grid Corporation of the Philippines, or any governmental agency that regulates or exercises jurisdiction over the electric power industry or any sector thereof;(vii) arbitrary or capricious or unreasonable denial, conditioning, variation, termination or voiding of, or failure, or delay, in granting or renewing , any governmental permit, such as but not limited to any permit, license, agreement, order, certificate, franchise, registration, filing, authorization, consent or approval issued by or filed with any governmental authority, which is required for such party's performance of its obligations hereunder, notwithstanding such party's due application therefor and diligent efforts to obtain the same; or any other event of similar nature which prevents the SUPPLIER from delivering electricity to the CUSTOMER, or prevents the CUSTOMER from receiving energy from SUPPLIER.

With respect to SUPPLIER, Force Majeure shall include the failure or inability of the SUPPLIER to manage and control the contracted capacity of the power plants on account of any failure or delay in the delivery of Fuel to, or the failure or inability of SUPPLIER to take and accept deliveries of fuel at the power plants due to any event or circumstance described in the preceding paragraph, or any act of governmental authority.

Force Majeure shall not include, among other things: (i) lack of funds for the performance of any obligation hereunder (ii) fluctuation in the Peso-Dollar exchange rate and (iii) ordinary or extraordinary inflation.

6.2 Neither Party shall be liable for any failure or delay in the performance of its obligations under this Agreement if such failure or delay arises out of, but only to the extent caused by, any event of Force Majeure: ***Provided*** that the relief granted by this Section shall be available only if and to the extent that the Party claiming relief has and continues to take all steps reasonably within its control to mitigate the effects of such Force Majeure

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MR. EDGARDO L. SALVAME

event, and in no event shall late payment or non-payment of money due be excused by any event of Force Majeure.

6.3 The Party seeking to rely on an event of Force Majeure to excuse failure or delay in the performance of its obligations pursuant to Section 6.2 hereof shall notify the other party as soon as reasonably possible of the nature of the Force Majeure claimed and to the extent the Force Majeure claimed affects the party's obligation under this Agreement, and such party shall resume the performance of its obligations as soon as reasonably possible after the event of Force Majeure ceases to exist.

6.4 If any event of Force Majeure occurs during the Term of this Agreement, the Term, by mutual agreement of the Parties, may be extended by a period of time equal to the period of time for which performance is excused as a result of the Force Majeure. The parties will consult each other and will take all reasonable steps to minimize the losses of either Party resulting from Force Majeure.

6.5 Notwithstanding any other provision of this Agreement to the contrary, in the case of any situation in which, in the reasonable opinion of SUPPLIER, it would be dangerous to continue to provide electricity to CUSTOMER in accordance with this Agreement, SUPPLIER shall, if it would be reasonably impracticable under the relevant circumstances to obtain the prior approval of CUSTOMER, act unilaterally to take preventive and corrective actions in response to such situation in accordance with Good Industry Practices. SUPPLIER shall notify CUSTOMER as soon as reasonably practicable, following the occurrence of such situation, of any action taken or to be taken pursuant to this Section and the reasons therefor.

6.6 Any Party may terminate this Agreement upon thirty (30) days prior written notice to the other Party if an event of Force Majeure occurs during the Term of this Agreement and prevents either Party from performing its obligations under the Agreement for a period in excess of twelve (12) consecutive months.

-SECTION SEVEN-
REPRESENTATIONS, WARRANTIES AND COVENANTS

7.1 CUSTOMER hereby represents, warrants, and agrees to the following:

(a) It is duly incorporated, validly existing and in good standing under the laws of the Republic of the Philippines;

(b) It possesses full power and authority to enter into this Agreement, and has taken all the necessary action to authorize the entry into and delivery of this Agreement and the transactions contemplated hereby , and the performance of its obligations hereunder;

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(c) It has the qualifications, capacity, and abilities to perform the obligations hereunder, pursuant to and in accordance with this Agreement;

(d) No other Party has exclusive rights to supply CUSTOMER with energy and it is in no way compromising any rights or trusts relationships between any other party and CUSTOMER, or creating a conflict of interest, or any possibility thereof, for CUSTOMER or the SUPPLIER;

(e) It has the power, licenses and permits required to carry on its business as it is being conducted and as proposed to be conducted;

(f) This Agreement is binding upon all successors-in-interest, permitted assigns, agents and representatives of the CUSTOMER;

(g) It has not failed to disclose any material fact to the SUPPLIER;

(h) This Agreement and the consummation of the transactions contemplated herein are its legal , valid, binding and enforceable obligations;

(i) The entry into and the performance by it of this Agreement do not and will not conflict with or constitute a breach of or default under (a) any applicable law; (b) any provisions of its Articles of Incorporation or By-laws; (c) any agreement, contract, or instrument binding upon it or any of its assets, real or personal;

(j) There are no outstanding notices of or any violations by the CUSTOMER of any applicable law or any other requirements of any governmental authority having jurisdiction over or affecting any part of this Agreement;

(k) CUSTOMER undertakes to procure all local governmental, corporate and other requirements, licenses, authorizations, permits necessary or desirable in connection with the entry into, performance, validity and enforceability of, and the transactions contemplated by this Agreement and CUSTOMER hereby warrants that the same are in order and in full force and effect;

(l) There are no actions or suits or proceedings by or before any court, arbitral tribunal, administrative body or other judicial or quasi-judicial authority that are pending or threatened against it that if determined adversely against it could materially and adversely affect its ability to perform its obligations under this Agreement;

(m) It operates and maintains the CUSTOMER facility in accordance with Good Industry Practice and applicable laws as necessary to enable the CUSTOMER facility to accept and take the contract energy;

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MR. EDGARDO L. SALVAME

(n) It shall be solely responsible for violations of any applicable laws in the performance of its obligations under this Agreement; and

(o) Except for any statutory preference or priority established under Philippine law, its financial obligations under this Agreement shall have first priority in order of payment, and CUSTOMER has no existing liability or obligation, or is under no legal impediment, which would prevent CUSTOMER from ensuring such preference in payment.

7.2 SUPPLIER hereby represents and warrants:

(a) It is duly incorporated, validly existing and in good standing under the laws of the Republic of the Philippines;

(b) This Agreement is binding upon all successor-in-interest, permitted assigns, agents and representatives of the SUPPLIER;

(c) This Agreement and the consummation of the transactions contemplated herein are its legal, valid, binding and enforceable obligations;

(d) The entry into and the performance by it of this Agreement do not and will not conflict with or constitute a breach of or default under (a) any applicable law; (b) any provisions of its Articles of Incorporation or By-laws; (c) any agreement, contract, or instrument binding upon it or any of its assets, real or personal;

(e) There are no outstanding notices of or any violations by the SUPPLIER of any applicable law or any other requirements of any governmental authority having jurisdiction over or affecting any part of this Agreement;

(f) The SUPPLIER undertakes to procure all national governmental, corporate and other requirements, authorizations and permits necessary or desirable in connection with the entry into, performance, validity and enforceability of, and the transactions contemplated by this Agreement.

-SECTION EIGHT-
CONFIDENTIALITY

8.1 Each Party shall ensure that no confidential information of the other party (the "Disclosing Party") is disclosed to third parties unless consented to in writing by the Disclosing Party. A Party shall not accept Confidential Information from others on behalf of the other Party unless it is necessary and acquired pursuant to a written agreement with that other Party;

8.2 A Party shall not use confidential information except in the performance of its obligations under this Agreement. It shall not reproduce or otherwise

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copy any confidential information without the express prior written consent of the Disclosing Party except for a reasonable number of copies necessary to accomplish the purposes of this Agreement and subject to the condition that all copies shall, upon reproduction, contain appropriate and confidential notices and legends that may appear on the original confidential information;

8.3 Without limiting the foregoing, each Party shall use utmost efforts to prevent any unauthorized disclosure of confidential information, including the exercise of no lesser security measures and degree of care than those which it applies to its own confidential information, such as but not limited to keeping all documents and other material bearing or incorporating any of the confidential information separate from all other documents and materials;

8.4 Any consent given by the Disclosing Party for disclosure of confidential information shall be so given upon the condition that the other Party shall procure that each person or entity to whom disclosure is made shall, prior to disclosure, execute a confidentiality agreement with the disclosing party on the same terms as set out in this Section;

8.5 The provisions contained in this Section shall be effective from the Effective Date and survive the termination or expiration of this Agreement;

MR. RAYMOND B. ANG

MR. RAUL L. ALKUINO

MR. RENATO S. CORTEZANO

MR. EDGARDO L. SALVAME

-SECTION NINE-
ALLOWED DOWNTIME

9.1 The Parties agree that SUPPLIER is allowed to incur Scheduled Outage and Unscheduled Outage up to a maximum of Eight Hundred Seventy-Six (876) hours for a Genset per contract year.

1) Scheduled Outage. SUPPLIER shall notify CUSTOMER at least five (5) days prior to undertaking any planned inspection, testing, maintenance (Including preventive and corrective maintenance), repair, replacement, improvement or overhaul of the subject Generator Set or its related facilities ("*Scheduled Outage*"). Any desired changes to the schedule shall be communicated by SUPPLIER to Customer at least one (1) day prior to such Scheduled Outage.

2) Unscheduled Outage. SUPPLIER shall notify Customer no later than one (1) day after the occurrence of outage of any generating unit of the subject Generator Set or its related facilities caused by inspection, testing, maintenance (including preventive and corrective maintenance), repair, replacement, improvement, overhaul or otherwise causing unavailability of any generating unit of the subject Generator Set or its related facilities which could not be postponed until the next scheduled Outage ("*Unscheduled Outage*").

9.2 In any contract year and for every Generator Set (if more than one), the difference between Eight Hundred Seventy-Six (876) hours and the actual hours used by SUPPLIER for Schedules Outage and Unscheduled Outage in such contract year shall be credited and may be used by SUPPLIER to undertake Scheduled Outage or Unscheduled Outage for the relevant Generator Set during succeeding contract years in addition to the 876 hours allowed for such relevant succeeding year.

9.3 SUPPLIER and CUSTOMER are excused from their obligation to deliver and receive energy, respectively, during the occurrence of Scheduled Outage or Unscheduled Outage, in which case the Contract Energy for the affected Billing Period may be adjusted pro rata or as agreed by the Parties.

9.4 SUPPLIER has the option to supply CUSTOMER (all or a portion of) the Contract Energy (and Additional Energy, if applicable) during the occurrence of Scheduled Outage or Unscheduled Outage which results in restricted energy delivery (whether full or partial) including load shedding.

1) For the portion of Contract Energy and Additional Energy, if applicable, provided by SUPPLIER from its own back up facility and/or third party, the supply of energy shall be made in accordance with Section 2 hereof.

2) For the portion of Contract Energy provided by SUPPLIER from the Generator Set, CUSTOMER shall pay the Contract Energy Fee, provided that, CUSTOMER shall pay the Load Curtailment Adjustment in lieu of the Capacity Fee (identified as CF under Annex B) component of the Contract Energy Fee for such affected period. Similarly, if applicable, CUSTOMER shall pay the Load Curtailment Adjustment in lieu of the Additional Energy Capacity Rate component of the Additional Energy Fee.

3) Notwithstanding the foregoing, CUSTOMER continues to be liable for the Variable Charge (Identified as VOM under Schedule B) component of the Contract Energy Fee (and Additional Energy Fee, if applicable).

-SECTION TEN-
TERMINATION

10.1 This Agreement may only be terminated by the Parties upon the following grounds:

1) The CUSTOMER may terminate this Agreement by written notice to SUPPLIER upon the occurrence of the following events of default:

(a) SUPPLIER fails to supply Energy for a period of 60 days for reasons wholly attributable to its fault and/or negligence and provided that SUPPLIER fails to take reasonable actions or remedies to solve its inability to deliver capacity and energy.

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2) SUPPLIER may terminate this Agreement with immediate effect by serving written notice to CUSTOMER upon the occurrence of any of the following events of default:

(a) (i) CUSTOMER admits in writing its inability to pay any debt as and when they fall due; (ii) any bankruptcy, insolvency, suspension of payment, reorganization or similar proceedings are commenced by or against CUSTOMER; (iii) as part of scheme of arrangement or composition with its creditors, CUSTOMER makes any assignment for the benefit of its creditors; or (iv) an effective order is made (and not set aside or stayed within sixty (60) days), or an effective corporate resolution is passed, for the liquidation, winding-up or dissolution of CUSTOMER;

(b) A receiver or trustee in bankruptcy, insolvency, suspension of payment, reorganization or similar proceedings is appointed in respect of all or any material part of CUSTOMER's assets and such appointment is not set aside or stayed within sixty (60) days;

(c) Any financial obligation of CUSTOMER under this Agreement and any other agreement of CUSTOMER with Supplier is not paid when due or within any applicable grace period , or is validly declared to be or otherwise becomes due and payable prior to its stated maturity as a result of any actual or potential default, howsoever described;

(d) CUSTOMER ceases or discontinues operations for a period of thirty (30) days;

(e) Any financial obligation of the CUSTOMER under any other agreement is not paid when due nor within any applicable grace period, or is validly declared to be or otherwise becomes due and payable prior to its stated maturity as a result of any actual or potential default, howsoever described, and;

(f) (i) the Security Deposit ceases to be valid, or (ii) CUSTOMER or the Party providing the Security Deposit asserts that it is or becomes entitled to revoke, cancel or suspend the Security Deposit or does revoke, cancel or suspend the Security Deposit or otherwise repudiates the same, or (iii) any of the events or circumstances described in clauses (a) through (e) above, inclusive, shall apply to or affect the person providing the Security Deposit within fifteen (15) calendar days from the date of notice from SUPPLIER requiring that a substitute Security Deposit be posted.

10.2 Upon termination of this Agreement under any circumstances, CUSTOMER shall immediately pay to SUPPLIER all unpaid Electricity

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Fees and all other amounts then payable by CUSTOMER to SUPPLIER under this Agreement.

10.3 In the event that this Agreement is terminated by the SUPPLIER on grounds of breach of this Agreement attributable to the CUSTOMER, the CUSTOMER shall immediately pay to the SUPPLIER the Termination Fee equivalent to the Minimum Capacity Fee which the CUSTOMER should have been liable to pay were it not for the early termination of the Agreement and all other costs arising from the termination of the Agreement.

CUSTOMER, in addition to the payment of the Minimum Capacity Fee for the unexpired portion of the Agreement shall also be liable to pay the SUPPLIER reasonable amount of damages equal to ten percent (10%) of the Minimum Capacity Fee for the said unexpired portion.

The Parties hereby agree that the amount of Termination Fee stated above is equivalent to reasonable approximate of damages which will be suffered by the SUPPLIER considering the nature of this Agreement and the amount of investments of the SUPPLIER;

10.4 Upon any termination of this Agreement, neither Party shall have any further obligation to the other Party, other than for those obligations arising prior to the date of termination and those which, by their nature, are to be performed after termination or which are expressed to survive the termination hereof. The termination of this Agreement under any circumstance hereunder shall be in addition to, and not exclusive of, any other right, remedy or relief as are available to the Party terminating this Agreement hereunder, at law or in equity.

-SECTION ELEVEN-
NOTICES

11.1 Each communication, notice, demand, or request to be made hereunder, including Billing Statements shall be made in writing and, unless otherwise stated, may be sent through personal delivery, facsimile, email, registered courier, or registered mail. Any notice to be made or delivered by one Party pursuant to this Agreement shall be made or delivered to the other Party at the contact details specified in **Annex "C"** (Notices).

Any Party may change its address, facsimile number or email address for purposes of receipt of Notices by giving the other Party not less than fifteen (15) days notice of such change. A notice shall be deemed to have been made or delivered (i) in the case of any notice made by personal delivery, registered courier, or by registered mail, when left at that address or otherwise received by the addressee; (ii) in the case of any communication made by facsimile, when a legible copy of such

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communication has been received, and (iii) in case of email, upon receipt by sender of the acknowledgement of the "receipt requested" message from the recipient.

-SECTION TWELVE-
NON-WAIVER, AMENDMENTS AND REMEDIES

12.1 No waiver by the SUPPLIER of any provision of this Agreement shall be binding unless made in writing and signed by the SUPPLIER's authorized representative. The failure of the SUPPLIER to insist, in any one or more instances, upon strict performance of any of the provisions of this Agreement or to take advantage of any rights granted hereunder shall not be construed as a waiver of any such provisions or the relinquishment of any of such rights in the future.

12.2 No changes or modifications of this Agreement shall be effective unless made in writing and signed by both Parties.

12.3 Unless otherwise provided, the remedies under this Agreement shall be cumulative and not exclusive, and the exercise of one remedy shall not exclude the exercise and shall not be construed as a waiver of the right to exercise the other remedies.

-SECTION THIRTEEN-
DISPUTE RESOLUTION

13.1 The Parties shall refer any dispute, controversy, claim or difference between them arising out of or relating to this Agreement, or the breach thereof, or in the interpretation of any of the provisions hereof (each a "Dispute"), to their respective representatives who shall seek to amicably resolve such Dispute in accordance with the procedure set out in this Section.

13.2 The Party alleging a Dispute shall give written notice thereof to the other Party within thirty (30) calendar days from the occurrence thereof, which notice shall contain a description of the Dispute.

13.3 Promptly upon receipt by the other Party of Notice of Dispute, the Parties' respective representatives shall meet and discuss in good faith to resolve the Dispute within thirty (30) days from receipt of the notice, or within such longer period as the Parties may mutually agree.

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MR. RENATO S. CORTEZANO
MR. EDGARDO L. SALVAME

-SECTION FOURTEEN-
JURISDICTION AND COURT LITIGATION

14.1 Any Dispute that is not resolved between the Parties in accordance with the provisions of Section 12 shall, unless the Dispute falls within the original and exclusive jurisdiction of the ERC, be submitted to jurisdiction of the proper courts of Davao City, Philippines, to the exclusion of all other courts elsewhere situated, and the Parties agree that the courts of Davao City are an appropriate forum for the settlement of Disputes and waive any claim or assertion that such courts are an inconvenient forum.

14.2 If SUPPLIER have instituted an action on a Dispute to enforce this Agreement or as a result of an alleged breach of this Agreement by CUSTOMER, CUSTOMER shall also be liable to the SUPPLIER for an amount equivalent to twenty percent (20%) of the value of any award made in favor of the SUPPLIER, to cover attorney's fees and other expenses of dispute resolution or litigation.

MR. RAYMOND B. ANG

-SECTION FIFTEEN-
GOVERNING LAW

15.1 This Agreement shall be governed by and construed in accordance with the laws of the Republic of the Philippines. The Parties shall perform all their obligations under this Agreement in accordance with Applicable Law. In case of any amendment, modification or change in Applicable Law, the Parties shall continue to perform their obligations under this Agreement unless made expressly unlawful or impossible by such amendment, modification or change.

MR. RAUL L. ALKUINO

-SECTION SIXTEEN-
ENTIRE AGREEMENT

16.1 The Parties acknowledge that this Agreement constitutes the entire agreement between them and shall completely supersede all other prior understandings, previous communications, or contracts, oral or written, between the parties relating to the subject matter hereof;

16.2 Nothing contained in this Agreement shall be construed to create an association, trust, partnership, or joint venture or impose a trust or partnership duty, obligation, or liability on or with regard to either Party, or to create any duty, standard of care or liability to any person or entity not a Party hereto. Each Party shall be liable individually and severally for its own obligations under this Agreement.

MR. RENATO S. CORTEZANO

MR. EDGARDO L. SALVAME

-SECTION SEVENTEEN-
ASSIGNMENT OR TRANSFER

17.1 Neither party shall assign or transfer all or any part of its rights, benefits or obligations hereunder, without the prior written consent of the other Party, except that the **SUPPLIER** may assign all or any part of its rights, benefits or obligations hereunder to its holding companies, subsidiaries, or affiliates, without need for notice to or consent of **CUSTOMER**. No assignment or transfer shall be valid unless the assignee or transferee shall issue a formal written assumption of liability of all the obligation of its assignor or transferor under this Agreement.

MR. RAYMOND B. ANG

-SECTION EIGHTEEN-
SEVERABILITY

18.1 If one or more provisions of this Agreement shall be declared invalid, illegal or unenforceable, the remaining provisions shall remain in, and shall be given, full force and effect. The Parties shall meet in good faith to agree, to the fullest extent allowed by law, on a substitute provision that would most closely approximate the intention of the invalid provision, and amend this Agreement accordingly.

MR. RAUL L. ALKUINO

IN WITNESS WHEREOF, the Parties have hereunto set their signatures the place and date first above written.

KING ENERGY GENERATION INC.

BY:

MR. EDGARDO L. SALVAME

FIRST BUKIDNON ELECTRIC COOPERATIVE, INC. (FIBECO)

BY:

MR. RAUL L. ALKUINO

MR. RENATO S. CORTEZANO

SIGNED IN THE PRESENCE OF:

Renato S. Cortezano

Raymond B. Ang

MR. EDGARDO L. SALVAME

ACKNOWLEDGMENT

Republic of the Philippines)
MANILA) S.s

Before me, a Notary Public for and in the City of MANILA, this _____ day of JAN 2 8 2011, 2011 personally appeared the following persons who are identified by me through competent evidence of identity:

Name	Identification	Date/Place of Issuance
Edgardo L. Salvame	XX4601313	Pasay City 9/18/09

Known to me and to me known to be the same persons who have executed the foregoing Power Supply Agreement consisting of 26 pages including its attachments and the page wherein this Acknowledgment is made and they have acknowledged that the same is their free and voluntary act and deed and of the Corporations they represent.

WITNESS my hand and seal on the date and place first above written.

ATTY. DELFIN R. AGCAOILI, JR.
NOTARY PUBLIC
UNTIL DECEMBER 31, 2011
PTR NO. 9237325 /01-04-11 /MLA.
IBP NO. [illegible] /MLA.
ROLL NO. 24655 / TIN -144519066
MCLE COMPLIANCE II- 0015473
NOTARY PUBLIC

Doc. No. 27;
Page No. 3;
Book No. 54;
Series of 2011.

MR. RAYMOND B. ANG

MR. RAUL L. ALKUINO

MR. RENATO S. CORTEZANO

MR. EDGARDO L. SALVAME

ACKNOWLEDGMENT

Republic of the Philippines)
_____) S.s

Before me, a Notary Public for and in the City of Marawag, this 20th day of January, 2011 personally appeared the following persons who are identified by me through competent evidence of identity:

Name	Identification	Date/Place of Issuance
Raul L. Alkuino	XX36859627	5/13/09/ CDO

Known to me and to me known to be the same persons who have executed the foregoing Power Supply Agreement consisting of 26 pages including its attachments and the page wherein this Acknowledgment is made and they have acknowledged that the same is their free and voluntary act and deed and of the Corporations they represent.

WITNESS my hand and seal on the date and place first above written.

ATTY. ABUNDIO UR. GAITERA
NOTARY PUBLIC
UNTIL DECEMBER 31, 2011
NOTARY PUBLIC
ROLL NO. 28, 489
IBP NO. 806 270
PTR NO. 4745893 1-22-10
TIN NO. 938-274-562

Doc. No. 251;
Page No. 50;
Book No. 1;
Series of 2011.

MR. RAYMOND B. ANG

MR. RAUL L. ALKUINO

MR. RENATO S. CORTEZANO

MR. EDGARDO L. SALVAME

ANNEX "A"

METERING POINTS

List of Metering Points

King Energy Generation Inc.

LOCATION	*DELIVERY VOLTAGE*
13.2 kv/4.16 kv	*13.2 kv*

MR. RAYMOND B. ANG

MR. RENATO S. CORTEZANO

MR. RAUL L. ALKUINO

MR. EDGARDO L. SALVAME

ANNEX "B"

RATES SCHEDULE

MR. RAYMOND ANG

MR. RENATO S. CORTEZANO

MR. RAUL ALKUINO

MR. EDGARDO SALVAME

1.Electricity Fees

Capacity Fee (CF)	= Php 1,311/kw/month
Fixed O&M Fee (FOM)	= Php 386/kw/month
Billing Capacity (BC)	= 3,000 kW
Energy Delivered	= 700,000 kwh

2.Contract Energy Fee per Month

$$CEF = (CF \times BC) + (FOM \times IFf \times BC) + (VOM \times IFv \times ED) + FL \times ED$$

Where:

BC	= Billing Capacity in kW
CEF	= Contract Energy Fee in Php
CF	= Capacity fee in Php/kW/month
ED	= Energy Delivered in Kwh
FOM	= Fixed O&M fee in Php/kW/month
FL	= Fuel and Lube oil
IFf	= Inflation factor fixed
IFv	= Inflation factor variable
VOM	= Variable charge per month in Php/kwh

3.Computation of Power Purchased

GENSET Input			
Generator Terminal Output, at site conditions		kW/unit	3200
Generator Total Output, at site conditions		kW	3200
Heat Rate		l/kWh	0.26
Plant Operation Input			
Capacity Factor	94%		
Hours/day	8		
Days/yr	350		
Total	2800		
Average Demand		kW	3,000
Energy Consumption per year		kWh/yr	8,400,00
Energy Consumption per month		kWh/month	700,000

MR. RAYMOND ANG

MR. RENATO S. CORTEZANO

MR. RAUL ALKUINO

MR. EDGARDO SALVAME

CONTRACT ENERGY FEES

CEF = (CF x BC) + (FOM x IFf x ED) + (VOM x IFv x ED) + (FL x ED)

				Php/month	**Php/kwh**
CF	Capacity Fee	1,311	Php/kw/month	3,933,000	5.619
BC	Billing Capacity	3,000	kw		
FOM	Fixed O&M	386	Php/kw/month	1,158,000	1.654
lFf	Inflation factor	1			
VOM	Variable O&M	1.26	Php/kwh	882,000	1.26
lFv	Inflation factor var.	1			
ED	Energy Delivered	700,000	kwh		

Note: Fuel cost pass on to the consumers;

Total Energy Fee (exclusive of fuel)	**5,973,000**	**8.53**

ANNEX "C"

NOTICES

FOR SUPPLIER	KING ENERGY GENERATION, INC.
General Concerns	
Name:	RAYMOND B. ANG
Designation:	CHIEF OPERATION OFFICER
Address:	G/F Divine Saviour Bldg. 102 Juan St., Davao City
Telephone :	09175399503 (082) 2251252
Facsimile:	(082) 2278933
Email:	raymond_angcdo@yahoo.com
For Billing Concerns	
Name:	RAYMOND B. ANG
Designation:	CHIEF OPERATION OFFICER
Address:	G/F Divine Saviour Bldg. 102 Juan St., Davao City
Telephone :	09175399503 (082) 2251252
Facsimile:	(082) 2278933
Email:	raymond_angcdo@yahoo.com
FOR CUSTOMER	FIRST BUKIDNON ELECTRIC COOPERATIVE, INC.
General Concerns	
Name:	RAUL L. ALKUINO
Designation:	BOARD PRESIDENT
Address:	ANAHAWON, MARAMAG, BUKIDNON
Telephone :	09177249511 (088) 3561025 - 26
Facsimile:	(088) 3561025 - 26
Email:	alkuinoraul@gmail.com
For Billing Concerns	
Name:	RENATO S. CORTEZANO
Designation:	GENERAL MANAGER
Address:	ANAHAWON, MARAMAG, BUKIDNON
Telephone :	09177192694 (088) 3561025 - 26
Facsimile:	(088) 3561025 - 26
Email:	cortezano_rene@yahoo.com

MR. RAYMOND B. ANG

MR. RENATO S. CORTEZANO

MR. RAUL L. ALKUINO

MR. EDGARDO L. SALVAME

SCHEDULE 1
DEFINITIONS

AGREEMENT- means this Power Supply Agreement and all its Annexes

APPLICABLE LAW- refers to law, statutes, orders, issuances, ordinances, rules, rulings, regulations, codes, decisions, opinions or interpretation of any Governmental Authority pertinent to or affecting a Party or both Parties

BASIC ENERGY CHARGE- refers to the unit price (Pesos per kWh) that Customer shall pay for Contract Energy as set out in Annex B (Rates Schedule)

BILLING PERIOD- means the period commencing at 00:00 hours on the twenty-sixth (26th) day of each calendar month, and ending at 24:00 hours on the twenty-fifth (25th) day of the following calendar month

BILLING STATEMENT- refers to the document that the Supplier will furnish Customer, indicating the total amount of Electricity Fees that Customer will pay Supplier

CLOSING DATE- shall be December 31, 2011 or such date as may be extended by the Supplier in accordance with Section 1.6 (b) of the Agreement. It shall also have the meaning given to this term under Sec. 1.3 of the Agreement.

CONFIDENTIAL INFORMATION- means all data and information disclosed (whether before or after the date of this Agreement and whether in writing or in computer disc, verbally or by any other means and whether directly or indirectly) by the Disclosing Party (or by another person in behalf of the Disclosing Party) to the other Party in whatever form, tangible or intangible, that is not generally known to the public and relates to the operations, business, technology, practices, products, marketing, sales, services, finances or legal affairs of the Disclosing Party or of any third party doing business with or providing information to the Disclosing Party, including this Agreement, information about this Agreement and negotiations pertaining to this Agreement as well as actual or prospective customers, business partners, market opportunities, business, sales, marketing, technical, financial and legal plans, proposal and projections, product information, know-how, design rights, trade secrets, concepts, techniques, processes,

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	methods, systems, designs, programs, codes, formula, research, experimental work and work in progress.
CONTRACT ENERGY-	refers to the Energy quantity in kilowatt-hours per Billing Period consumed by Customer which in no case shall be below the Contract Energy provided under Annex B (Rates Schedule)
CONTRACT PERIOD-	refers to the duration of this Agreement (10 years) commencing from the Closing date until the end of the last Billing Period
CONTRACT YEAR-	refers to each period consisting of twelve (12) Billing Periods
CUSTOMER FACILITY-	refers to the Customer's distribution franchise located at Anahawon, Maramag, Bukidnon
DELIVERY DATE-	means the first day of the Billing Period or on such date as may be extended by the Supplier in accordance with Section 1.6 (b) of the Agreement
DISCLOSING PARTY-	shall have the meaning given to this Term in Section eight (8) of the Agreement
DISPUTE-	shall have the meaning given to this Term in Section twelve (12) of the Agreement
EFFECTIVE DATE-	refers to the date of execution of this Agreement
ELECTRICITY FEES-	refers to the total amount of charges due from Customer in respect of all energy supplied during a Billing Period
ENERGY-	refers to all Contract Energy , Additional Energy, Back-up Power and Replacement Power measured, in each case, in kilowatt-hours (kWh) delivered by Supplier to Customer during a Billing Period
EPIRA-	means R.A. 9136, otherwise known as the "Electric Power and Industry Reform Act of 2001"
ERC-	refers to the Energy Regulatory Commission, which is the regulating body of the electric power industry as provided under EPIRA
FORCE MAJEURE-	refers to the circumstances defined under Section six (6)

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MR. EDGARDO L. SALVAME

FUEL- means fuel required to operate the Power Plant and to generate energy

GOOD INDUSTRY PRACTICE- means those nationally recognized practices, methods, standards and acts engaged in or approved by the majority of the members of the power generation industry in the Philippines at any relevant time, including practices, methods and act which, in the exercise of reasonable judgment in light of the facts known at the time the decision was made, could have been expected to accomplish the desired result at the lowest reasonable cost consistent with good business practices, reliability, adequacy, quality, safety and expedition. Good Industry Practice is not intended to be limited to the optimum practice, method or acts generally accepted in the region and consistently adhered to by similar generating companies

MR. RAYMOND B. ANG

GOVERNMENTAL AUTHORITY- means the Republic of the Philippines or any national, regional, provincial, municipal or other political subdivision thereof, and any department, ministry, instrumentality, agency, corporation, or commission under the direct or indirect control or supervision of the Republic of the Philippines or any political subdivision thereof; Provided, however, that for purposes of this Agreement, Customer shall not be considered a governmental authority

MR. RENATO S. CORTEZANO

GOVERNMENTAL REQUIREMENT- means any all Applicable Laws, regulations, codes, directives, judgments, decrees, orders or interpretations of any court, arbitrator or Governmental Authority and any valid waivers, exemptions, variances, permits, licenses, authorizations, orders, consents or conditions of or from, in any such case, any Governmental Authority or Court or other entity having jurisdiction over the performance of the obligations of each Party to be performed hereunder, including all consents, licenses, registrations, concessions and permits required to be issued pursuant thereto by any Governmental Authority

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MR. EDGARDO L. SALVAME

in connection with any of the transactions contemplated hereby

METER RESULTS- refers to the set of actual hourly quantities of Energy taken by the Customer as determined by the Metering Services Group of the Supplier or any other third party to which both Customer and Supplier may jointly reassign this responsibility ("Third Party Meter Reader)

METERING POINTS- means the actual physical point (s) (e.g. plant metering point) where Supplier shall deliver the Energy to Customer

MINIMUM CONTRACT ENERGY- refers to the minimum Energy quantity in kilowatt-hours as provided in Annex B (Rates Schedule)

MINIMUM ENERGY CHARGE -refers to the load weighted average price of the Supplier for the Billing Period or the difference between the Minimum Contract Energy and the actual Energy consumed by the Customer in case the latter consumes less than the minimum Contract Energy

PAYMENT DATE- means on or before the 26th day of the immediately following month on which a Billing Period ends and on which electricity fees in respect of energy delivered during that Billing Period are due

POWER PLANT- means the 3.2 Megawatt Diesel Power Plant

SECURITY DEPOSIT- means the instrument Customer is required to post to guarantee its outstanding accounts and other obligations under this Agreement, as more particularly described in the form and in the amount set out in Section 3.2.1

*****NOTHING FOLLOWS*****

MR. RAYMOND B. ANG

MR. RENATO S. CORTEZANO

MR. RAUL L. ALKUINO

MR. EDGARDO L. SALVAME

ADDENDUM TO POWER SUPPLY AGREEMENT

This **Addendum to Power Supply Agreement** (hereinafter referred to as "**Agreement**") is entered into this 12th day of May, 2011 in Maramag Bukidnon, Philippines, by and between:

KING ENERGY GENERATION INC., a corporation duly organized and existing under the laws of the Republic of the Philippines, with address at G/F Divine Savior Building 102 Juan Luna St., Davao City, Philippines, herein represented in this act by its President, **MR. EDGARDO L. SALVAME**, who is duly authorized to represent it in this transaction (hereinafter referred to as "**SUPPLIER**");

-and-

FIRST BUKIDNON ELECTRIC COOPERATIVE, INC. (FIBECO), a non-stock, non-profit electric cooperative organized and existing under and by virtue of P.D. 269, as amended, with address at Anahawon, Maramag, Bukidnon herein represented in this act by its Board President, **MR. RAUL L. ALKUINO** who is duly authorized to represent it in this transaction, (hereinafter referred to as "**CUSTOMER**");

The SUPPLIER and the CUSTOMER shall be individually referred to herein as "**Party**", and collectively, as "**Parties**"

WITNESSETH THAT:

WHEREAS, **CUSTOMER** and **SUPPLIER** previously entered into a Power Supply Agreement dated 26 January, 2011 at Quezon City, Philippines;

WHEREAS, the Parties agreed to clarify the term FUEL as used in the aforesaid Power Supply Agreement dated 26 January, 2011;

WHEREAS, the Parties decided to document their agreement regarding the clarification of the term FUEL as utilized in the said Power Supply Agreement;

NOW THEREFORE, for and in consideration of the mutual covenants and agreements hereinafter set forth, the Parties, for themselves, their successors and

assigns, have mutually agreed to supplement the terms of the Power Supply Agreement dated 26 January, 2011 as follows:

Words used in this Addendum shall be understood in accordance with the meanings and definitions provided under Schedule 1 of above-mentioned Power Supply Agreement.

1. Section 2.1 of the Power Supply Agreement dated 26 January, 2011, the term "FUEL" as referred to in **Annex "B"** of the Power Supply Agreement is hereby supplemented to signify Actual Fuel Cost, inclusive of freight, insurance and duties, charged on a pass through basis subject to a gross fuel consumption rate equivalent to 0.26 li/kWh for bunker and 0.28 li/kWh for diesel.

2. The Parties hereby agree that the remaining provisions of the Power Supply Agreement dated 26 January, 2011 shall remain in full force and effect.

IN WITNESS WHEREOF, this Addendum to the Power Supply Agreement dated 26 January, 2011 have been executed and signed by the Parties hereunto at the place and date first above written.

KING ENERGY GENERATION INC.

BY:

MR. EDGARDO L. SALVAME

FIRST BUKIDNON ELECTRIC COOPERATIVE, INC.

BY:

MR. RAUL L. ALKUINO

SIGNED IN THE PRESENCE OF:

Mr. Renato S. Cortezano
General Manager, FIBECO

Raymond Ang
COO, King Energy

ACKNOWLEDGMENT

Republic of the Philippines)
Municipality of Marawi

Before me, a Notary Public for and in the ~~City~~ of Marawi, Pril this 18 day of May, 2011 personally appeared **MR. RAUL L. ALKUINO** who is identified by me through his passport with nos. XX36859627 issued in Cagayan de Oro City on May 13, 2009, known to me and to me known to be the same person who executed the foregoing Addendum to the Power Supply Agreement consisting of four (4) pages including its attachments and the page wherein this Acknowledgment is made and he acknowledged that the same is his free and voluntary act and deed and of the Corporations he represents.

WITNESS my hand and seal on the date and place first above written.

ATTY. ABUNDIO UR. GAITERA
NOTARY PUBLIC
[illegible] 2011
NOTARY PUBLIC
ROLL NO. 28/469
IBP NO. 814277 05-12-11
PTR. NO. 6131496 03-31-11
TIN NO. 938-274-562

Doc. No. 223;
Page No. 44;
Book No. 1;
Series of 2011.

ACKNOWLEDGMENT

Republic of the Philippines)
MANILA)

Before me, a Notary Public for and in the City of MANILA, this MAY 24 2011 day of _____, 20___ personally appeared **Mr. EDGARDO L. SALVAME** who is identified by me through his passport with nos. XX4601313 issued in Pasay City on 18 September 2001, known to me and to me known to be the same person who executed the foregoing Addendum to the Power Supply Agreement consisting of four (4) pages including the page wherein this Acknowledgment is made and he acknowledged that the same is his free and voluntary act and deed and of the Corporations he represents.

WITNESS my hand and seal on the date and place first above written.

NOTARY PUBLIC

ATTY. DELFIN R. AGCAOILI, JR.
NOTARY PUBLIC
UNTIL DECEMBER 31, 2011
PTR NO. 9237325 /01-04-11 /MLA.
IBP NO. 797299 /01-10-11 /MLA.
ROLL NO. 24655 / TIN -144519066
MCLE COMPLIANCE II- 0015473

Doc. No. 112;
Page No. 12;
Book No. 299;
Series of 2011.

EXHIBIT 6

POWER SUPPLY AGREEMENT

This **Power Supply Agreement** (hereinafter referred to as "**Agreement**") is entered into this 8th day of June, 2013 in Anahawon, Maramag, Bukidnon, Philippines, by and between:

> **KING ENERGY GENERATION INC.**, a corporation duly organized and existing under the laws of the Republic of the Philippines, with address at G/F Divine Savior Building 102 Juan Luna St., Davao City, Philippines, herein represented in this act by its President, **MR. EDGARDO L. SALVAME**, who is duly authorized to represent it in this transaction (hereinafter referred to as "**SUPPLIER**");
>
> And
>
> **FIRST BUKIDNON ELECTRIC COOPERATIVE, INC. (FIBECO)**, a non-stock, non-profit electric cooperative organized and existing under and by virtue of P.D. 269, as amended, with principal office address at Anahawon, Maramag, Bukidnon herein represented in this act by its Board President, **DR. REGIN D. MORDENO,** who is duly authorized to represent it in this transaction, (hereinafter referred to as "**CUSTOMER**");
>
> The SUPPLIER and the CUSTOMER shall be individually referred to herein as "**Party**", and collectively, as "**Parties**"

MR. RAYMOND B. ANG

ENGR. RENATO S. CORTEZANO

DR. REGIN D. MORDENO

MR. EDGARDO L. SALVAME

WITNESSETH THAT:

WHEREAS, CUSTOMER is an electric cooperative engaged in the distribution of electricity and/or power in the Province of Bukidnon;

WHEREAS, SUPPLIER is a corporation engaged in the generation and supply of electric power;

WHEREAS, CUSTOMER is in need of and desires to contract capacity and energy from SUPPLIER, and the SUPPLIER is willing and agrees to provide capacity and energy to CUSTOMER;

NOW THEREFORE, for and in consideration of the mutual covenants and agreements hereinafter set forth, the Parties, for themselves, their successors and assigns, have mutually agreed as follows:

Words used in this Agreement shall be understood in accordance with the meanings and definitions provided under Schedule 1 hereof.

-SECTION ONE-
SCOPE AND TERM

1.1 This Agreement shall govern the terms and conditions by which the CUSTOMER shall reserve, receive and pay for the capacity and energy that will be made available by the SUPPLIER.

1.2 This Agreement shall take effect immediately upon the signing of this Agreement (the "**Effective Date**")and shall remain in full force and effect for a period of **TEN (10) years** counted from the Closing Date (the "**Term**") as defined under Section 1.3, unless earlier terminated in accordance with Section 9 hereof.

1.3 The Closing Date shall be on the first day of commercial operation or on such date that may be provided by the **SUPPLIER** in accordance with Section 1.6 (b) hereof.

For purposes of this Agreement, Closing Date shall refer to the date when the SUPPLIER shall commence delivery of the contracted capacity and energy to the CUSTOMER.

1.4 Unless **WRITTEN NOTICE** is served by the duly authorized representative of one Party to the other not later than sixty (60) days prior to the expiration of the *Term*, this Agreement shall be ***automatically renewed*** for a period of another **TEN (10) years** without need for any further action or notice by either of the Parties to the other.

1.5 Notwithstanding the execution of this Agreement and the occurrence of the *Effective Date* and/or *Closing Date*, the obligation of SUPPLIER to commence deliveries of energy shall be subject to the satisfaction of the following conditions precedent:

(a) receipt by the SUPPLIER of a certificate executed by the corporate secretary of the CUSTOMER, attesting that the Board of Directors of CUSTOMER adopted resolutions: (i) authorizing CUSTOMER to execute, enter into, deliver this Agreement and the performance of its obligations hereunder, and (ii) designating the person authorized to execute this Agreement in behalf of the CUSTOMER;

(b) receipt by the SUPPLIER of the Security Deposit referred to under Section 3.2;

(c) receipt by the SUPPLIER of the proposed location for the *Genset* which must be at least one (1) hectare, including the title, contract of lease duly registered with the Register of Deeds and/or other evidence of ownership of the property where the Genset is proposed to be installed;

(d) receipt by the SUPPLIER of all permits, licenses, and other requirements necessary for the operation of the power generation

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facility in the area of operation of the CUSTOMER which the CUSTOMER undertook to secure in accordance with Section 7.1 (k);

(e) the ERC shall have issued an approval for this Agreement, including the pricing structure set out herein (and any provisional authority issued by the ERC shall be considered as satisfaction of this condition);

(f) the ERC shall have issued a Certificate of Compliance in favor of SUPPLIER;

Upon satisfaction of the aforesaid conditions precedent, SUPPLIER shall deliver to CUSTOMER written notice confirming receipt of the documents and instruments described above;

1.6 If any of the conditions set out in Section 1.5 shall not have been satisfied upon Closing Date, the SUPPLIER shall have the option to:

(a) Terminate this Agreement by delivery of written notice of such termination;

(b) Waive, or in its ***sole discretion***, provide a grace period for, the satisfaction of any condition precedent that shall not have been satisfied, excluding Section 1.5 (d),(e) and (f), and deliver written notice of such waiver or grace period to the CUSTOMER (In the event the SUPPLIER grants a grace period, the written notice shall specify the date, which date shall be considered as the Closing Date);

-SECTION TWO-
SUPPLY OF ENERGY

2.1 During the Term of this Agreement, and provided that all the conditions precedent under Section 1.5 have been complied with SUPPLIER shall supply and deliver Energy to the CUSTOMER during the Billing Periods, at the Metering Points specified in **Annex "A"** (*Metering Points*) and at the fixed rate specified in **Annex "B"** (*Rates Schedule*).

With reference to Annex "B" hereof, Fuel shall mean Actual Fuel Cost, inclusive of freight, insurance and duties, charged on a pass through basis subject to a gross fuel consumption rate equivalent to 0.26 liter/kWh for bunker and 0.28 liter/kWh for diesel.

2.2 The SUPPLIER shall conduct all meter readings at the end of each Billing Period. The CUSTOMER may dispute the Meter Results in accordance with Section 4.

2.3 The SUPPLIER shall be allowed reasonable time for preventive maintenance upon giving of written notice to the CUSTOMER.

"Reasonable time" shall be in accordance with Good Industry Practice.

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-SECTION THREE-
PAYMENT OF FEES AND SECURITY DEPOSIT

3.1 ***Payment of fees***

3.1.1 SUPPLIER shall deliver a Billing Statement setting out the Electricity Fees due on account of all Energy delivered within seven (7) working days from the end of each Billing Period.

3.1.2 CUSTOMER shall pay in full all Electricity Fees without need of any demand **not later than the 26th day** of the succeeding calendar month after the end of each Billing Period.

Payment shall only be made at the bank account designated by the Supplier and in lawful currency of the Philippines.

Failure of the CUSTOMER to remit or cause the remittance of such payments to the designated account shall cause the unpaid portion of the invoice to earn interest at the rate of **two percent (2%) per month** (a fraction of a month shall be considered as one month) until actual payment in full of the amount due has been made.

In Addition to the penalty, SUPPLIER shall have the right (i) to draw against the Security Deposit; (ii) to temporarily suspend its obligation to generate and sell electric power to CUSTOMER without need of notice; (iii) to rescind or terminate this Agreement; and/or (iv) to declare fees and charges for electricity supplied in the current Billing Period and such other unbilled periods, as due and payable, whereupon CUSTOMER shall pay such fees and charges immediately upon delivery by SUPPLIER of the corresponding Billing Statement to Customer.

3.1.3 In case of shortfalls in the consumption of CUSTOMER, it shall remain liable to pay to the SUPPLIER the minimum contract energy fee.

3.1.4 All payments made by CUSTOMER hereunder shall be made free and clear of and without any deductions for or on account of any set-off or counterclaim, except as required by law or as mutually agreed in writing by the Parties.

At any event, bank charges shall be borne by the CUSTOMER and shall not be deducted from the payment made by the CUSTOMER.

CUSTOMER may deduct applicable withholding taxes due and/or paid for the supply of energy by SUPPLIER subject to CUSTOMER's timely submission to SUPPLIER of the corresponding *Withholding Tax Certificate*.

Upon receipt by the SUPPLIER of the *Withholding Tax Certificate*, official receipt shall then be issued to the CUSTOMER.

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3.2 ***Security Deposit***

3.2.1 A Security Deposit at an amount equivalent to one month of the sum of the average monthly Capacity Fee, Fixed and Variable O&M Fees and Fuel Cost Recovery Fee of the Buyer shall be posted by the CUSTOMER in the form of a (1) manager's check or (2) cashier's check from a bank or other financial institutions acceptable to the SUPPLIER on or prior to the Closing Date. CUSTOMER may, if it chooses to do so, furnish a Security Deposit in the form of cash.

The Security Deposit shall be calculated based on the minimum usage for the first contract year and shall be adjusted in accordance with the next succeeding Section.

3.2.1 Prior to the commencement of each Contract Year after the first Contract Year, the value at which the Security Deposit shall be maintained shall be adjusted based on the average monthly Capacity Fee, Fixed and Variable O&M Fees and Fuel Cost Recovery Fee of the CUSTOMER for the immediately preceding Contract Year. The CUSTOMER shall post the Security Deposit in the adjusted amount on or prior to the first day of the first Billing Period of each succeeding Contract Year.

3.2.2 In the event that SUPPLIER draws against the Security Deposit as provided under this Agreement, CUSTOMER shall replenish the Security Deposit to restore the value thereof to its original amount prior to SUPPLIER having drawn thereon within fifteen (15) calendar days from receipt of notice from SUPPLIER.

3.2.3 In the event that CUSTOMER does not replenish its Security Deposit in full within fifteen (15) calendar days as per Section 3.2.2, SUPPLIER may unilaterally terminate the Agreement with immediate effect, and customer shall be liable to pay a Termination Fee equivalent to the amount stated in Section 9.3.

3.2.4 The Security Deposit shall be returned by SUPPLIER to the CUSTOMER together with interest earned within thirty (30) days from expiration of this Agreement.

Interest shall be fixed at two percent (2 %) per annum.

Any amount which may be due to the SUPPLIER which remains unpaid until the expiration of this Agreement may automatically be deducted by the SUPPLIER from the Security Deposit.

-SECTION FOUR-
BILLING DISPUTE

4.1 If CUSTOMER disputes any Billing Statements, it shall so inform SUPPLIER in writing within a period of **FIFTEEN (15)** days from receipt thereof. The

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CUSTOMER must specify the items that are disputed in the Billing Statement. If the dispute is not resolved by the Payment Date provided under Section 3.1.2, CUSTOMER shall pay the full amount stated in the Billing Statement on or before such due date, with the disputed portion paid under protest. The Parties shall endeavour to resolve the dispute within ten (10) days after payment in full of the amount stated in the Billing Statement. In case the dispute is not resolved within ten (10) days, then the matter shall be deemed to be a Dispute and the provisions of Section 13 shall apply.

4.2 If the Parties resolve the dispute in favor of the CUSTOMER in accordance with Section 4.1, or if the Dispute on the Billing Statement is determined adversely to SUPPLIER pursuant to Section 13, SUPPLIER shall allow CUSTOMER a credit on the Billing Statement next due in an amount equivalent to that disputed by CUSTOMER (without interest or penalty thereon whatsoever).

4.3 Disputed billing shall not be an excuse or a ground for CUSTOMER to delay payment of succeeding billings or to unilaterally deduct any amount therefrom.

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ENGR. RENATO S. CORTEZANO

DR. REGIN D. MORDENO

MR. EDGARDO L. SALVAME

-SECTION FIVE-
TAXES, FEES AND COSTS

5.1 CUSTOMER shall be liable for and shall pay: (i)any taxes (including Value Added Tax, if any), fees, charges, levies and imposts imposed or assessed by any governmental authority on or in connection with the purchase and sale of electricity and/or payments due to SUPPLIER hereunder; and (ii) any new taxes, fees, charges, levies and imposts (including any increase in the rate or amount thereof after the date hereof but excluding income taxes) imposed on SUPPLIER, excluding fines and penalties directly attributed to SUPPLIER's own negligence, after the date hereof, in connection with the performance by the SUPPLIER of its obligations pursuant to this Agreement. Such payments shall be made as and when required pursuant to applicable laws in effect from time to time.

5.2 CUSTOMER shall also be liable for payment of the Universal Charge (as this term is defined under the EPIRA) upon the imposition thereof, it being understood that the imposition of the Universal Charge pursuant to the provisions of EPIRA should not be an event of Force Majeure.

5.3 Power generated during Commissioning and Testing of the Plant shall be charged to and paid for by the CUSTOMER in accordance with Annex B (Rates Schedule).

5.4 Save as otherwise provided in this Agreement, each party shall be liable for such costs and expenses that it may incur on account of the performance of its obligations hereunder.

-SECTION SIX-
FORCE MAJEURE

6.1 Force Majeure means any event, matter or circumstance that is unforeseeable or is outside the reasonable control of a party and that prevents or restricts the performance by that party of its obligations hereunder, and shall include: (i) acts of God; (ii) acts of war or the public enemy, whether war be declared or not, invasion, armed conflict or act of foreign enemy, blockade, embargo, revolution and public disorders, including insurrection, rebellion, civil commotion, sabotage, riots and violent demonstrations; (iii) strikes, lock-outs, riots and labor disputes in any such case which are widespread or nationwide; (iv) floods, tidal waves, explosions, fire, earthquakes, typhoons and other natural calamities; (v) expropriation or compulsory acquisition of all or any material part of the Power Plants or the Site, or any other act of governmental authority that prevents or restricts SUPPLIER's access to the Power Plants or the Site; (vi) change in governmental requirements enforced from time to time after the date hereof, including any change in the policies (or the interpretation of the policies) of the Department of Energy, the Energy Regulatory Commission, National Grid Corporation of the Philippines, or any governmental agency that regulates or exercises jurisdiction over the electric power industry or any sector thereof;(vii) arbitrary or capricious or unreasonable denial, conditioning, variation, termination or voiding of, or failure, or delay, in granting or renewing , any governmental permit, such as but not limited to any permit, license, agreement, order, certificate, franchise, registration, filing, authorization, consent or approval issued by or filed with any governmental authority, which is required for such party's performance of its obligations hereunder, notwithstanding such party's due application therefor and diligent efforts to obtain the same; or any other event of similar nature which prevents the SUPPLIER from delivering electricity to the CUSTOMER, or prevents the CUSTOMER from receiving energy from SUPPLIER.

With respect to SUPPLIER, Force Majeure shall include the failure or inability of the SUPPLIER to manage and control the contracted capacity of the power plants on account of any failure or delay in the delivery of Fuel to, or the failure or inability of SUPPLIER to take and accept deliveries of fuel at the power plants due to any event or circumstance described in the preceding paragraph, or any act of governmental authority.

Force Majeure shall not include, among other things: (i) lack of funds for the performance of any obligation hereunder (ii) fluctuation in the Peso-Dollar exchange rate and (iii) ordinary or extraordinary inflation.

6.2 Neither Party shall be liable for any failure or delay in the performance of its obligations under this Agreement if such failure or delay arises out of, but only to the extent caused by, any event of Force Majeure: ***Provided*** that the relief granted by this Section shall be available only if and to the extent that the Party claiming relief has and continues to take all steps reasonably within its control to mitigate the effects of such Force Majeure event, and in no event

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shall late payment or non-payment of money due be excused by any event of Force Majeure.

6.3 The Party seeking to rely on an event of Force Majeure to excuse failure or delay in the performance of its obligations pursuant to Section 6.2 hereof shall notify the other party as soon as reasonably possible of the nature of the Force Majeure claimed and to the extent the Force Majeure claimed affects the party's obligation under this Agreement, and such party shall resume the performance of its obligations as soon as reasonably possible after the event of Force Majeure ceases to exist.

6.4 If any event of Force Majeure occurs during the Term of this Agreement, the Term, by mutual agreement of the Parties, may be extended by a period of time equal to the period of time for which performance is excused as a result of the Force Majeure. The parties will consult each other and will take all reasonable steps to minimize the losses of either Party resulting from Force Majeure.

6.5 Notwithstanding any other provision of this Agreement to the contrary, in the case of any situation in which, in the reasonable opinion of SUPPLIER, it would be dangerous to continue to provide electricity to CUSTOMER in accordance with this Agreement, SUPPLIER shall, if it would be reasonably impracticable under the relevant circumstances to obtain the prior approval of CUSTOMER, act unilaterally to take preventive and corrective actions in response to such situation in accordance with Good Industry Practices. SUPPLIER shall notify CUSTOMER as soon as reasonably practicable, following the occurrence of such situation, of any action taken or to be taken pursuant to this Section and the reasons therefor.

6.6 Any Party may terminate this Agreement upon thirty (30) days prior written notice to the other Party if an event of Force Majeure occurs during the Term of this Agreement and prevents either Party from performing its obligations under the Agreement for a period in excess of twelve (12) consecutive months.

-SECTION SEVEN-
REPRESENTATIONS, WARRANTIES AND COVENANTS

7.1 CUSTOMER hereby represents, warrants, and agrees to the following:

(a) It is duly incorporated, validly existing and in good standing under the laws of the Republic of the Philippines;

(b) It possesses full power and authority to enter into this Agreement, and has taken all the necessary action to authorize the entry into and delivery of this Agreement and the transactions contemplated hereby , and the performance of its obligations hereunder;

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DR. REGIN D. MORDENO
MR. EDGARDO L. SALVAME

(c) It has the qualifications, capacity, and abilities to perform the obligations hereunder, pursuant to and in accordance with this Agreement;

(d) No other Party has exclusive rights to supply CUSTOMER with energy and it is in no way compromising any rights or trusts relationships between any other party and CUSTOMER, or creating a conflict of interest, or any possibility thereof, for CUSTOMER or the SUPPLIER;

(e) It has the power, licenses and permits required to carry on its business as it is being conducted and as proposed to be conducted;

(f) This Agreement is binding upon all successors-in-interest, permitted assigns, agents and representatives of the CUSTOMER;

(g) It has not failed to disclose any material fact to the SUPPLIER;

(h) This Agreement and the consummation of the transactions contemplated herein are its legal , valid, binding and enforceable obligations;

(i) The entry into and the performance by it of this Agreement do not and will not conflict with or constitute a breach of or default under (a) any applicable law; (b) any provisions of its Articles of Incorporation or By-laws; (c) any agreement, contract, or instrument binding upon it or any of its assets, real or personal;

(j) There are no outstanding notices of or any violations by the CUSTOMER of any applicable law or any other requirements of any governmental authority having jurisdiction over or affecting any part of this Agreement;

(k) CUSTOMER undertakes to procure all local governmental, corporate and other requirements, licenses, authorizations, permits necessary or desirable in connection with the entry into, performance, validity and enforceability of, and the transactions contemplated by this Agreement and CUSTOMER hereby warrants that the same are in order and in full force and effect;

(l) There are no actions or suits or proceedings by or before any court, arbitral tribunal, administrative body or other judicial or quasi-judicial authority that are pending or threatened against it that if determined adversely against it could materially and adversely affect its ability to perform its obligations under this Agreement;

(m) It operates and maintains the CUSTOMER facility in accordance with Good Industry Practice and applicable laws as necessary to enable the CUSTOMER facility to accept and take the contract energy;

(n) It shall be solely responsible for violations of any applicable laws in the performance of its obligations under this Agreement; and

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(o) Except for any statutory preference or priority established under Philippine law, its financial obligations under this Agreement shall have first priority in order of payment, and CUSTOMER has no existing liability or obligation, or is under no legal impediment, which would prevent CUSTOMER from ensuring such preference in payment.

7.2 SUPPLIER hereby represents and warrants:

(a) It is duly incorporated, validly existing and in good standing under the laws of the Republic of the Philippines;

(b) This Agreement is binding upon all successor-in-interest, permitted assigns, agents and representatives of the SUPPLIER;

(c) This Agreement and the consummation of the transactions contemplated herein are its legal, valid, binding and enforceable obligations;

(d) The entry into and the performance by it of this Agreement do not and will not conflict with or constitute a breach of or default under (a) any applicable law; (b) any provisions of its Articles of Incorporation or By-laws; (c) any agreement, contract, or instrument binding upon it or any of its assets, real or personal;

(e) There are no outstanding notices of or any violations by the SUPPLIER of any applicable law or any other requirements of any governmental authority having jurisdiction over or affecting any part of this Agreement;

(f) The SUPPLIER undertakes to procure all national governmental, corporate and other requirements, authorizations and permits necessary or desirable in connection with the entry into, performance, validity and enforceability of, and the transactions contemplated by this Agreement.

-SECTION EIGHT-
CONFIDENTIALITY

8.1 Each Party shall ensure that no confidential information of the other party (the "Disclosing Party") is disclosed to third parties unless consented to in writing by the Disclosing Party. A Party shall not accept Confidential Information from others on behalf of the other Party unless it is necessary and acquired pursuant to a written agreement with that other Party;

8.2 A Party shall not use confidential information except in the performance of its obligations under this Agreement. It shall not reproduce or otherwise copy any confidential information without the express prior written consent of the Disclosing Party except for a reasonable number of copies necessary to

MR. RAYMOND B. ANG
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DR. REGIN D. MORDENO
MR. EDGARDO L. SALVAME

accomplish the purposes of this Agreement and subject to the condition that all copies shall, upon reproduction, contain appropriate and confidential notices and legends that may appear on the original confidential information;

8.3 Without limiting the foregoing, each Party shall use utmost efforts to prevent any unauthorized disclosure of confidential information, including the exercise of no lesser security measures and degree of care than those which it applies to its own confidential information, such as but not limited to keeping all documents and other material bearing or incorporating any of the confidential information separate from all other documents and materials;

8.4 Any consent given by the Disclosing Party for disclosure of confidential information shall be so given upon the condition that the other Party shall procure that each person or entity to whom disclosure is made shall, prior to disclosure, execute a confidentiality agreement with the disclosing party on the same terms as set out in this Section;

8.5 The provisions contained in this Section shall be effective from the Effective Date and survive the termination or expiration of this Agreement;

MR. RAYMOND B. ANG

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-SECTION NINE-
ALLOWED DOWNTIME AND EVENTS RESULTING IN RESTRICTED ENERGY DELIVERY

9.1 The Parties agree that SUPPLIER is allowed to incur Scheduled Outage and Unscheduled Outage up to a maximum of Eight Hundred Seventy-Six (876) hours for a Genset per contract year.

1) Scheduled Outage. SUPPLIER shall notify CUSTOMER at least five (5) days prior to undertaking any planned inspection, testing, maintenance (Including preventive and corrective maintenance), repair, replacement, improvement or overhaul of the subject Generator Set or its related facilities ("*Scheduled Outage*"). Any desired changes to the schedule shall be communicated by SUPPLIER to Customer at least one (1) day prior to such Scheduled Outage.

2) Unscheduled Outage. SUPPLIER shall notify Customer no later than one (1) day after the occurrence of outage of any generating unit of the subject Generator Set or its related facilities caused by inspection, testing, maintenance (including preventive and corrective maintenance), repair, replacement, improvement, overhaul or otherwise causing unavailability of any generating unit of the subject Generator Set or its related facilities which could not be postponed until the next scheduled Outage ("*Unscheduled Outage*").

9.2 In any contract year and for every Generator Set (if more than one), the difference between Eight Hundred Seventy-Six (876) hours and the actual hours used by SUPPLIER for Schedules Outage and Unscheduled Outage in such contract year shall be credited and may be used by SUPPLIER to undertake Scheduled Outage or Unscheduled Outage for the relevant

Generator Set during succeeding contract years in addition to the 876 hours allowed for such relevant succeeding year.

9.3 SUPPLIER and CUSTOMER are excused from their obligation to deliver and receive energy, respectively, during the occurrence of Scheduled Outage or Unscheduled Outage, in which case the Contract Energy for the affected Billing Period may be adjusted pro rata or as agreed by the Parties.

9.4 SUPPLIER has the option to supply CUSTOMER (all or a portion of) the Contract Energy (and Additional Energy, if applicable) during the occurrence of Allowed Downtime or any other events other than Allowed Downtime, subsequent to closing date, which results in restricted energy delivery (whether full or partial) including load shedding.

1) For the portion of Contract Energy and Additional Energy, if applicable, provided by SUPPLIER from its own back up facility and/or third party, the supply of energy shall be made in accordance with Section 2 hereof.

2) For the portion of Contract Energy provided by SUPPLIER from the Generator Set, CUSTOMER shall pay the Contract Energy Fee, provided that, CUSTOMER shall pay the Load Curtailment Adjustment in lieu of the Capacity Fee (identified as CF under Annex B) component of the Contract Energy Fee for such affected period. Similarly, if applicable, CUSTOMER shall pay the Load Curtailment Adjustment in lieu of the Additional Energy Capacity Rate component of the Additional Energy Fee.

3) Notwithstanding the foregoing, CUSTOMER continues to be liable for the Variable Charge (Identified as VOM under Schedule B) component of the Contract Energy Fee (and Additional Energy Fee, if applicable).

-SECTION TEN-
TERMINATION

10.1 This Agreement may only be terminated by the Parties upon the following grounds:

1) The CUSTOMER may terminate this Agreement by written notice to SUPPLIER upon the occurrence of the following events of default:

(a) SUPPLIER fails to supply Energy for a period of 60 days for reasons wholly attributable to its fault and/or negligence and provided that SUPPLIER fails to take reasonable actions or remedies to solve its inability to deliver capacity and energy.

2) SUPPLIER may terminate this Agreement with immediate effect by serving written notice to CUSTOMER upon the occurrence of any of the following events of default:

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(a) (i) CUSTOMER admits in writing its inability to pay any debt as and when they fall due; (ii) any bankruptcy, insolvency, suspension of payment, reorganization or similar proceedings are commenced by or against CUSTOMER; (iii) as part of scheme of arrangement or composition with its creditors, CUSTOMER makes any assignment for the benefit of its creditors; or (iv) an effective order is made (and not set aside or stayed within sixty (60) days), or an effective corporate resolution is passed, for the liquidation, winding-up or dissolution of CUSTOMER;

(b) A receiver or trustee in bankruptcy, insolvency, suspension of payment, reorganization or similar proceedings is appointed in respect of all or any material part of CUSTOMER's assets and such appointment is not set aside or stayed within sixty (60) days;

(c) Any financial obligation of CUSTOMER under this Agreement and any other agreement of CUSTOMER with Supplier is not paid when due or within any applicable grace period , or is validly declared to be or otherwise becomes due and payable prior to its stated maturity as a result of any actual or potential default, howsoever described;

(d) CUSTOMER ceases or discontinues operations for a period of thirty (30) days;

(e) Any financial obligation of the CUSTOMER under any other agreement is not paid when due nor within any applicable grace period, or is validly declared to be or otherwise becomes due and payable prior to its stated maturity as a result of any actual or potential default, howsoever described, and;

(f) (i) the Security Deposit ceases to be valid, or (ii) CUSTOMER or the Party providing the Security Deposit asserts that it is or becomes entitled to revoke, cancel or suspend the Security Deposit or does revoke, cancel or suspend the Security Deposit or otherwise repudiates the same, or (iii) any of the events or circumstances described in clauses (a) through (e) above, inclusive, shall apply to or affect the person providing the Security Deposit within fifteen (15) calendar days from the date of notice from SUPPLIER requiring that a substitute Security Deposit be posted.

10.2 Upon termination of this Agreement under any circumstances, CUSTOMER shall immediately pay to SUPPLIER all unpaid Electricity Fees and all other amounts then payable by CUSTOMER to SUPPLIER under this Agreement.

10.3 In the event that this Agreement is terminated by the SUPPLIER on grounds of breach of this Agreement attributable to the CUSTOMER, the CUSTOMER shall immediately pay to the SUPPLIER the Termination Fee equivalent to the Minimum Capacity Fee which the CUSTOMER should have been liable to pay

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were it not for the early termination of the Agreement and all other costs arising from the termination of the Agreement.

CUSTOMER, in addition to the payment of the Minimum Capacity Fee for the unexpired portion of the Agreement shall also be liable to pay the SUPPLIER reasonable amount of damages equal to ten percent (10%) of the Minimum Capacity Fee for the said unexpired portion.

The Parties hereby agree that the amount of Termination Fee stated above is equivalent to reasonable approximate of damages which will be suffered by the SUPPLIER considering the nature of this Agreement and the amount of investments of the SUPPLIER;

10.4 Upon any termination of this Agreement, neither Party shall have any further obligation to the other Party, other than for those obligations arising prior to the date of termination and those which, by their nature, are to be performed after termination or which are expressed to survive the termination hereof. The termination of this Agreement under any circumstance hereunder shall be in addition to, and not exclusive of, any other right, remedy or relief as are available to the Party terminating this Agreement hereunder, at law or in equity.

MR. RAYMOND B. ANG

ENGR. RENATO S. CORTEZANO

DR. REGIN D. MORDENO

MR. EDGARDO L. SALVAME

-SECTION ELEVEN-
NOTICES

11.1 Each communication, notice, demand, or request to be made hereunder, including Billing Statements shall be made in writing and, unless otherwise stated, may be sent through personal delivery, facsimile, email, registered courier, or registered mail. Any notice to be made or delivered by one Party pursuant to this Agreement shall be made or delivered to the other Party at the contact details specified in **Annex "C"** (Notices).

Any Party may change its address, facsimile number or email address for purposes of receipt of Notices by giving the other Party not less than fifteen (15) days notice of such change. A notice shall be deemed to have been made or delivered (i) in the case of any notice made by personal delivery, registered courier, or by registered mail, when left at that address or otherwise received by the addressee; (ii) in the case of any communication made by facsimile, when a legible copy of such communication has been received, and (iii) in case of email, upon receipt by sender of the acknowledgement of the "receipt requested" message from the recipient.

-SECTION TWELVE-
NON-WAIVER, AMENDMENTS AND REMEDIES

12.1 No waiver by the SUPPLIER of any provision of this Agreement shall be binding unless made in writing and signed by the SUPPLIER's authorized representative. The failure of the SUPPLIER to insist, in any one or more instances, upon strict performance of any of the provisions of this Agreement or to take advantage of any rights granted hereunder shall not be construed as a waiver of any such provisions or the relinquishment of any of such rights in the future.

12.2 No changes or modifications of this Agreement shall be effective unless made in writing and signed by both Parties.

12.3 Unless otherwise provided, the remedies under this Agreement shall be cumulative and not exclusive, and the exercise of one remedy shall not exclude the exercise and shall not be construed as a waiver of the right to exercise the other remedies.

-SECTION THIRTEEN-
DISPUTE RESOLUTION

13.1 The Parties shall refer any dispute, controversy, claim or difference between them arising out of or relating to this Agreement, or the breach thereof, or in the interpretation of any of the provisions hereof (each a "Dispute"), to their respective representatives who shall seek to amicably resolve such Dispute in accordance with the procedure set out in this Section.

13.2 The Party alleging a Dispute shall give written notice thereof to the other Party within thirty (30) calendar days from the occurrence thereof, which notice shall contain a description of the Dispute.

13.3 Promptly upon receipt by the other Party of Notice of Dispute, the Parties' respective representatives shall meet and discuss in good faith to resolve the Dispute within thirty (30) days from receipt of the notice, or within such longer period as the Parties may mutually agree.

-SECTION FOURTEEN-
JURISDICTION AND COURT LITIGATION

14.1 Any Dispute that is not resolved between the Parties in accordance with the provisions of Section 12 shall, unless the Dispute falls within the original and exclusive jurisdiction of the ERC, be submitted to jurisdiction of the proper courts of Davao City, Philippines, to the exclusion of all other courts elsewhere situated, and the Parties agree that the courts of Davao City are an

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appropriate forum for the settlement of Disputes and waive any claim or assertion that such courts are an inconvenient forum.

14.2 If SUPPLIER have instituted an action on a Dispute to enforce this Agreement or as a result of an alleged breach of this Agreement by CUSTOMER, CUSTOMER shall also be liable to the SUPPLIER for an amount equivalent to twenty percent (20%) of the value of any award made in favor of the SUPPLIER, to cover attorney's fees and other expenses of dispute resolution or litigation.

MR. RAYMOND B. ANG

ENGR. RENATO S. CORTEZANO

-SECTION FIFTEEN-
GOVERNING LAW

15.1 This Agreement shall be governed by and construed in accordance with the laws of the Republic of the Philippines. The Parties shall perform all their obligations under this Agreement in accordance with Applicable Law. In case of any amendment, modification or change in Applicable Law, the Parties shall continue to perform their obligations under this Agreement unless made expressly unlawful or impossible by such amendment, modification or change.

-SECTION SIXTEEN-
ENTIRE AGREEMENT

16.1 The Parties acknowledge that this Agreement constitutes the entire agreement between them and shall completely supersede all other prior understandings, previous communications, or contracts, oral or written, between the parties relating to the subject matter hereof;

DR. REGIM D. MORDENO

16.2 Nothing contained in this Agreement shall be construed to create an association, trust, partnership, or joint venture or impose a trust or partnership duty, obligation, or liability on or with regard to either Party, or to create any duty, standard of care or liability to any person or entity not a Party hereto. Each Party shall be liable individually and severally for its own obligations under this Agreement.

-SECTION SEVENTEEN-
ASSIGNMENT OR TRANSFER

MR. EDGARDO L. SALVAME

17.1 Neither party shall assign or transfer all or any part of its rights, benefits or obligations hereunder, without the prior written consent of the other Party, except that the **SUPPLIER** may assign all or any part of its rights, benefits or obligations hereunder to its holding companies, subsidiaries, or affiliates, without need for notice to or consent of **CUSTOMER**. No assignment or transfer shall be valid unless the assignee or transferee shall issue a formal

written assumption of liability of all the obligation of its assignor or transferor under this Agreement.

-SECTION EIGHTEEN-
SEVERABILITY

18.1 If one or more provisions of this Agreement shall be declared invalid, illegal or unenforceable, the remaining provisions shall remain in, and shall be given, full force and effect. The Parties shall meet in good faith to agree, to the fullest extent allowed by law, on a substitute provision that would most closely approximate the intention of the invalid provision, and amend this Agreement accordingly.

IN WITNESS WHEREOF, the Parties have hereunto set their signatures the place and date first above written.

KING ENERGY GENERATION INC.

BY:

MR. EDGARDO L. SALVAME

FIRST BUKIDNON ELECTRIC COOPERATIVE, INC.

BY:

DR. REGIN D. MORDENO

SIGNED IN THE PRESENCE OF:

Mr. Renato S. Cortezano
General Manager, FIBECO

Mr. Raymond B. Ang
COO, King Energy Generation Inc.

MR. RAYMOND B. ANG
ENGR. RENATO S. CORTEZANO
DR. REGIN D. MORDENO
MR. EDGARDO L. SALVAME

ACKNOWLEDGMENT

Republic of the Philippines)
_____)

Before me, a Notary Public for and in the City of _____, this ____ day of _____, 2013 personally appeared Mr. Edgardo L. Salvame who is identified by me through his passport with nos. EB7986607 issued in Pasay City on 26 April 2013, known to me and to me known to be the same person who executed the foregoing Power Supply Agreement consisting of ____ pages including its attachments and the page wherein this Acknowledgment is made and he acknowledged that the same is his free and voluntary act and deed and of the Corporations he represents.

WITNESS my hand and seal on the date and place first above written.

ATTY. ABUNDIO UR. GAITERA
NOTARY PUBLIC
UNTIL DECEMBER 31, 2013
ROLL No. 28469
IBP No. 871618
PTR No. 7132227
TIN No. 938-274-562

NOTARY PUBLIC

Doc. No. 3439;
Page No. 68;
Book No. VII;
Series of 2013.

MR. RAYMOND B. ANG

ENGR. RENATO S. CORTEZANO

ACKNOWLEDGMENT

Republic of the Philippines)
_____)

Before me, a Notary Public for and in the City of _____, this ____ day of _____, 2013 personally appeared DR. REGIN D. MORDENO who is identified by me through his passport with nos. XX4667784 issued in Consular office, Cagayan de Oro City on September 29, 2009, known to me and to me known to be the same person who executed the foregoing Power Supply Agreement consisting of ____ pages including its attachments and the page wherein this Acknowledgment is made and he acknowledged that the same is his free and voluntary act and deed and of the Corporations he represents.

WITNESS my hand and seal on the date and place first above written.

ATTY. ABUNDIO UR. GAITERA
NOTARY PUBLIC
UNTIL DECEMBER 31, 2013
ROLL No. 28469
IBP No. 871618
PTR No. 7132227
TIN No. 938-274-562

NOTARY PUBLIC

Doc. No. 3375;
Page No. 67;
Book No. VII;
Series of 2013.

DR. REGIN D. MORDENO

MR. EDGARDO L. SALVAME

ANNEX "A"

METERING POINTS

List of Metering Points

King Energy Generation Inc.

LOCATION	*DELIVERY VOLTAGE*
Dologon, Maramag Bukidnon	*69kV*

MR. RAYMOND B. ANG

ENGR. RENATO S. CORTEZANO

DR. REGIN D. MORDENO

MR. EDGARDO L. SALVAME

ANNEX "B"

RATES SCHEDULE

1.Basic Electricity Fees Component

Capacity Fee (CF)	= Php 1,522/kw/month
Fixed O&M Fee (FOM)	= Php 242/kw/month
Billing Capacity (BC)	= 6,000kW
Variable O&M (VOM)	= Php 1.2834 / kwh
Number of Hours per day	= 8 hours

2.Contract Energy Fee per Month

CEF = FC + VC

FC = (CF + FOM x IFf) x BC

VC = (VOM x IFv + FL) x ED

Where:

BC = Billing Capacity in kW

FC = Fixed charge per month in Php

VC = Variable charge per month in Php

ED = Energy Delivered in kWh

CEF = Contract Energy Fee in Php

VOM = Variable charge per month in Php/kwh

CF = Capacity fee in Php/kW/month

FOM = Fixed O&M fee in Php/kW/month

IFf = Inflation factor fixed

IFv = Inflation factor variable

FL = Fuel and Lube oil in Php/kwh (Pass through subject to heat rate schedule)

MR. RAYMOND B. ANG

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MR. EDGARDO L. SALVAME

3. Inflation Factor

Inflation Factor for fixed O&M

IF (f) = 1 X (P CPI m / P CPI b)

Inflation Factor for variable O&M

IF (v) = 0.0078 + 0.2024 X (P CPI m / P CPI b) + 0.7899 X (P EX m / P EX b)

Where:

P CPI m = Philippine CPI of the current billing month

P CPI b = Philippine CPI on the effectivity month of this Agreement

P EX m = Peso to EURO exchange rate at the end of the current billing month

P EX b = Peso to EURO exchange rate on the effectivity month of this Agreement

Consumer Price Indices

P CPI m	169.80	BSP	Jan-12
P CPI b	169.80	BSP	Jan-12

Peso Foreign Exchange Rate

P EX m	59.0115 PHP/EUR	BSP	Jan-12
P EX b	59.0115 PHP/EUR	BSP	Jan-12

4. Computation of Fuel and Lube oil rate

FL = HFOCR x Actual Heavy Fuel cost per liter

Where:

HFOCR = Heavy fuel oil consumption rate in liters/kwh

= 0.26 L/kwh (based on the actual Load Factor per Schedule I)

Note: The monthly actual cost per liter of fuel oil shall be based on the weighted average cost of actual monthly invoices of fuel oil deliveries, inventories and consumption.

MR. RAYMOND B. ANG

ENGR. RENATO S. CORTEZANO

DR. REGIN D. MORDENO

MR. EDGARDO L. SALVAME

5. Testing and Commissioning Fee

Only Actual Fuel cost and Variable O&M.

6. Start up Fee

Actual cost of additional start-up and shutdown with documents.

7. Additional Energy Fee in excess of eight (8) running hour per day

AEF = AC x BC x h + (VOM + FL) x EE

Where:

AEF = Additional Energy Fees in Php

AC = Additional cost (0.78 Php/kw/h) in excess of eight (8) running Hour per day

BC = Billing Capacity, as previously defined

h = Excess hours per day

VOM = Variable O&M, as previously defined

FL = Fuel and Lube oil, as previously defined

EE = Energy delivered in excess of eight (8) hours per day

MR. RAYMOND B. ANG

ENGR. RENATO S. CORTEZANO

DR. REGIN D. MORDENO

MR. EDGARDO L. SALVAME

8. Sample Computation

CONTRACT ENERGY SAMPLE COMPUTATION					
CEF = CF x BC + [FOM x IFf x BC] + [VOM x IFv x ED] + [FL x ED]				**Php/month**	**Php/kwh**
CF	Capacity Fee	1,522	Php/kw/month	9,130,567.20	6.2538
BC	Billing Capacity	6,000	kw		
FOM	Fixed O&M	242	Php/kw/month	1,452,705.31	0.9950
IFf	Inflation factor fixed	1			
VOM	Variable O&M	1.2834	Php/kwh		
IFv	Inflation factor var.	1			
ED	Energy Delivered	1,460,000	kWh	1,873,740.30	1.2834
Total Energy Fee (excluding fuel)				**12,457,013**	**8.5322**

Notes:

1. Fuel oil cost pass-on to the consumer

2. Inflation Factor for fixed O&M

   IF (f) = 1 X (P CPI m / P CPI b)

   = 1 x (169.8/169.8)

   = 1

3. Inflation Factor for variable O&M

   IF (v) = 0.0078 + 0.2024 x (P CPI m / P CPI b) + 0.7899 x (P EX m / P EX b)

   = 0.0078 + 0.2024 x (169.8/169.8) + 0.7899 x (59.0115/59.0115)

   = 1

MR. RAYMOND K. ANG

ENGR. RENATO S. CORTEZANO

DR. REGIN D. MORDENO

MR. EDGARDO L. SALVAME

SCHEDULE I
Of ANNEX B

Fuel Heat Rate

Capacity Factor (%)	Fuel Heat Rate (li/kWh)
50-60	0.2829
61-70	0.2727
71-80	0.2696
81-90	0.2689
91-100	0.2600

MR. RAYMONIL B. ANG

ENGR. RENATO S. CORTEZANO

DR. REGIN D. MORDENO

MR. EDGARDO L. SALVAME

ANNEX "C"

NOTICES

FOR SUPPLIER	KING ENERGY GENERATION, INC.
General Concerns	
Name:	RAYMOND B. ANG
Designation:	CHIEF OPERATION OFFICER
Address:	G/F Divine Saviour Bldg. 102 Juan St., Davao City
Telephone :	09175399503 (082) 2251252
Facsimile:	(082) 2251252
Email:	raymond_angcdo@yahoo.com
For Billing Concerns	
Name:	RAYMOND B. ANG
Designation:	CHIEF OPERATION OFFICER
Address:	G/F Divine Saviour Bldg. 102 Juan St., Davao City
Telephone :	09175399503 (082) 2251252
Facsimile:	(082) 2251252
Email:	raymond_angcdo@yahoo.com
FOR CUSTOMER	FISRT BUKIDNON ELECTRIC COOPERATIVE (FIBECO)
General Concerns	
Name:	Engr. Renato S. Cortezano
Designation:	General Manager
Address:	Anahawon, Maramag, Bukidnon
Telephone :	088 356 1025
Facsimile:	088 356 1025
Email:	cortezano_rene@yahoo.com
For Billing Concerns	
Name:	Luzminda L. Pallasigue
Designation:	Finance Manager
Address:	Anahawon, Maramag, Bukidnon
Telephone :	088 356 1026
Facsimile:	088 356 1025
Email:	fibeco_inc_maramag@yahoo.com.ph

MR. RAYMOND B. ANG

ENGR. RENATO S. CORTEZANO

DR. REGIN D. MORDENO

MR. EDGARDO L. SALVAME

SCHEDULE 1
DEFINITIONS

AGREEMENT- means this Power Supply Agreement and all its Annexes

APPLICABLE LAW- refers to law, statutes, orders, issuances, ordinances, rules, rulings, regulations, codes, decisions, opinions or interpretation of any Governmental Authority pertinent to or affecting a Party or both Parties

BASIC ENERGY CHARGE- refers to the unit price (Pesos per kWh) that Customer shall pay for Contract Energy as set out in Annex B (Rates Schedule)

BILLING PERIOD- means the period commencing at 00:00 hours on the twenty-sixth (26th) day of each calendar month, and ending at 24:00 hours on the twenty-fifth (25th) day of the following calendar month

BILLING STATEMENT- refers to the document that the Supplier will furnish Customer, indicating the total amount of Electricity Fees that Customer will pay Supplier

CLOSING DATE- shall be on the first day of commercial operation or such date as may be extended by the Supplier in accordance with Section 1.6 (b) of the Agreement. It shall also have the meaning given to this term under Sec. 1.3 of the Agreement.

CONFIDENTIAL INFORMATION- means all data and information disclosed (whether before or after the date of this Agreement and whether in writing or in computer disc, verbally or by any other means and whether directly or indirectly) by the Disclosing Party (or by another person in behalf of the Disclosing Party) to the other Party in whatever form, tangible or intangible, that is not generally known to the public and relates to the operations, business, technology, practices, products, marketing, sales, services, finances or legal affairs of the Disclosing Party or of any third party doing business with or providing information to the Disclosing Party, including this Agreement, information about this Agreement and negotiations pertaining to this Agreement as well as actual or prospective customers, business partners, market opportunities, business, sales, marketing, technical, financial and legal plans, proposal and projections, product information, know-how, design

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rights, trade secrets, concepts, techniques, processes, methods, systems, designs, programs, codes, formula, research, experimental work and work in progress.

CONTRACT ENERGY- refers to the Energy quantity in kilowatt-hours per Billing Period consumed by Customer which in no case shall be below the Contract Energy provided under Annex B (Rates Schedule)

CONTRACT PERIOD- refers to the duration of this Agreement (10 years) commencing from the Closing date until the end of the last Billing Period

CONTRACT YEAR- refers to each period consisting of twelve (12) Billing Periods

CUSTOMER FACILITY- refers to the Customer's distribution franchise located at the Province of Surigao del Sur

DELIVERY DATE- means the first day of the Billing Period or on such date as may be extended by the Supplier in accordance with Section 1.6 (b) of the Agreement

DISCLOSING PARTY- shall have the meaning given to this Term in Section eight (8) of the Agreement

DISPUTE- shall have the meaning given to this Term in Section thirteen (13) of the Agreement

EFFECTIVE DATE- refers to the date of execution of this Agreement

ELECTRICITY FEES- refers to the total amount of charges due from Customer in respect of all energy supplied during a Billing Period

ENERGY- refers to all Contract Energy , Additional Energy, Back-up Power and Replacement Power measured, in each case, in kilowatt-hours (kWh) delivered by Supplier to Customer during a Billing Period

EPIRA- means R.A. 9136, otherwise known as the "Electric Power and Industry Reform Act of 2001"

ERC- refers to the Energy Regulatory Commission, which is the regulating body of the electric power industry as provided under EPIRA

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FORCE MAJEURE-	refers to the circumstances defined under Section six (6)
FUEL-	means fuel required to operate the Power Plant and to generate energy
GOOD INDUSTRY PRACTICE-	means those nationally recognized practices, methods, standards and acts engaged in or approved by the majority of the members of the power generation industry in the Philippines at any relevant time, including practices, methods and act which, in the exercise of reasonable judgment in light of the facts known at the time the decision was made, could have been expected to accomplish the desired result at the lowest reasonable cost consistent with good business practices, reliability, adequacy, quality, safety and expedition. Good Industry Practice is not intended to be limited to the optimum practice, method or acts generally accepted in the region and consistently adhered to by similar generating companies
GOVERNMENTAL AUTHORITY-	means the Republic of the Philippines or any national, regional, provincial, municipal or other political subdivision thereof, and any department, ministry, instrumentality, agency, corporation, or commission under the direct or indirect control or supervision of the Republic of the Philippines or any political subdivision thereof; Provided, however, that for purposes of this Agreement, Customer shall not be considered a governmental authority
GOVERNMENTAL REQUIREMENT-	means any all Applicable Laws, regulations, codes, directives, judgments, decrees, orders or interpretations of any court, arbitrator or Governmental Authority and any valid waivers, exemptions, variances, permits, licenses, authorizations, orders, consents or conditions of or from, in any such case, any Governmental Authority or Court or other entity having jurisdiction over the performance of the obligations of each Party to be performed hereunder, including all consents, licenses, registrations, concessions and permits required to be issued pursuant thereto by any Governmental Authority

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	in connection with any of the transactions contemplated hereby
METER RESULTS-	refers to the set of actual hourly quantities of Energy taken by the Customer as determined by the Metering Services Group of the Supplier or any other third party to which both Customer and Supplier may jointly reassign this responsibility ("Third Party Meter Reader)
METERING POINTS-	means the actual physical point (s) (e.g. plant metering point) where Supplier shall deliver the Energy to Customer
MINIMUM CONTRACT ENERGY-	refers to the minimum Energy quantity in kilowatt-hours as provided in Annex B (Rates Schedule)
MINIMUM ENERGY CHARGE	-refers to the load weighted average price of the Supplier for the Billing Period or the difference between the Minimum Contract Energy and the actual Energy consumed by the Customer in case the latter consumes less than the minimum Contract Energy
PAYMENT DATE-	means on or before the 26th day of the immediately following month on which a Billing Period ends and on which electricity fees in respect of energy delivered during that Billing Period are due
POWER PLANT-	means the seven point eight (7.8) Megawatt Diesel Power Plant
SECURITY DEPOSIT-	means the instrument Customer is required to post to guarantee its outstanding accounts and other obligations under this Agreement, as more particularly described in the form and in the amount set out in Section 3.2.1

*****NOTHING FOLLOWS*****

MR. RAYMOND B. ANG
ENGR. RENATO S. CORTEZANO
DR. REGIN D. MORDENO
MR. EDGARDO L. SALVAME

POWER SUPPLY AGREEMENT

MR. RAYMOND B. ANG

MR. NOEL B. DUMALAGAN

MR. HURLITO L. PADERANGA

MR. EDGARDO L. SALVAME

This **Power Supply Agreement** (hereinafter referred to as "**Agreement**") is entered into this 2nd day of August, 2012 in Roxas Blvd., CCP Complex, Pasay City, Philippines, by and between:

KING ENERGY GENERATION INC., a corporation duly organized and existing under the laws of the Republic of the Philippines, with address at G/F Divine Savior Building 102 Juan Luna St., Davao City, Philippines, herein represented in this act by its President, **MR. EDGARDO LIM SALVAME**, who is duly authorized to represent it in this transaction (hereinafter referred to as "**SUPPLIER**");

And

MISAMIS OCCIDENTAL I ELECTRIC COOPERATIVE, INC. (MOELCI I), a non-stock, non-profit electric cooperative organized and existing under and by virtue of P.D. 269, as amended, with address at Magcamiging, Calamba, Misamis Occidental , herein represented in this act by its Board President, **MR. HURLITO LICO PADERANGA** who is duly authorized to represent it in this transaction, (hereinafter referred to as "**CUSTOMER**");

The SUPPLIER and the CUSTOMER shall be individually referred to herein as "**Party**", and collectively, as "**Parties**"

WITNESSETH THAT:

WHEREAS, CUSTOMER is an electric cooperative engaged in the distribution of electricity and/or power in the Province of Misamis Occidental;

WHEREAS, SUPPLIER is a corporation engaged in the generation and supply of electric power;

WHEREAS, CUSTOMER is in need of and desires to contract capacity and energy from SUPPLIER, and the SUPPLIER is willing and agrees to provide capacity and energy to CUSTOMER;

NOW THEREFORE, for and in consideration of the mutual covenants and agreements hereinafter set forth, the Parties, for themselves, their successors and assigns, have mutually agreed as follows:

Words used in this Agreement shall be understood in accordance with the meanings and definitions provided under Schedule 1 hereof.

MR. RAYMOND B. ANG

MR. NOEL B. DUMALAGAN

MR. HURLITO L. PADERANGA

MR. EDGARDO L. SALVAME

-SECTION ONE-
SCOPE AND TERM

1.1 This Agreement shall govern the terms and conditions by which the CUSTOMER shall reserve, receive and pay for the capacity and energy that will be made available by the SUPPLIER.

1.2 This Agreement shall take effect immediately upon the signing of this Agreement (the "**Effective Date**")and shall remain in full force and effect for a period of **TEN (10) years** counted from the Closing Date (the "**Term**") as defined under Section 1.3, unless earlier terminated in accordance with Section 9 hereof.

1.3 The Closing Date shall be the date after Sixty-Five (65) weeks counted from the complete compliance with the requirements set forth under Section 1.5 of this Agreement or on such date that may be provided by the **SUPPLIER** in accordance with Section 1.6 (b) hereof.

For purposes of this Agreement, Closing Date shall refer to the date when the **SUPPLIER** shall commence delivery of the contracted capacity and energy to the **CUSTOMER.**

The Closing Date shall be accordingly adjusted to exclude the period of delays caused by unexpected deferment in the manufacture or production of operational machineries, unforeseen extension in terms of transportation or shipment of equipment, or for any other cause whatsoever which is beyond the control of the SUPPLIER. In such event, the SUPPLIER shall be excused from the aforesaid delay and non-conformity to the set Closing Date under this Agreement, until such time that the above-stated cause of delay has ceased to exist;

1.4 Unless **WRITTEN NOTICE** is served by the duly authorized representative of one Party to the other not later than sixty (60) days prior to the expiration of the *Term*, this Agreement shall be ***automatically renewed*** for a period of another **TEN (10) years** without need for any further action or notice by either of the Parties to the other.

1.5 Notwithstanding the execution of this Agreement and the occurrence of the *Effective Date*, the reckoning date within which to count the Sixty-Five (65) week period referred to under Section 1.3 of this Agreement shall be deemed to commence only after compliance/satisfaction of the following conditions precedent:

(a) receipt by the SUPPLIER of a certificate executed by the corporate secretary of the CUSTOMER, attesting that the Board of Directors of CUSTOMER adopted resolutions: (i) authorizing CUSTOMER to execute, enter into, deliver this Agreement and the performance of its

obligations hereunder, and (ii) designating the person authorized to execute this Agreement in behalf of the CUSTOMER;

(b) receipt by the SUPPLIER of the Security Deposit referred to under Section 3.2;

(c) receipt by the SUPPLIER of the proposed location for the *Genset* which must be at least one (1) hectare, including the title, contract of lease duly registered with the Register of Deeds and/or other evidence of ownership of the property where the Genset is proposed to be installed;

(d) receipt by the SUPPLIER of all governmental permits, licenses, and other requirements necessary for the operation of the power generation facility in the area of operation of the CUSTOMER which the CUSTOMER undertook to secure in accordance with Section 7.1 (k);

(e) the ERC shall have issued an approval for this Agreement, including the pricing structure set out herein (and any provisional authority issued by the ERC shall be considered as satisfaction of this condition);

(f) the Department of Energy (DOE) shall have issued a Certificate of Endorsement in favor of the SUPPLIER;

(g) the Energy Regulatory Commission (ERC) shall have issued a Certificate of Compliance in favor of SUPPLIER

Upon satisfaction of the aforesaid conditions precedent, SUPPLIER shall deliver to CUSTOMER written notice confirming full receipt of the documents and instruments described above;

Under no circumstance will the SUPPLIER be obliged to commence deliveries of energy without the satisfaction or fulfillment of the above-enumerated condition precedents.

1.6 If any of the conditions set out in Section 1.5 shall not have been satisfied upon Closing Date, the SUPPLIER shall have the option to:

(a) Terminate this Agreement by delivery of written notice of such termination;

(b) Waive, or in its ***sole discretion***, provide a grace period for, the satisfaction of any condition precedent that shall not have been satisfied, excluding Section 1.5 (d),(e) and (f), and deliver written notice of such waiver or grace period to the CUSTOMER(In the event the SUPPLIER grants a grace period, the written notice shall specify the date, which date shall be considered as the Closing Date);

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MR. NOEL B. DUMALAGAN

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MR. EDGARDO L. SALVAME

-SECTION TWO-
SUPPLY OF ENERGY

2.1 During the Term of this Agreement, and provided that all the conditions precedent under Section 1.5 have been complied with SUPPLIER shall supply and deliver Energy to the CUSTOMER during the Billing Periods, at the Metering Points specified in **Annex "A"** (*Metering Points*) and at the fixed rate specified in **Annex "B"** (*Rates Schedule*).

With reference to Annex "B" hereof, Fuel shall mean Actual Fuel Cost, inclusive of freight, insurance and duties, charged on a pass through basis subject to a gross fuel consumption rate equivalent to 0.26 li/kWh for bunker and 0.28 li/kWh for diesel.

2.2 The SUPPLIER shall conduct all meter readings at the end of each Billing Period. The CUSTOMER may dispute the Meter Results in accordance with Section 4.

2.3 The SUPPLIER shall be allowed reasonable time for preventive maintenance upon giving of written notice to the CUSTOMER.

"Reasonable time" shall be in accordance with Good Industry Practice.

-SECTION THREE-
PAYMENT OF FEES AND SECURITY DEPOSIT

3.1 ***Payment of fees***

3.1.1 SUPPLIER shall deliver a Billing Statement setting out the Electricity Fees due on account of all Energy delivered within seven (7) working days from the end of each Billing Period.

3.1.2 CUSTOMER shall pay in full all Electricity Fees without need of any demand **not later than the 26th day** of the succeeding calendar month after the end of each Billing Period.

Payment shall only be made at the bank account designated by the Supplier and in lawful currency of the Philippines.

Failure of the CUSTOMER to remit or cause the remittance of such payments to the designated account shall cause the unpaid portion of the invoice to earn interest at the rate of **two percent (2%) per month** (a fraction of a month shall be considered as one month) until actual payment in full of the amount due has been made.

In Addition to the penalty, SUPPLIER shall have the right (i) to draw against the Security Deposit; (ii) to temporarily suspend its obligation to generate and sell electric power to CUSTOMER without need of notice; (iii) to rescind or terminate this Agreement; and/or (iv) to

declare fees and charges for electricity supplied in the current Billing Period and such other unbilled periods, as due and payable, whereupon CUSTOMER shall pay such fees and charges immediately upon delivery by SUPPLIER of the corresponding Billing Statement to Customer.

3.1.3 In case of shortfalls in the consumption of CUSTOMER, it shall remain liable to pay to the SUPPLIER the minimum contract energy fee.

3.1.4 All payments made by CUSTOMER hereunder shall be made free and clear of and without any deductions for or on account of any set-off or counterclaim, except as required by law or as mutually agreed in writing by the Parties.

At any event, bank charges shall be borne by the CUSTOMER and shall not be deducted from the payment made by the CUSTOMER.

CUSTOMER may deduct applicable withholding taxes due and/or paid for the supply of energy by SUPPLIER subject to CUSTOMER's timely submission to SUPPLIER of the corresponding *Withholding Tax Certificate.*

Upon receipt by the SUPPLIER of the *Withholding Tax Certificate*, official receipt shall then be issued to the CUSTOMER.

3.2 ***Security Deposit***

3.2.1 A Security Deposit at an amount equivalent to one month of the sum of the average monthly Capacity Fee, Fixed and Variable O&M Fees and Fuel Cost Recovery Fee of the Buyer shall be posted by the CUSTOMER in the form of a (1) manager's check or (2) cashier's check from a bank or other financial institutions acceptable to the SUPPLIERon or prior to the Closing Date. CUSTOMER may, if it chooses to do so, furnish a Security Deposit in the form of cash.

The Security Deposit shall be calculated based on the minimum usage for the first contract year and shall be adjusted in accordance with the next succeeding Section.

3.2.1 Prior to the commencement of each Contract Year after the first Contract Year, the value at which the Security Deposit shall be maintained shall be adjusted based on the average monthly Capacity Fee, Fixed and Variable O&M Fees and Fuel Cost Recovery Fee of the CUSTOMER for the immediately preceding Contract Year. The CUSTOMER shallpost the Security Deposit in the adjusted amount on or prior to the first day of the first Billing Period of each succeeding Contract Year.

3.2.2 In the event that SUPPLIER draws against the Security Deposit as provided under this Agreement, CUSTOMER shall replenish the Security Deposit to restore the value thereof to its original amount

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prior to SUPPLIER having drawn thereon within fifteen (15) calendar days from receipt of notice from SUPPLIER.

3.2.3 In the event that CUSTOMER does not replenish its Security Deposit in full within fifteen (15) calendar days as per Section 3.2.2, SUPPLIER may unilaterally terminate the Agreement with immediate effect, and customer shall be liable to pay a Termination Fee equivalent to the amount stated in Section 9.3.

3.2.4 The Security Deposit shall be returned by SUPPLIER to the CUSTOMER together with interest earned within thirty (30) days from expiration of this Agreement.

Interest shall be fixed at two percent (2 %) per annum.

Any amount which may be due to the SUPPLIER which remains unpaid until the expiration of this Agreement may automatically be deducted by the SUPPLIER from the Security Deposit.

-SECTION FOUR-
BILLING DISPUTE

4.1 If CUSTOMER disputes any Billing Statements, it shall so inform SUPPLIERin writing within a period of **FIFTEEN (15)** days from receipt thereof. The CUSTOMER must specify the items that are disputed in the Billing Statement. If the dispute is not resolved by the Payment Date provided under Section 3.1.2, CUSTOMER shall pay the full amount stated in the Billing Statement on or before such due date, with the disputed portion paid under protest. The Parties shall endeavour to resolve the dispute within ten (10) days after payment in full of the amount stated in the Billing Statement. In case the dispute is not resolved within ten (10) days, then the matter shall be deemed to be a Dispute and the provisions of Section 13 shall apply.

4.2 If the Parties resolve the dispute in favor of the CUSTOMER in accordance with Section 4.1, or if the Dispute on the Billing Statement is determined adversely to SUPPLIER pursuant to Section 13, SUPPLIER shall allow CUSTOMER a credit on the Billing Statement next due in an amount equivalent to that disputed by CUSTOMER(without interest or penalty thereon whatsoever).

4.3 Disputed billing shall not be an excuse or a ground for CUSTOMER to delay payment of succeeding billings or to unilaterally deduct any amount therefrom.

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-SECTION FIVE-
TAXES, FEES AND COSTS

MR. RAYMOND B. ANG

5.1 CUSTOMER shall be liable for and shall pay: (i) any taxes (including Value Added Tax, if any), fees, charges, levies and imposts imposed or assessed by any governmental authority on or in connection with the purchase and sale of electricity and/or payments due to SUPPLIER hereunder; and (ii) any new taxes, fees, charges, levies and imposts (including any increase in the rate or amount thereof after the date hereof but excluding income taxes) imposed on SUPPLIER, excluding fines and penalties directly attributed to SUPPLIER's own negligence, after the date hereof, in connection with the performance by the SUPPLIER of its obligations pursuant to this Agreement. Such payments shall be made as and when required pursuant to applicable laws in effect from time to time.

MR. NOEL B. BUMALAGAN

5.2 CUSTOMERshall also be liable for payment of the Universal Charge (as this term is defined under the EPIRA) upon the imposition thereof, it being understood that the imposition of the Universal Charge pursuant to the provisions of EPIRA should not be an event of Force Majeure.

5.3 Power generated during Commissioning and Testing of the Plant shall be charged to and paid for by the CUSTOMER in accordance with Annex B (Rates Schedule).

5.4 Save as otherwise provided in this Agreement, each party shall be liable for such costs and expenses that it may incur on account of the performance of its obligations hereunder.

MR. HURLITO L. PADERANGA

-SECTION SIX-
FORCE MAJEURE

MR. EDGARDO L. SALVAME

6.1 Force Majeure means any event, matter or circumstance that is unforeseeable or is outside the reasonable control of a party and that prevents or restricts the performance by that party of its obligations hereunder, and shall include: (i) acts of God; (ii) acts of war or the public enemy, whether war be declared or not, invasion, armed conflict or act of foreign enemy, blockade, embargo, revolution and public disorders, including insurrection, rebellion, civil commotion, sabotage, riots and violent demonstrations; (iii) strikes, lock-outs, riots and labor disputes in any such case which are widespread or nationwide; (iv) floods, tidal waves, explosions, fire, earthquakes, typhoons and other natural calamities; (v) expropriation or compulsory acquisition of all or any material part of the Power Plants or the Site, or any other act of governmental authority that prevents or restricts SUPPLIER's access to the Power Plants or the Site; (vi) change in governmental requirements enforced from time to time after the date hereof, including any change in the policies (or the interpretation of the policies) of the Department of Energy, the Energy Regulatory Commission, National Grid Corporation of the Philippines, or any

governmental agency that regulates or exercises jurisdiction over the electric power industry or any sector thereof;(vii) arbitrary or capricious or unreasonable denial, conditioning, variation, termination or voiding of, or failure, or delay, in granting or renewing , any governmental permit, such as but not limited to any permit, license, agreement, order, certificate, franchise, registration, filing, authorization, consent or approval issued by or filed with any governmental authority, which is required for such party's performance of its obligations hereunder, notwithstanding such party's due application therefor and diligent efforts to obtain the same; or any other event of similar nature which prevents the SUPPLIER from delivering electricity to the CUSTOMER, or prevents the CUSTOMER from receiving energy from SUPPLIER.

With respect to SUPPLIER, Force Majeure shall include the failure or inability of the SUPPLIER to manage and control the contracted capacity of the power plants on account of any failure or delay in the delivery of Fuel to, or the failure or inability of SUPPLIER to take and accept deliveries of fuel at the power plants due to any event or circumstance described in the preceding paragraph, or any act of governmental authority.

Force Majeure shall not include, among other things: (i) lack of funds for the performance of any obligation hereunder (ii) fluctuation in the Peso-Dollar exchange rate and (iii) ordinary or extraordinary inflation.

6.2 Neither Party shall be liable for any failure or delay in the performance of its obligations under this Agreement if such failure or delay arises out of, but only to the extent caused by, any event of Force Majeure: ***Provided*** that the relief granted by this Section shall be available only if and to the extent that the Party claiming relief has and continues to take all steps reasonably within its control to mitigate the effects of such Force Majeure event, and in no event shall late payment or non-payment of money due be excused by any event of Force Majeure.

6.3 The Party seeking to rely on an event of Force Majeure to excuse failure or delay in the performance of its obligations pursuant to Section 6.2 hereof shall notify the other party as soon as reasonably possible of the nature of the Force Majeure claimed and to the extent the Force Majeure claimed affects the party's obligation under this Agreement, and such party shall resume the performance of its obligations as soon as reasonably possible after the event of Force Majeure ceases to exist.

6.4 If any event of Force Majeure occurs during the Term of this Agreement, the Term, by mutual agreement of the Parties, may be extended by a period of time equal to the period of time for which performance is excused as a result of the Force Majeure. The parties will consult each other and will take all reasonable steps to minimize the losses of either Party resulting from Force Majeure.

6.5 Notwithstanding any other provision of this Agreement to the contrary, in the case of any situation in which, in the reasonable opinion of SUPPLIER, it would be dangerous to continue to provide electricity to CUSTOMER in

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accordance with this Agreement, SUPPLIER shall, if it would be reasonably impracticable under the relevant circumstances to obtain the prior approval of CUSTOMER, act unilaterally to take preventive and corrective actions in response to such situation in accordance with Good Industry Practices. SUPPLIER shall notify CUSTOMER as soon as reasonably practicable, following the occurrence of such situation, of any action taken or to be taken pursuant to this Section and the reasons therefor.

6.6 Any Party may terminate this Agreement upon thirty (30) days prior written notice to the other Party if an event of Force Majeure occurs during the Term of this Agreement and prevents either Party from performing its obligations under the Agreement for a period in excess of twelve (12) consecutive months.

-SECTION SEVEN-
REPRESENTATIONS, WARRANTIES AND COVENANTS

7.1 CUSTOMER hereby represents, warrants, and agrees to the following:

(a) It is duly incorporated, validly existing and in good standing under the laws of the Republic of the Philippines;

(b) It possesses full power and authority to enter into this Agreement, and has taken all the necessary action to authorize the entry into and delivery of this Agreement and the transactions contemplated hereby , and the performance of its obligations hereunder;

(c) It has the qualifications, capacity, and abilities to perform the obligations hereunder, pursuant to and in accordance with this Agreement;

(d) No other Party has exclusive rights to supply CUSTOMER with energy and it is in no way compromising any rights or trusts relationships between any other party and CUSTOMER, or creating a conflict of interest, or any possibility thereof, for CUSTOMER or the SUPPLIER;

(e) It has the power, licenses and permits required to carry on its business as it is being conducted and as proposed to be conducted;

(f) This Agreement is binding upon all successors-in-interest, permitted assigns, agents and representatives of the CUSTOMER;

(g) It has not failed to disclose any material fact to the SUPPLIER;

(h) This Agreement and the consummation of the transactions contemplated herein are its legal, valid, binding and enforceable obligations;

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(i) The entry into and the performance by it of this Agreement do not and will not conflict with or constitute a breach of or default under (a) any applicable law; (b) any provisions of its Articles of Incorporation or By-laws; (c) any agreement, contract, or instrument binding upon it or any of its assets, real or personal;

(j) There are no outstanding notices of or any violations by the CUSTOMER of any applicable law or any other requirements of any governmental authority having jurisdiction over or affecting any part of this Agreement;

(k) CUSTOMER undertakes to procure all local governmental, corporate and other requirements, licenses, authorizations, permits necessary or desirable in connection with the entry into, performance, validity and enforceability of, and the transactions contemplated by this Agreement and CUSTOMER hereby warrants that the same are in order and in full force and effect;

(l) There are no actions or suits or proceedings by or before any court, arbitral tribunal, administrative body or other judicial or quasi-judicial authority that are pending or threatened against it that if determined adversely against it could materially and adversely affect its ability to perform its obligations under this Agreement;

(m) It operates and maintains the CUSTOMER facility in accordance with Good Industry Practice and applicable laws as necessary to enable the CUSTOMER facility to accept and take the contract energy;

(n) It shall be solely responsible for violations of any applicable laws in the performance of its obligations under this Agreement; and

(o) Except for any statutory preference or priority established under Philippine law, its financial obligations under this Agreement shall have first priority in order of payment, and CUSTOMER has no existing liability or obligation, or is under no legal impediment, which would prevent CUSTOMER from ensuring such preference in payment.

7.2 SUPPLIER hereby represents and warrants:

(a) It is duly incorporated, validly existing and in good standing under the laws of the Republic of the Philippines;

(b) This Agreement is binding upon all successor-in-interest, permitted assigns, agents and representatives of the SUPPLIER;

(c) This Agreement and the consummation of the transactions contemplated herein are its legal, valid, binding and enforceable obligations;

(d) The entry into and the performance by it of this Agreement do not and will not conflict with or constitute a breach of or default under (a) any

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applicable law; (b) any provisions of its Articles of Incorporation or By-laws; (c) any agreement, contract, or instrument binding upon it or any of its assets, real or personal;

(e) There are no outstanding notices of or any violations by the SUPPLIER of any applicable law or any other requirements of any governmental authority having jurisdiction over or affecting any part of this Agreement;

(f) The SUPPLIER undertakes to procure all national governmental, corporate and other requirements, authorizations and permits necessary or desirable in connection with the entry into, performance, validity and enforceability of, and the transactions contemplated by this Agreement.

MR. RAYMOND B. ANG

MR. NOEL B. BUMALAGAN

-SECTION EIGHT-
CONFIDENTIALITY

8.1 Each Party shall ensure that no confidential information of the other party (the "Disclosing Party") is disclosed to third parties unless consented to in writing by the Disclosing Party. A Party shall not accept Confidential Information from others on behalf of the other Party unless it is necessary and acquired pursuant to a written agreement with that other Party;

MR. HURLITO L. PADERANGA

8.2 A Party shall not use confidential information except in the performance of its obligations under this Agreement. It shall not reproduce or otherwise copy any confidential information without the express prior written consent of the Disclosing Party except for a reasonable number of copies necessary to accomplish the purposes of this Agreement and subject to the condition that all copies shall, upon reproduction, contain appropriate and confidential notices and legends that may appear on the original confidential information;

8.3 Without limiting the foregoing, each Party shall use utmost efforts to prevent any unauthorized disclosure of confidential information, including the exercise of no lesser security measures and degree of care than those which it applies to its own confidential information, such as but not limited to keeping all documents and other material bearing or incorporating any of the confidential information separate from all other documents and materials;

MR. EDGARDO L. SALVAME

8.4 Any consent given by the Disclosing Party for disclosure of confidential information shall be so given upon the condition that the other Party shall procure that each person or entity to whom disclosure is made shall, prior to disclosure, execute a confidentiality agreement with the disclosing party on the same terms as set out in this Section;

8.5 The provisions contained in this Section shall be effective from the Effective Date and survive the termination or expiration of this Agreement;

MR. RAYMOND B. ANG

MR. NOEL B. DELA MALAGAN

MR. HURLITO L. PADERANGA

MR. EDGARDO L. SALVAME

-SECTION NINE-
ALLOWED DOWNTIME

9.1 The Parties agree that SUPPLIER is allowed to incur Scheduled Outage and Unscheduled Outage up to a maximum of Eight Hundred Seventy-Six (876) hours for a Genset per contract year.

1) Scheduled Outage. SUPPLIER shall notify CUSTOMER at least five (5) days prior to undertaking any planned inspection, testing, maintenance (Including preventive and corrective maintenance), repair, replacement, improvement or overhaul of the subject Generator Set or its related facilities ("*Scheduled Outage*"). Any desired changes to the schedule shall be communicated by SUPPLIER to Customer at least one (1) day prior to such Scheduled Outage.

2) Unscheduled Outage. SUPPLIER shall notify Customer no later than one (1) day after the occurrence of outage of any generating unit of the subject Generator Set or its related facilities caused by inspection, testing, maintenance (including preventive and corrective maintenance), repair, replacement, improvement, overhaul or otherwise causing unavailability of any generating unit of the subject Generator Set or its related facilities which could not be postponed until the next scheduled Outage ("*Unscheduled Outage*").

9.2 In any contract year and for every Generator Set (if more than one), the difference between Eight Hundred Seventy-Six (876) hours and the actual hours used by SUPPLIER for Schedules Outage and Unscheduled Outage in such contract year shall be credited and may be used by SUPPLIER to undertake Scheduled Outage or Unscheduled Outage for the relevant Generator Set during succeeding contract years in addition to the 876 hours allowed for such relevant succeeding year.

9.3 SUPPLIER and CUSTOMER are excused from their obligation to deliver and receive energy, respectively, during the occurrence of Scheduled Outage or Unscheduled Outage, in which case the Contract Energy for the affected Billing Period may be adjusted pro rata or as agreed by the Parties.

9.4 SUPPLIER has the option to supply CUSTOMER (all or a portion of) the Contract Energy (and Additional Energy, if applicable) during the occurrence of Scheduled Outage or Unscheduled Outage which results in restricted energy delivery (whether full or partial) including load shedding.

1) For the portion of Contract Energy and Additional Energy, if applicable, provided by SUPPLIER from its own back up facility and/or third party, the supply of energy shall be made in accordance with Section 2 hereof.

2) For the portion of Contract Energy provided by SUPPLIER from the Generator Set, CUSTOMER shall pay the Contract Energy Fee, provided that, CUSTOMER shall pay the Load Curtailment Adjustment in lieu of the Capacity Fee (identified as CF under Annex B) component of the Contract

Energy Fee for such affected period. Similarly, if applicable, CUSTOMER shall pay the Load Curtailment Adjustment in lieu of the Additional Energy Capacity Rate component of the Additional Energy Fee.

3) Notwithstanding the foregoing, CUSTOMER continues to be liable for the Variable Charge (Identified as VOM under Schedule B)component of the Contract Energy Fee (and Additional Energy Fee, if applicable).

-SECTION TEN-
TERMINATION

10.1 This Agreement may only be terminated by the Parties upon the following grounds:

1) The CUSTOMER may terminate this Agreement by written notice to SUPPLIER upon the occurrence of the following events of default:

(a) SUPPLIER fails to supply Energy for a period of 60 days for reasons wholly attributable to its fault and/or negligence and provided that SUPPLIER fails to take reasonable actions or remedies to solve its inability to deliver capacity and energy.

2) SUPPLIER may terminate this Agreement with immediate effect by serving written notice to CUSTOMER upon the occurrence of any of the following events of default:

(a) (i) CUSTOMER admits in writing its inability to pay any debt as and when they fall due; (ii) any bankruptcy, insolvency, suspension of payment, reorganization or similar proceedings are commenced by or against CUSTOMER; (iii) as part of scheme of arrangement or composition with its creditors, CUSTOMER makes any assignment for the benefit of its creditors; or (iv) an effective order is made (and not set aside or stayed within sixty (60) days), or an effective corporate resolution is passed, for the liquidation, winding-up or dissolution of CUSTOMER;

(b) A receiver or trustee in bankruptcy, insolvency, suspension of payment, reorganization or similar proceedings is appointed in respect of all or any material part of CUSTOMER's assets and such appointment is not set aside or stayed within sixty (60) days;

(c) Any financial obligation of CUSTOMER under this Agreement and any other agreement of CUSTOMER with Supplier is not paid when due or within any applicable grace period , or is validly declared to be or otherwise becomes due and payable prior to its stated maturity as a result of any actual or potential default, howsoever described;

MR. RAYMOND B. ANG
MR. NOEL B. DUMALAGAN
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MR. EDGARDO L. SALVAME

(d) CUSTOMER ceases or discontinues operations for a period of thirty (30) days;

(e) Any financial obligation of the CUSTOMER under any other agreement is not paid when due nor within any applicable grace period, or is validly declared to be or otherwise becomes due and payable prior to its stated maturity as a result of any actual or potential default, howsoever described, and;

(f) (i) the Security Deposit ceases to be valid, or (ii) CUSTOMER or the Party providing the Security Deposit asserts that it is or becomes entitled to revoke, cancel or suspend the Security Deposit or does revoke, cancel or suspend the Security Deposit or otherwise repudiates the same, or (iii) any of the events or circumstances described in clauses (a) through (e) above, inclusive, shall apply to or affect the person providing the Security Deposit within fifteen (15) calendar days from the date of notice from SUPPLIER requiring that a substitute Security Deposit be posted.

10.2 Upon termination of this Agreement under any circumstances, CUSTOMER shall immediately pay to SUPPLIER all unpaid Electricity Fees and all other amounts then payable by CUSTOMER to SUPPLIER under this Agreement.

10.3 In the event that this Agreement is terminated by the SUPPLIER on grounds of breach of this Agreement attributable to the CUSTOMER, the CUSTOMER shall immediately pay to the SUPPLIER the Termination Fee equivalent to the Minimum Capacity Fee which the CUSTOMER should have been liable to pay were it not for the early termination of the Agreement and all other costs arising from the termination of the Agreement.

CUSTOMER, in addition to the payment of the Minimum Capacity Fee for the unexpired portion of the Agreement shall also be liable to pay the SUPPLIER reasonable amount of damages equal to ten percent (10%) of the Minimum Capacity Fee for the said unexpired portion.

The Parties hereby agree that the amount of Termination Fee stated above is equivalent to reasonable approximate of damages which will be suffered by the SUPPLIER considering the nature of this Agreement and the amount of investments of the SUPPLIER;

10.4 Upon any termination of this Agreement, neither Party shall have any further obligation to the other Party, other than for those obligations arising prior to the date of termination and those which, by their nature, are to be performed after termination or which are expressed to survive the termination hereof. The termination of this Agreement under any circumstance hereunder shall be in addition to, and not exclusive of, any other right, remedy or relief as are available to the Party terminating this Agreement hereunder, at law or in equity.

MR. RAYMOND B. ANG
MR. NOEL P. DUMALAGAN
MR. HURLITO L. PADERANGA
MR. EDGARDO L. SALVAME

-SECTION ELEVEN-
NOTICES

11.1 Each communication, notice, demand, or request to be made hereunder, including Billing Statements shall be made in writing and, unless otherwise stated, may be sent through personal delivery, facsimile, email, registered courier, or registered mail. Any notice to be made or delivered by one Party pursuant to this Agreement shall be made or delivered to the other Party at the contact details specified in **Annex "C"** (Notices).

Any Party may change its address, facsimile number or email address for purposes of receipt of Notices by giving the other Party not less than fifteen (15) days notice of such change. A notice shall be deemed to have been made or delivered (i) in the case of any notice made by personal delivery, registered courier, or by registered mail, when left at that address or otherwise received by the addressee; (ii) in the case of any communication made by facsimile, when a legible copy of such communication has been received, and (iii) in case of email, upon receipt by sender of the acknowledgement of the "receipt requested" message from the recipient.

-SECTION TWELVE-
NON-WAIVER, AMENDMENTS AND REMEDIES

12.1 No waiver by the SUPPLIER of any provision of this Agreement shall be binding unless made in writing and signed by the SUPPLIER's authorized representative. The failure of the SUPPLIER to insist, in any one or more instances, upon strict performance of any of the provisions of this Agreement or to take advantage of any rights granted hereunder shall not be construed as a waiver of any such provisions or the relinquishment of any of such rights in the future.

12.2 No changes or modifications of this Agreement shall be effective unless made in writing and signed by both Parties.

12.3 Unless otherwise provided, the remedies under this Agreement shall be cumulative and not exclusive, and the exercise of one remedy shall not exclude the exercise and shall not be construed as a waiver of the right to exercise the other remedies.

-SECTION THIRTEEN-
DISPUTE RESOLUTION

13.1 The Parties shall refer any dispute, controversy, claim or difference between them arising out of or relating to this Agreement, or the breach thereof, or in the interpretation of any of the provisions hereof (each a "Dispute"), to their

MR. RAYMOND B. ANG
MR. NOEL B. DUMALAGAN
MR. HURLITO L. PADERANGA
MR. EDGARDO L. SALVAME

respective representatives who shall seek to amicably resolve such Dispute in accordance with the procedure set out in this Section.

13.2 The Party alleging a Dispute shall give written notice thereof to the other Party within thirty (30) calendar days from the occurrence thereof, which notice shall contain a description of the Dispute.

13.3 Promptly upon receipt by the other Party of Notice of Dispute, the Parties' respective representatives shall meet and discuss in good faith to resolve the Dispute within thirty (30) days from receipt of the notice, or within such longer period as the Parties may mutually agree.

MR. RAYMOND B. ANG

-SECTION FOURTEEN-
JURISDICTION AND COURT LITIGATION

MR. NOEL B. UMALAGAN

14.1 Any Dispute that is not resolved between the Parties in accordance with the provisions of Section 12 shall, unless the Dispute falls within the original and exclusive jurisdiction of the ERC, be submitted to jurisdiction of the proper courts of Davao City, Philippines, to the exclusion of all other courts elsewhere situated, and the Parties agree that the courts of Davao City are an appropriate forum for the settlement of Disputes and waive any claim or assertion that such courts are an inconvenient forum.

14.2 If SUPPLIER have instituted an action on a Dispute to enforce this Agreement or as a result of an alleged breach of this Agreement by CUSTOMER, CUSTOMER shall also be liable to the SUPPLIER for an amount equivalent to twenty percent (20%) of the value of any award made in favor of the SUPPLIER, to cover attorney's fees and other expenses of dispute resolution or litigation.

MR. HURLITO L. PADERANGA

-SECTION FIFTEEN-
GOVERNING LAW

15.1 This Agreement shall be governed by and construed in accordance with the laws of the Republic of the Philippines. The Parties shall perform all their obligations under this Agreement in accordance with Applicable Law. In case of any amendment, modification or change in Applicable Law, the Parties shall continue to perform their obligations under this Agreement unless made expressly unlawful or impossible by such amendment, modification or change.

MR. EDGARDO L. SALVAME

-SECTION SIXTEEN-
ENTIRE AGREEMENT

16.1 The Parties acknowledge that this Agreement constitutes the entire agreement between them and shall completely supersede all other prior understandings, previous communications, or contracts, oral or written, between the parties relating to the subject matter hereof;

16.2 Nothing contained in this Agreement shall be construed to create an association, trust, partnership, or joint venture or impose a trust or partnership duty, obligation, or liability on or with regard to either Party, or to create any duty, standard of care or liability to any person or entity not a Party hereto. Each Party shall be liable individually and severally for its own obligations under this Agreement.

-SECTION SEVENTEEN-
ASSIGNMENT OR TRANSFER

17.1 Neither party shall assign or transfer all or any part of its rights, benefits or obligations hereunder, without the prior written consent of the other Party, except that the **SUPPLIER** may assign all or any part of its rights, benefits or obligations hereunder to its holding companies, subsidiaries, or affiliates, without need for notice to or consent of **CUSTOMER**. No assignment or transfer shall be valid unless the assignee or transferee shall issue a formal written assumption of liability of all the obligation of its assignor or transferor under this Agreement.

-SECTION EIGHTEEN-
SEVERABILITY

18.1 If one or more provisions of this Agreement shall be declared invalid, illegal or unenforceable, the remaining provisions shall remain in, and shall be given, full force and effect. The Parties shall meet in good faith to agree, to the fullest extent allowed by law, on a substitute provision that would most closely approximate the intention of the invalid provision, and amend this Agreement accordingly.

IN WITNESS WHEREOF, the Parties have hereunto set their signatures the place and date first above written.

MR. RAYMOND B. ANG

MR. NOEL B. DIMALAGAN

MR. HURLITO L. PADERANGA

MR. EDGARDO L. SALVAME

KING ENERGY GENERATION INC.

BY:

MR. EDGARDO L. SALVAME
President / CEO, KEGI

MISAMIS OCCIDENTAL I ELECTRIC COOPERATIVE, INC.

BY:

MR. HURLITO L. PADERANGA
Board President, MOELCI I

SIGNED IN THE PRESENCE OF:

Mr. Raymond B. Ang
COO, King Energy

Mr. Noel B. Dumalagan
General Manager, MOELCI I

ACKNOWLEDGMENT

Republic of the Philippines)
PASAY CITY)

AUG 02 2012

Before me, a Notary Public for and in the City of PASAY CITY, this ____ day of _____, 20___ personally appeared Mr. Edgardo L. Salvame who is identified by me through his passport with Nos. EB2549545 issued in Pasay City on 26 May 2011, known to me and to me known to be the same person who executed the foregoing Power Supply Agreement consisting of 19 pages, including the page wherein this Acknowledgment is made, together with its attachments, and he acknowledged that the same is his free and voluntary act and deed and of the Corporations he represents.

WITNESS my hand and seal on ~~the date and place first above written~~.

ATTY. CESILIO C. CASALLA
NOTARY PUBLIC
NOTARY PUBLIC
UNTIL DECEMBER 31, 2012
PTR # 2621694 1/02/2012 PASAY CITY
IBP # 849251 1/02/2012 PASAY CITY
ROLL NO. 24854

Doc. No. 396;
Page No. 81;
Book No. 26;
Series of 2012.

ACKNOWLEDGMENT

Republic of the Philippines)
OZAMIZ CITY)

Before me, a Notary Public for and in the City of OZAMIZ CITY this ____ day of SEP 04 2012, 20___ personally appeared Mr. Mario Hurlito L. Paderanga who is identified by me through his passport with nos. EB3374705 issued in Cagayan de Oro City DFA on August 15, 2011, known to me and to me known to be the same person who executed the foregoing Power Supply Agreement consisting of 19 pages, including the page wherein this Acknowledgment is made, together with its attachments, and he acknowledged that the same is his free and voluntary act and deed and of the Corporations he represents.

WITNESS my hand and seal on the date and place first above written.

NOTARY PUBLIC

Doc. No. 25;
Page No. 5;
Book No. I;
Series of 2012.

DAN KIRBY S. JOMILLA
NOTARY PUBLIC
UN TIL DECEMBER 31, 2013
PTR NO. 1193856A APRIL 2, 2012
IBP NO. 720558 5/18/12 MIS.OCC
ROLL 60290 03/23/12
2ND FLOOR, GREENWICH, CHUA HONG BLDG
PORT ROAD, OZAMIZ CITY

MR. RAYMOND B. ANG

MR. NOEL B. BUMALAGAN

MR. HURLITO L. PADERANGA

MR. EDGARDO L. SALVAME

ANNEX "A"

MR. RAYMOND B. ANG

MR. NOEL B. DUMALAGAN

MR. HURLITO L. PADERANGA

MR. EDGARDO L. SALVAME

METERING POINT

List of Metering Point

King Energy Generation Inc.

LOCATION	*DELIVERY VOLTAGE*
Brgy. Barang Map-an, Panaon, Misamis Occidental	*69kV*

ANNEX "B"

RATES SCHEDULE

MR. RAYMOND B. ANG

MR. NOEL B. MALAGAN

MR. HURLITO L. PADERANGA

MR. EDGARDO L. SALVAME

1. Basic Electricity Fees Component

Capacity Fee (CF)	= Php 1,273/kw/month
Fixed O&M Fee (FOM)	= Php 188.54/kw/month
Billing Capacity (BC)	= 3,760 kW
Variable O&M (VOM)	= Php 0.6870 / kwh
Number of Hours per day	= 8 hours

2. Contract Energy Fee per Month

CEF = FC + VC

FC = (CF + FOM x IFf) x BC

VC = (VOM x IFv + FL) x ED

Where:

BC = Billing Capacity in kW

FC = Fixed charge per month in Php

VC = Variable charge per month in Php

ED = Energy Delivered in kWh

CEF = Contract Energy Fee in Php

VOM = Variable charge per month in Php/kwh

CF = Capacity fee in Php/kW/month

FOM = Fixed O&M fee in Php/kW/month

IFf = Inflation factor fixed

IFv = Inflation factor variable

FL = Fuel and Lube oil in Php/kwh (Pass through subject to heat rate schedule)

3. Inflation Factor

Inflation Factor for fixed O&M

IF (f) = 1 X (P CPI m / P CPI b)

Inflation Factor for variable O&M

IF (v) = 0.0086 + 0.0129 X (P CPI m / P CPI b) + 0.9784 X (P EX m / P EX b)

Where:

P CPI m = Philippine CPI of the current billing month

P CPI b = Philippine CPI on the effectivity month of this Agreement

P EX m = Peso to EURO exchange rate at the end of the current billing month

P EX b = Peso to EURO exchange rate on the effectivity month of this Agreement

Consumer Price Indices

P CPI m	169.80	BSP	Jan-11
P CPI b	169.80	BSP	Jan-11

Peso Foreign Exchange Rate

P EX m	59.0115 PHP/EUR	BSP	Jan-11
P EX b	59.0115 PHP/EUR	BSP	Jan-11

4. Computation of Fuel and Lube oil rate

FL = HFOCR x Actual Heavy Fuel cost per liter

Where:

HFOCR = Heavy fuel oil consumption rate in liters/kwh

= 0.26 L/kwh (based on the actual Load Factor per Schedule)

Note: The monthly actual cost per liter of fuel oil shall be based on the weighted average cost of actual monthly invoices of fuel oil deliveries, inventories and consumption.

MR. RAYMOND B. ANG

MR. NOEL B. DUMALAGAN

MR. HURLITO L. PADERANGA

MR. EDGARDO L. SALVAME

MR. RAYMOND B. ANG

MR. NOEL B. UMALAGAN

MR. HURLITO L. PADERANGA

MR. EDGARDO L. SALVAME

5. Testing and Commissioning Fee

Only Actual Fuel cost and Variable O&M.

6. Start up Fee

Actual cost of additional start-up and shutdown with documents.

7. Additional Energy Fee in excess of eight (8) running hours per day

AEF = AC x BC x h + (VOM + FL) x EE

Where:

AEF = Additional Energy Fees in Php

AC = Additional cost (0.78 Php/kw/h) in excess of eight (8) running Hours per day

BC = Billing Capacity, as previously defined

h = Excess hours per day

VOM = Variable O&M, as previously defined

FL = Fuel and Lube oil, as previously defined

EE = Energy delivered in excess of eight (8) hours per day

8. Sample Computation

CONTRACT ENERGY SAMPLE COMPUTATION					
CEF = (CF + FOM x IFf) x BC +(VOM x IFv + FL) x ED				**Php/month**	**Php/kwh**
CF	Capacity Fee	1,273	Php/kw/month	4,786,772	6.235
BC	Billing Capacity	3,760	kw		
FOM	Fixed O&M	188.54	Php/kw/month	708,928	0.9235
lFf	Inflation factor fixed	1			
VOM	Variable O&M	0.6870	Php/kwh		
IFv	Inflation factor var.	1			
ED	Energy Delivered	767,667	Kwh	527,361	0.6870
Total Energy Fee				**6,023,061**	**7.8459**

Notes:

1. Fuel oil cost pass-on to the consumer

2. Inflation Factor for fixed O&M

   IF (f) = 1 X (P CPI m / P CPI b)

   = 1 x (169.8/169.8)

   = 1

3. Inflation Factor for variable O&M

   IF (v) = 0.0086 + 0.0129 x (P CPI m / P CPI b) + 0.9784 x (P EX m / P EX b)

   = 0.0086 + 0.0129 x (169.8/169.8) + 0.9784 x (59.0115/59.0115)

   = 1

MR. RAYMOND B. ANG

MR. NOEL B. BUMALAGAN

MR. HURLITO L. PADERANGA

MR. EDGARDO L. SALVAME

MR. RAYMOND B. ANG

MR. NOEL B. UMALAGAN

MR. HURLITO L. PADERANGA

MR. EDGARDO L. SALVAME

SCHEDULE I
of annex B

Fuel Heat Rate

Capacity Factor (%)	Fuel Heat Rate (li/kWh)
50-60	0.2829
61-70	0.2727
71-80	0.2696
81-90	0.2689
91-100	0.2600

ANNEX "C"

NOTICES

FOR SUPPLIER	KING ENERGY GENERATION, INC.
General Concerns	
Name:	RAYMOND B. ANG
Designation:	CHIEF OPERATION OFFICER
Address:	G/F Divine Saviour Bldg. 102 Juan St., Davao City
Telephone :	09175399503 (082) 2251252
Facsimile:	(082) 2251252
Email:	king.energy@yahoo.com
For Billing Concerns	
Name:	RAYMOND B. ANG
Designation:	CHIEF OPERATION OFFICER
Address:	G/F Divine Saviour Bldg. 102 Juan St., Davao City
Telephone :	09175399503 (082) 2251252
Facsimile:	(082) 2251252
Email:	raymond_angcdo@yahoo.com
FOR CUSTOMER	MISAMIS OCCIDENTAL 1 ELECTRIC COOPERATIVE, INC.
General Concerns	
Name:	NOEL B. DUMALAGAN
Designation:	General Manager
Address:	Magcamiging, Calamba, Misamis Occidental
Telephone :	088 271 3661
Facsimile:	088 271 3989
Email:	moelci_uno@moelci-1.com
For Billing Concerns	
Name:	RUBEN P. BONALOS
Designation:	Finance Manager
Address:	Magcamiging, Calamba, Misamis Occidental
Telephone :	088 271 3661
Facsimile:	088 271 3989
Email:	moelci_uno@moelci-1.com

MR. RAYMOND B. ANG

MR. NOEL B. DUMALAGAN

MR. HURLITO L. PADERANGA

MR. EDGARDO L. SALVAME

SCHEDULE 1
DEFINITIONS

MR. RAYMOND B. ANG

MR. NOEL H. BUMALAGAN

MR. HURLITO L. PADERANGA

MR. EDGARDO L. SALVAME

AGREEMENT- means this Power Supply Agreement and all its Annexes

APPLICABLE LAW- refers to law, statutes, orders, issuances, ordinances, rules, rulings, regulations, codes, decisions, opinions or interpretation of any Governmental Authority pertinent to or affecting a Party or both Parties

BASIC ENERGY CHARGE- refers to the unit price (Pesos per kWh) that Customer shall pay for Contract Energy as set out in Annex B (Rates Schedule)

BILLING PERIOD- means the period commencing at 00:00 hours on the twenty-sixth (26th) day of each calendar month, and ending at 24:00 hours on the twenty-fifth (25th) day of the following calendar month

BILLING STATEMENT- refers to the document that the Supplier will furnish Customer, indicating the total amount of Electricity Fees that Customer will pay Supplier

CLOSING DATE- The Closing Date shall be the date after Sixty-Five (65) weeks counted from the complete compliance with the requirements set forth under Section 1.5 of the Agreement or on such date that may be provided by the **SUPPLIER** in accordance with Section 1.6 (b) of the Agreement.

CONFIDENTIAL INFORMATION- means all data and information disclosed (whether before or after the date of this Agreement and whether in writing or in computer disc, verbally or by any other means and whether directly or indirectly) by the Disclosing Party (or by another person in behalf of the Disclosing Party) to the other Party in whatever form, tangible or intangible, that is not generally known to the public and relates to the operations, business, technology, practices, products, marketing, sales, services, finances or legal affairs of the Disclosing Party or of any third party doing business with or providing information to the Disclosing Party, including this Agreement, information about this Agreement and negotiations pertaining to this Agreement as well as actual or prospective customers, business partners, market opportunities, business, sales, marketing,

technical, financial and legal plans, proposal and projections, product information, know-how, design rights, trade secrets, concepts, techniques, processes, methods, systems, designs, programs, codes, formula, research, experimental work and work in progress.

CONTRACT ENERGY- refers to the Energy quantity in kilowatt-hours per Billing Period consumed by Customer which in no case shall be below the Contract Energy provided under Annex B (Rates Schedule)

CONTRACT PERIOD- refers to the duration of this Agreement (10 years) commencing from the Closing date until the end of the last Billing Period

CONTRACT YEAR- refers to each period consisting of twelve (12) Billing Periods

CUSTOMER FACILITY- refers to the Customer's distribution franchise located at the **Province of Misamis Occidental**

DELIVERY DATE- means the first day of the Billing Period or on such date as may be extended by the Supplier in accordance with Section 1.6 (b) of the Agreement

DISCLOSING PARTY- shall have the meaning given to this Term in Section eight (8) of the Agreement

DISPUTE- shall have the meaning given to this Term in Section thirteen (13) of the Agreement

EFFECTIVE DATE- refers to the date of execution of this Agreement

ELECTRICITY FEES- refers to the total amount of charges due from Customer in respect of all energy supplied during a Billing Period

ENERGY- refers to all Contract Energy , Additional Energy, Back-up Power and Replacement Power measured, in each case, in kilowatt-hours (kWh) delivered by Supplier to Customer during a Billing Period

EPIRA- means R.A. 9136, otherwise known as the "Electric Power and Industry Reform Act of 2001"

MR. RAYMOND B. ANG

MR. NOEL B. DUMALAGAN

MR. HURLITO L. PADERANGA

MR. EDGARDO L. SALVAME

ERC- refers to the Energy Regulatory Commission, which is the regulating body of the electric power industry as provided under EPIRA

FORCE MAJEURE- refers to the circumstances defined under Section six (6)

FUEL- means fuel required to operate the Power Plant and to generate energy

GOOD INDUSTRY PRACTICE- means those nationally recognized practices, methods, standards and acts engaged in or approved by the majority of the members of the power generation industry in the Philippines at any relevant time, including practices, methods and act which, in the exercise of reasonable judgment in light of the facts known at the time the decision was made, could have been expected to accomplish the desired result at the lowest reasonable cost consistent with good business practices, reliability, adequacy, quality, safety and expedition. Good Industry Practice is not intended to be limited to the optimum practice, method or acts generally accepted in the region and consistently adhered to by similar generating companies

GOVERNMENTAL AUTHORITY- means the Republic of the Philippines or any national, regional, provincial, municipal or other political subdivision thereof, and any department, ministry, instrumentality, agency, corporation, or commission under the direct or indirect control or supervision of the Republic of the Philippines or any political subdivision thereof; Provided, however, that for purposes of this Agreement, Customer shall not be considered a governmental authority

GOVERNMENTAL REQUIREMENT- means any all Applicable Laws, regulations, codes, directives, judgments, decrees, orders or interpretations of any court, arbitrator or Governmental Authority and any valid waivers, exemptions, variances, permits, licenses, authorizations, orders, consents or conditions of or from, in any such case, any Governmental Authority or Court or other entity having jurisdiction over the performance of the obligations of each Party to be

MR. RAYMOND B. ANG
MR. NOEL B. DUMALAGAN
MR. HURLITO L. PADERANGA
MR. EDGARDO L. SALVAME

performed hereunder, including all consents, licenses, registrations, concessions and permits required to be issued pursuant thereto by any Governmental Authority in connection with any of the transactions contemplated hereby

METER RESULTS- refers to the set of actual hourly quantities of Energy taken by the Customer as determined by the Metering Services Group of the Supplier or any other third party to which both Customer and Supplier may jointly reassign this responsibility ("Third Party Meter Reader)

METERING POINTS- means the actual physical point (s) (e.g. plant metering point) where Supplier shall deliver the Energy to Customer

MINIMUM CONTRACT ENERGY- refers to the minimum Energy quantity in kilowatt-hours as provided in Annex B (Rates Schedule)

MINIMUM ENERGY CHARGE -refers to the load weighted average price of the Supplier for the Billing Period or the difference between the Minimum Contract Energy and the actual Energy consumed by the Customer in case the latter consumes less than the minimum Contract Energy

PAYMENT DATE- means on or before the 26th day of the immediately following month on which a Billing Period ends and on which electricity fees in respect of energy delivered during that Billing Period are due

POWER PLANT- means the **3.760 Megawatt Diesel Power Plant**

SECURITY DEPOSIT- means the instrument Customer is required to post to guarantee its outstanding accounts and other obligations under this Agreement, as more particularly described in the form and in the amount set out in Section 3.2.1

*****NOTHING FOLLOWS*****

MR. RAYMOND B. ANG

MR. NOEL B. DUMALAGAN

MR. HURLITO L. PADERANGA

MR. EDGARDO L. SALVAME

POWER SUPPLY AGREEMENT

This **Power Supply Agreement** (hereinafter referred to as "**Agreement**") is entered into this 31st day of July, 2012 in Roxas Blvd., CCP Complex, Pasay City, Philippines, by and between:

> **KING ENERGY GENERATION INC.**, a corporation duly organized and existing under the laws of the Republic of the Philippines, with address at G/F Divine Savior Building 102 Juan Luna St., Davao City, Philippines, herein represented in this act by its President, **MR. EDGARDO LIM SALVAME**, who is duly authorized to represent it in this transaction (hereinafter referred to as "**SUPPLIER**");
>
> And
>
> **MISAMIS OCCIDENTAL II ELECTRIC COOPERATIVE, INC. (MOELCI II)**, a non-stock, non-profit electric cooperative organized and existing under and by virtue of P.D. 269, as amended, with address at Circumferential Road, Bitoon, Ozamiz City, herein represented in this act by its Board President, **MR.MARIO GENIS BURGUETE SARIGUMBA** who is duly authorized to represent it in this transaction, (hereinafter referred to as "**CUSTOMER**");
>
> The SUPPLIER and the CUSTOMER shall be individually referred to herein as "**Party**", and collectively, as "**Parties**"

MR. RAYMOND ANG

MR. JEMELOU PELIMER

MR. MARIO GENIS SARIGUMBA

MR. EDGARDO SALVAME

WITNESSETH THAT:

WHEREAS, CUSTOMER is an electric cooperative engaged in the distribution of electricity and/or power in the Province of Misamis Occidental;

WHEREAS, SUPPLIER is a corporation engaged in the generation and supply of electric power;

WHEREAS, CUSTOMER is in need of and desires to contract capacity and energy from SUPPLIER, and the SUPPLIER is willing and agrees to provide capacity and energy to CUSTOMER;

NOW THEREFORE, for and in consideration of the mutual covenants and agreements hereinafter set forth, the Parties, for themselves, their successors and assigns, have mutually agreed as follows:

Words used in this Agreement shall be understood in accordance with the meanings and definitions provided under Schedule 1 hereof.

-SECTION ONE-
SCOPE AND TERM

1.1 This Agreement shall govern the terms and conditions by which the CUSTOMER shall reserve, receive and pay for the capacity and energy that will be made available by the SUPPLIER.

1.2 This Agreement shall take effect immediately upon the signing of this Agreement (the "**Effective Date**")and shall remain in full force and effect for a period of **TEN (10) years** counted from the Closing Date (the "**Term**") as defined under Section 1.3, unless earlier terminated in accordance with Section 9 hereof.

1.3 The Closing Date shall be the date after Sixty-Five (65) weeks counted from the complete compliance with the requirements set forth under Section 1.5 of this Agreement or on such date that may be provided by the **SUPPLIER** in accordance with Section 1.6 (b) hereof.

For purposes of this Agreement, Closing Date shall refer to the date when the **SUPPLIER** shall commence delivery of the contracted capacity and energy to the **CUSTOMER.**

The Closing Date shall be accordingly adjusted to exclude the period of delays caused by unexpected deferment in the manufacture or production of operational machineries, unforeseen extension in terms of transportation or shipment of equipment, or for any other cause whatsoever which is beyond the control of the SUPPLIER. In such event, the SUPPLIER shall be excused from the aforesaid delay and non-conformity to the set Closing Date under this Agreement, until such time that the above-stated cause of delay has ceased to exist;

1.4 Unless **WRITTEN NOTICE** is served by the duly authorized representative of one Party to the other not later than sixty (60) days prior to the expiration of the *Term*, this Agreement shall be ***automatically renewed*** for a period of another **TEN (10) years** without need for any further action or notice by either of the Parties to the other.

1.5 Notwithstanding the execution of this Agreement and the occurrence of the *Effective Date*, the reckoning date within which to count the Sixty-Five (65) week period referred to under Section 1.3 of this Agreement shall be deemed to commence only after compliance/satisfaction of the following conditions precedent:

(a) receipt by the SUPPLIER of a certificate executed by the corporate secretary of the CUSTOMER, attesting that the Board of Directors of CUSTOMER adopted resolutions: (i) authorizing CUSTOMER to execute, enter into, deliver this Agreement and the performance of its

MR. RAYMOND ANG
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obligations hereunder, and (ii) designating the person authorized to execute this Agreement in behalf of the CUSTOMER;

(b) receipt by the SUPPLIER of the Security Deposit referred to under Section 3.2;

(c) receipt by the SUPPLIER of the proposed location for the *Genset* which must be at least one (1) hectare, including the title, contract of lease duly registered with the Register of Deeds and/or other evidence of ownership of the property where the Genset is proposed to be installed;

(d) receipt by the SUPPLIER of all governmental permits, licenses, and other requirements necessary for the operation of the power generation facility in the area of operation of the CUSTOMER which the CUSTOMER undertook to secure in accordance with Section 7.1 (k);

(e) the ERC shall have issued an approval for this Agreement, including the pricing structure set out herein (and any provisional authority issued by the ERC shall be considered as satisfaction of this condition);

(f) the Department of Energy (DOE) shall have issued a Certificate of Endorsement in favor of the SUPPLIER;

(g) the Energy Regulatory Commission (ERC) shall have issued a Certificate of Compliance in favor of SUPPLIER

Upon satisfaction of the aforesaid conditions precedent, SUPPLIER shall deliver to CUSTOMER written notice confirming full receipt of the documents and instruments described above;

Under no circumstance will the SUPPLIER be obliged to commence deliveries of energy without the satisfaction or fulfillment of the above-enumerated condition precedents.

1.6 If any of the conditions set out in Section 1.5 shall not have been satisfied upon Closing Date, the SUPPLIER shall have the option to:

(a) Terminate this Agreement by delivery of written notice of such termination;

(b) Waive, or in its ***sole discretion***, provide a grace period for, the satisfaction of any condition precedent that shall not have been satisfied, excluding Section 1.5 (d),(e) and (f), and deliver written notice of such waiver or grace period to the CUSTOMER(In the event the SUPPLIER grants a grace period, the written notice shall specify the date, which date shall be considered as the Closing Date);

MR. RAYMOND ANG
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-SECTION TWO-
SUPPLY OF ENERGY

2.1 During the Term of this Agreement, and provided that all the conditions precedent under Section 1.5 have been complied with SUPPLIER shall supply and deliver Energy to the CUSTOMER during the Billing Periods, at the Metering Points specified in **Annex "A"** (*Metering Points*) and at the fixed rate specified in **Annex "B"** (*Rates Schedule*).

With reference to Annex "B" hereof, Fuel shall mean Actual Fuel Cost, inclusive of freight, insurance and duties, charged on a pass through basis subject to a gross fuel consumption rate equivalent to 0.26 li/kWh for bunker and 0.28 li/kWh for diesel.

2.2 The SUPPLIER shall conduct all meter readings at the end of each Billing Period. The CUSTOMER may dispute the Meter Results in accordance with Section 4.

2.3 The SUPPLIER shall be allowed reasonable time for preventive maintenance upon giving of written notice to the CUSTOMER.

"Reasonable time" shall be in accordance with Good Industry Practice.

-SECTION THREE-
PAYMENT OF FEES AND SECURITY DEPOSIT

3.1 ***Payment of fees***

3.1.1 SUPPLIER shall deliver a Billing Statement setting out the Electricity Fees due on account of all Energy delivered within seven (7) working days from the end of each Billing Period.

3.1.2 CUSTOMER shall pay in full all Electricity Fees without need of any demand **not later than the 26th day** of the succeeding calendar month after the end of each Billing Period.

Payment shall only be made at the bank account designated by the Supplier and in lawful currency of the Philippines.

Failure of the CUSTOMER to remit or cause the remittance of such payments to the designated account shall cause the unpaid portion of the invoice to earn interest at the rate of **two percent (2%) per month** (a fraction of a month shall be considered as one month) until actual payment in full of the amount due has been made.

In Addition to the penalty, SUPPLIER shall have the right (i) to draw against the Security Deposit; (ii) to temporarily suspend its obligation to generate and sell electric power to CUSTOMER without need of notice; (iii) to rescind or terminate this Agreement; and/or (iv) to

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declare fees and charges for electricity supplied in the current Billing Period and such other unbilled periods, as due and payable, whereupon CUSTOMER shall pay such fees and charges immediately upon delivery by SUPPLIER of the corresponding Billing Statement to Customer.

3.1.3 In case of shortfalls in the consumption of CUSTOMER, it shall remain liable to pay to the SUPPLIER the minimum contract energy fee.

3.1.4 All payments made by CUSTOMER hereunder shall be made free and clear of and without any deductions for or on account of any set-off or counterclaim, except as required by law or as mutually agreed in writing by the Parties.

At any event, bank charges shall be borne by the CUSTOMER and shall not be deducted from the payment made by the CUSTOMER.

CUSTOMER may deduct applicable withholding taxes due and/or paid for the supply of energy by SUPPLIER subject to CUSTOMER's timely submission to SUPPLIER of the corresponding *Withholding Tax Certificate*.

Upon receipt by the SUPPLIER of the *Withholding Tax Certificate*, official receipt shall then be issued to the CUSTOMER.

3.2 ***Security Deposit***

3.2.1 A Security Deposit at an amount equivalent to one month of the sum of the average monthly Capacity Fee, Fixed and Variable O&M Fees and Fuel Cost Recovery Fee of the Buyer shall be posted by the CUSTOMER in the form of a (1) manager's check or (2) cashier's check from a bank or other financial institutions acceptable to the SUPPLIERon or prior to the Closing Date. CUSTOMER may, if it chooses to do so, furnish a Security Deposit in the form of cash.

The Security Deposit shall be calculated based on the minimum usage for the first contract year and shall be adjusted in accordance with the next succeeding Section.

3.2.1 Prior to the commencement of each Contract Year after the first Contract Year, the value at which the Security Deposit shall be maintained shall be adjusted based on the average monthly Capacity Fee, Fixed and Variable O&M Fees and Fuel Cost Recovery Fee of the CUSTOMER for the immediately preceding Contract Year. The CUSTOMER shallpost the Security Deposit in the adjusted amount on or prior to the first day of the first Billing Period of each succeeding Contract Year.

3.2.2 In the event that SUPPLIER draws against the Security Deposit as provided under this Agreement, CUSTOMER shall replenish the Security Deposit to restore the value thereof to its original amount

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prior to SUPPLIER having drawn thereon within fifteen (15) calendar days from receipt of notice from SUPPLIER.

3.2.3 In the event that CUSTOMER does not replenish its Security Deposit in full within fifteen (15) calendar days as per Section 3.2.2, SUPPLIER may unilaterally terminate the Agreement with immediate effect, and customer shall be liable to pay a Termination Fee equivalent to the amount stated in Section 9.3.

3.2.4 The Security Deposit shall be returned by SUPPLIER to the CUSTOMER together with interest earned within thirty (30) days from expiration of this Agreement.

Interest shall be fixed at two percent (2 %) per annum.

Any amount which may be due to the SUPPLIER which remains unpaid until the expiration of this Agreement may automatically be deducted by the SUPPLIER from the Security Deposit.

MR. RAYMOND ANG

MR. JEMELOU PELIMER

MR. MARIO GENIS SARIGUMBA

MR. EDGARDO SALVAME

-SECTION FOUR-
BILLING DISPUTE

4.1 If CUSTOMER disputes any Billing Statements, it shall so inform SUPPLIERin writing within a period of **FIFTEEN (15)** days from receipt thereof. The CUSTOMER must specify the items that are disputed in the Billing Statement. If the dispute is not resolved by the Payment Date provided under Section 3.1.2, CUSTOMER shall pay the full amount stated in the Billing Statement on or before such due date, with the disputed portion paid under protest. The Parties shall endeavour to resolve the dispute within ten (10) days after payment in full of the amount stated in the Billing Statement. In case the dispute is not resolved within ten (10) days, then the matter shall be deemed to be a Dispute and the provisions of Section 13 shall apply.

4.2 If the Parties resolve the dispute in favor of the CUSTOMER in accordance with Section 4.1, or if the Dispute on the Billing Statement is determined adversely to SUPPLIER pursuant to Section 13, SUPPLIER shall allow CUSTOMER a credit on the Billing Statement next due in an amount equivalent to that disputed by CUSTOMER(without interest or penalty thereon whatsoever).

4.3 Disputed billing shall not be an excuse or a ground for CUSTOMER to delay payment of succeeding billings or to unilaterally deduct any amount there from.

-SECTION FIVE-
TAXES, FEES AND COSTS

5.1 CUSTOMER shall be liable for and shall pay: (i)any taxes (including Value Added Tax, if any), fees, charges, levies and imposts imposed or assessed by any governmental authority on or in connection with the purchase and sale of electricity and/or payments due to SUPPLIER hereunder; and (ii) any new taxes, fees, charges, levies and imposts (including any increase in the rate or amount thereof after the date hereof but excluding income taxes) imposed on SUPPLIER, excluding fines and penalties directly attributed to SUPPLIER's own negligence, after the date hereof, in connection with the performance by the SUPPLIER of its obligations pursuant to this Agreement. Such payments shall be made as and when required pursuant to applicable laws in effect from time to time.

5.2 CUSTOMER shall also be liable for payment of the Universal Charge (as this term is defined under the EPIRA) upon the imposition thereof, it being understood that the imposition of the Universal Charge pursuant to the provisions of EPIRA should not be an event of Force Majeure.

5.3 Power generated during Commissioning and Testing of the Plant shall be charged to and paid for by the CUSTOMER in accordance with Annex B (Rates Schedule).

5.4 Save as otherwise provided in this Agreement, each party shall be liable for such costs and expenses that it may incur on account of the performance of its obligations hereunder.

MR. RAYMOND ANG

MR. JEMELOU PELIMER

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MR. EDGARDO SALVAME

-SECTION SIX-
FORCE MAJEURE

6.1 Force Majeure means any event, matter or circumstance that is unforeseeable or is outside the reasonable control of a party and that prevents or restricts the performance by that party of its obligations hereunder, and shall include: (i) acts of God; (ii) acts of war or the public enemy, whether war be declared or not, invasion, armed conflict or act of foreign enemy, blockade, embargo, revolution and public disorders, including insurrection, rebellion, civil commotion, sabotage, riots and violent demonstrations; (iii) strikes, lock-outs, riots and labor disputes in any such case which are widespread or nationwide; (iv) floods, tidal waves, explosions, fire, earthquakes, typhoons and other natural calamities; (v) expropriation or compulsory acquisition of all or any material part of the Power Plants or the Site, or any other act of governmental authority that prevents or restricts SUPPLIER's access to the Power Plants or the Site; (vi) change in governmental requirements enforced from time to time after the date hereof, including any change in the policies (or the interpretation of the policies) of the Department of Energy, the Energy Regulatory Commission, National Grid Corporation of the Philippines, or any governmental agency that regulates or exercises jurisdiction over the electric power industry or any sector thereof;(vii) arbitrary or capricious or unreasonable denial, conditioning, variation, termination or voiding of, or failure, or delay, in granting or renewing , any governmental permit, such as

but not limited to any permit, license, agreement, order, certificate, franchise, registration, filing, authorization, consent or approval issued by or filed with any governmental authority, which is required for such party's performance of its obligations hereunder, notwithstanding such party's due application there for and diligent efforts to obtain the same; or any other event of similar nature which prevents the SUPPLIER from delivering electricity to the CUSTOMER, or prevents the CUSTOMER from receiving energy from SUPPLIER.

With respect to SUPPLIER, Force Majeure shall include the failure or inability of the SUPPLIER to manage and control the contracted capacity of the power plants on account of any failure or delay in the delivery of Fuel to, or the failure or inability of SUPPLIER to take and accept deliveries of fuel at the power plants due to any event or circumstance described in the preceding paragraph, or any act of governmental authority.

Force Majeure shall not include, among other things: (i) lack of funds for the performance of any obligation hereunder (ii) fluctuation in the Peso-Dollar exchange rate and (iii) ordinary or extraordinary inflation.

6.2 Neither Party shall be liable for any failure or delay in the performance of its obligations under this Agreement if such failure or delay arises out of, but only to the extent caused by, any event of Force Majeure: ***Provided*** that the relief granted by this Section shall be available only if and to the extent that the Party claiming relief has and continues to take all steps reasonably within its control to mitigate the effects of such Force Majeure event, and in no event shall late payment or non-payment of money due be excused by any event of Force Majeure.

6.3 The Party seeking to rely on an event of Force Majeure to excuse failure or delay in the performance of its obligations pursuant to Section 6.2 hereof shall notify the other party as soon as reasonably possible of the nature of the Force Majeure claimed and to the extent the Force Majeure claimed affects the party's obligation under this Agreement, and such party shall resume the performance of its obligations as soon as reasonably possible after the event of Force Majeure ceases to exist.

6.4 If any event of Force Majeure occurs during the Term of this Agreement, the Term, by mutual agreement of the Parties, may be extended by a period of time equal to the period of time for which performance is excused as a result of the Force Majeure. The parties will consult each other and will take all reasonable steps to minimize the losses of either Party resulting from Force Majeure.

6.5 Notwithstanding any other provision of this Agreement to the contrary, in the case of any situation in which, in the reasonable opinion of SUPPLIER, it would be dangerous to continue to provide electricity to CUSTOMER in accordance with this Agreement, SUPPLIER shall, if it would be reasonably impracticable under the relevant circumstances to obtain the prior approval of CUSTOMER, act unilaterally to take preventive and corrective actions in response to such situation in accordance with Good Industry Practices.

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SUPPLIER shall notify CUSTOMER as soon as reasonably practicable, following the occurrence of such situation, of any action taken or to be taken pursuant to this Section and the reasons therefor.

6.6 Any Party may terminate this Agreement upon thirty (30) days prior written notice to the other Party if an event of Force Majeure occurs during the Term of this Agreement and prevents either Party from performing its obligations under the Agreement for a period in excess of twelve (12) consecutive months.

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MR. MARIO GENIS SARIGUMBA
MR. EDGARDO SALVAME

-SECTION SEVEN-
REPRESENTATIONS, WARRANTIES AND COVENANTS

7.1 CUSTOMER hereby represents, warrants, and agrees to the following:

(a) It is duly incorporated, validly existing and in good standing under the laws of the Republic of the Philippines;

(b) It possesses full power and authority to enter into this Agreement, and has taken all the necessary action to authorize the entry into and delivery of this Agreement and the transactions contemplated hereby , and the performance of its obligations hereunder;

(c) It has the qualifications, capacity, and abilities to perform the obligations hereunder, pursuant to and in accordance with this Agreement;

(d) No other Party has exclusive rights to supply CUSTOMER with energy and it is in no way compromising any rights or trusts relationships between any other party and CUSTOMER, or creating a conflict of interest, or any possibility thereof, for CUSTOMER or the SUPPLIER;

(e) It has the power, licenses and permits required to carry on its business as it is being conducted and as proposed to be conducted;

(f) This Agreement is binding upon all successors-in-interest, permitted assigns, agents and representatives of the CUSTOMER;

(g) It has not failed to disclose any material fact to the SUPPLIER;

(h) This Agreement and the consummation of the transactions contemplated herein are its legal, valid, binding and enforceable obligations;

(i) The entry into and the performance by it of this Agreement do not and will not conflict with or constitute a breach of or default under (a) any applicable law; (b) any provisions of its Articles of Incorporation or By-laws; (c) any agreement, contract, or instrument binding upon it or any of its assets, real or personal;

(j) There are no outstanding notices of or any violations by the CUSTOMER of any applicable law or any other requirements of any governmental authority having jurisdiction over or affecting any part of this Agreement;

(k) CUSTOMER undertakes to procure all local governmental, corporate and other requirements, licenses, authorizations, permits necessary or desirable in connection with the entry into, performance, validity and enforceability of, and the transactions contemplated by this Agreement and CUSTOMER hereby warrants that the same are in order and in full force and effect;

(l) There are no actions or suits or proceedings by or before any court, arbitral tribunal, administrative body or other judicial or quasi-judicial authority that are pending or threatened against it that if determined adversely against it could materially and adversely affect its ability to perform its obligations under this Agreement;

(m) It operates and maintains the CUSTOMER facility in accordance with Good Industry Practice and applicable laws as necessary to enable the CUSTOMER facility to accept and take the contract energy;

(n) It shall be solely responsible for violations of any applicable laws in the performance of its obligations under this Agreement; and

(o) Except for any statutory preference or priority established under Philippine law, its financial obligations under this Agreement shall have first priority in order of payment, and CUSTOMER has no existing liability or obligation, or is under no legal impediment, which would prevent CUSTOMER from ensuring such preference in payment.

7.2 SUPPLIER hereby represents and warrants:

(a) It is duly incorporated, validly existing and in good standing under the laws of the Republic of the Philippines;

(b) This Agreement is binding upon all successor-in-interest, permitted assigns, agents and representatives of the SUPPLIER;

(c) This Agreement and the consummation of the transactions contemplated herein are its legal, valid, binding and enforceable obligations;

(d) The entry into and the performance by it of this Agreement do not and will not conflict with or constitute a breach of or default under (a) any applicable law; (b) any provisions of its Articles of Incorporation or By-laws; (c) any agreement, contract, or instrument binding upon it or any of its assets, real or personal;

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(e) There are no outstanding notices of or any violations by the SUPPLIER of any applicable law or any other requirements of any governmental authority having jurisdiction over or affecting any part of this Agreement;

(f) The SUPPLIER undertakes to procure all national governmental, corporate and other requirements, authorizations and permits necessary or desirable in connection with the entry into, performance, validity and enforceability of, and the transactions contemplated by this Agreement.

-SECTION EIGHT-
CONFIDENTIALITY

8.1 Each Party shall ensure that no confidential information of the other party (the "Disclosing Party") is disclosed to third parties unless consented to in writing by the Disclosing Party. A Party shall not accept Confidential Information from others on behalf of the other Party unless it is necessary and acquired pursuant to a written agreement with that other Party;

8.2 A Party shall not use confidential information except in the performance of its obligations under this Agreement. It shall not reproduce or otherwise copy any confidential information without the express prior written consent of the Disclosing Party except for a reasonable number of copies necessary to accomplish the purposes of this Agreement and subject to the condition that all copies shall, upon reproduction, contain appropriate and confidential notices and legends that may appear on the original confidential information;

8.3 Without limiting the foregoing, each Party shall use utmost efforts to prevent any unauthorized disclosure of confidential information, including the exercise of no lesser security measures and degree of care than those which it applies to its own confidential information, such as but not limited to keeping all documents and other material bearing or incorporating any of the confidential information separate from all other documents and materials;

8.4 Any consent given by the Disclosing Party for disclosure of confidential information shall be so given upon the condition that the other Party shall procure that each person or entity to whom disclosure is made shall, prior to disclosure, execute a confidentiality agreement with the disclosing party on the same terms as set out in this Section;

8.5 The provisions contained in this Section shall be effective from the Effective Date and survive the termination or expiration of this Agreement;

-SECTION NINE-
ALLOWED DOWNTIME

MR. EDGARDO SALVAME MR. MARIO GENIS SARIGUMBA MR. JEMELOU PELIMER MR. RAYMOND ANG

9.1 The Parties agree that SUPPLIER is allowed to incur Scheduled Outage and Unscheduled Outage up to a maximum of Eight Hundred Seventy-Six (876) hours for a Genset per contract year.

1) Scheduled Outage. SUPPLIER shall notify CUSTOMER at least five (5) days prior to undertaking any planned inspection, testing, maintenance (Including preventive and corrective maintenance), repair, replacement, improvement or overhaul of the subject Generator Set or its related facilities ("*Scheduled Outage*"). Any desired changes to the schedule shall be communicated by SUPPLIER to Customer at least one (1) day prior to such Scheduled Outage.

2) Unscheduled Outage. SUPPLIER shall notify Customer no later than one (1) day after the occurrence of outage of any generating unit of the subject Generator Set or its related facilities caused by inspection, testing, maintenance (including preventive and corrective maintenance), repair, replacement, improvement, overhaul or otherwise causing unavailability of any generating unit of the subject Generator Set or its related facilities which could not be postponed until the next scheduled Outage ("*Unscheduled Outage*").

9.2 In any contract year and for every Generator Set (if more than one), the difference between Eight Hundred Seventy-Six (876) hours and the actual hours used by SUPPLIER for Schedules Outage and Unscheduled Outage in such contract year shall be credited and may be used by SUPPLIER to undertake Scheduled Outage or Unscheduled Outage for the relevant Generator Set during succeeding contract years in addition to the 876 hours allowed for such relevant succeeding year.

9.3 SUPPLIER and CUSTOMER are excused from their obligation to deliver and receive energy, respectively, during the occurrence of Scheduled Outage or Unscheduled Outage, in which case the Contract Energy for the affected Billing Period may be adjusted pro rata or as agreed by the Parties.

9.4 SUPPLIER has the option to supply CUSTOMER (all or a portion of) the Contract Energy (and Additional Energy, if applicable) during the occurrence of Scheduled Outage or Unscheduled Outage which results in restricted energy delivery (whether full or partial) including load shedding.

1) For the portion of Contract Energy and Additional Energy, if applicable, provided by SUPPLIER from its own back up facility and/or third party, the supply of energy shall be made in accordance with Section 2 hereof.

2) For the portion of Contract Energy provided by SUPPLIER from the Generator Set, CUSTOMER shall pay the Contract Energy Fee, provided that, CUSTOMER shall pay the Load Curtailment Adjustment in lieu of the Capacity Fee (identified as CF under Annex B) component of the Contract Energy Fee for such affected period. Similarly, if applicable, CUSTOMER shall pay the Load Curtailment Adjustment in lieu of the Additional Energy Capacity Rate component of the Additional Energy Fee.

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3) Notwithstanding the foregoing, CUSTOMER continues to be liable for the Variable Charge (Identified as VOM under Schedule B)component of the Contract Energy Fee (and Additional Energy Fee, if applicable).

-SECTION TEN-
TERMINATION

10.1 This Agreement may only be terminated by the Parties upon the following grounds:

1) The CUSTOMER may terminate this Agreement by written notice to SUPPLIER upon the occurrence of the following events of default:

(a) SUPPLIER fails to supply Energy for a period of 60 days for reasons wholly attributable to its fault and/or negligence and provided that SUPPLIER fails to take reasonable actions or remedies to solve its inability to deliver capacity and energy.

2) SUPPLIER may terminate this Agreement with immediate effect by serving written notice to CUSTOMER upon the occurrence of any of the following events of default:

(a) (i) CUSTOMER admits in writing its inability to pay any debt as and when they fall due; (ii) any bankruptcy, insolvency, suspension of payment, reorganization or similar proceedings are commenced by or against CUSTOMER; (iii) as part of scheme of arrangement or composition with its creditors, CUSTOMER makes any assignment for the benefit of its creditors; or (iv) an effective order is made (and not set aside or stayed within sixty (60) days), or an effective corporate resolution is passed, for the liquidation, winding-up or dissolution of CUSTOMER;

(b) A receiver or trustee in bankruptcy, insolvency, suspension of payment, reorganization or similar proceedings is appointed in respect of all or any material part of CUSTOMER's assets and such appointment is not set aside or stayed within sixty (60) days;

(c) Any financial obligation of CUSTOMER under this Agreement and any other agreement of CUSTOMER with Supplier is not paid when due or within any applicable grace period , or is validly declared to be or otherwise becomes due and payable prior to its stated maturity as a result of any actual or potential default, howsoever described;

(d) CUSTOMER ceases or discontinues operations for a period of thirty (30) days;

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MR. EDGARDO SALVAME

(e) Any financial obligation of the CUSTOMER under any other agreement is not paid when due nor within any applicable grace period, or is validly declared to be or otherwise becomes due and payable prior to its stated maturity as a result of any actual or potential default, howsoever described, and;

(f) (i) the Security Deposit ceases to be valid, or (ii) CUSTOMER or the Party providing the Security Deposit asserts that it is or becomes entitled to revoke, cancel or suspend the Security Deposit or does revoke, cancel or suspend the Security Deposit or otherwise repudiates the same, or (iii) any of the events or circumstances described in clauses (a) through (e) above, inclusive, shall apply to or affect the person providing the Security Deposit within fifteen (15) calendar days from the date of notice from SUPPLIER requiring that a substitute Security Deposit be posted.

10.2 Upon termination of this Agreement under any circumstances, CUSTOMER shall immediately pay to SUPPLIER all unpaid Electricity Fees and all other amounts then payable by CUSTOMER to SUPPLIER under this Agreement.

10.3 In the event that this Agreement is terminated by the SUPPLIER on grounds of breach of this Agreement attributable to the CUSTOMER, the CUSTOMER shall immediately pay to the SUPPLIER the Termination Fee equivalent to the Minimum Capacity Fee which the CUSTOMER should have been liable to pay were it not for the early termination of the Agreement and all other costs arising from the termination of the Agreement.

CUSTOMER, in addition to the payment of the Minimum Capacity Fee for the unexpired portion of the Agreement shall also be liable to pay the SUPPLIER reasonable amount of damages equal to ten percent (10%) of the Minimum Capacity Fee for the said unexpired portion.

The Parties hereby agree that the amount of Termination Fee stated above is equivalent to reasonable approximate of damages which will be suffered by the SUPPLIER considering the nature of this Agreement and the amount of investments of the SUPPLIER;

10.4 Upon any termination of this Agreement, neither Party shall have any further obligation to the other Party, other than for those obligations arising prior to the date of termination and those which, by their nature, are to be performed after termination or which are expressed to survive the termination hereof. The termination of this Agreement under any circumstance hereunder shall be in addition to, and not exclusive of, any other right, remedy or relief as are available to the Party terminating this Agreement hereunder, at law or in equity.

MR. RAYMOND ANG
MR. JEMELOU PELIMER
MR. MARIO GENIS SARIGUMBA
MR. EDGARDO SALVAME

-SECTION ELEVEN-
NOTICES

11.1 Each communication, notice, demand, or request to be made hereunder, including Billing Statements shall be made in writing and, unless otherwise stated, may be sent through personal delivery, facsimile, email, registered courier, or registered mail. Any notice to be made or delivered by one Party pursuant to this Agreement shall be made or delivered to the other Party at the contact details specified in **Annex "C"** (Notices).

Any Party may change its address, facsimile number or email address for purposes of receipt of Notices by giving the other Party not less than fifteen (15) days notice of such change. A notice shall be deemed to have been made or delivered (i) in the case of any notice made by personal delivery, registered courier, or by registered mail, when left at that address or otherwise received by the addressee; (ii) in the case of any communication made by facsimile, when a legible copy of such communication has been received, and (iii) in case of email, upon receipt by sender of the acknowledgement of the "receipt requested" message from the recipient.

-SECTION TWELVE-
NON-WAIVER, AMENDMENTS AND REMEDIES

12.1 No waiver by the SUPPLIER of any provision of this Agreement shall be binding unless made in writing and signed by the SUPPLIER's authorized representative. The failure of the SUPPLIER to insist, in any one or more instances, upon strict performance of any of the provisions of this Agreement or to take advantage of any rights granted hereunder shall not be construed as a waiver of any such provisions or the relinquishment of any of such rights in the future.

12.2 No changes or modifications of this Agreement shall be effective unless made in writing and signed by both Parties.

12.3 Unless otherwise provided, the remedies under this Agreement shall be cumulative and not exclusive, and the exercise of one remedy shall not exclude the exercise and shall not be construed as a waiver of the right to exercise the other remedies.

-SECTION THIRTEEN-
DISPUTE RESOLUTION

13.1 The Parties shall refer any dispute, controversy, claim or difference between them arising out of or relating to this Agreement, or the breach thereof, or in the interpretation of any of the provisions hereof (each a "Dispute"), to their

MR. RAYMOND ANG
MR. JEMELOU PELIMER
MR. MARIO GENIS SARIGUMBA
MR. EDGARDO SALVAME

respective representatives who shall seek to amicably resolve such Dispute in accordance with the procedure set out in this Section.

13.2 The Party alleging a Dispute shall give written notice thereof to the other Party within thirty (30) calendar days from the occurrence thereof, which notice shall contain a description of the Dispute.

13.3 Promptly upon receipt by the other Party of Notice of Dispute, the Parties' respective representatives shall meet and discuss in good faith to resolve the Dispute within thirty (30) days from receipt of the notice, or within such longer period as the Parties may mutually agree.

-SECTION FOURTEEN-
JURISDICTION AND COURT LITIGATION

14.1 Any Dispute that is not resolved between the Parties in accordance with the provisions of Section 12 shall, unless the Dispute falls within the original and exclusive jurisdiction of the ERC, be submitted to jurisdiction of the proper courts of Davao City, Philippines, to the exclusion of all other courts elsewhere situated, and the Parties agree that the courts of Davao City are an appropriate forum for the settlement of Disputes and waive any claim or assertion that such courts are an inconvenient forum.

14.2 If SUPPLIER have instituted an action on a Dispute to enforce this Agreement or as a result of an alleged breach of this Agreement by CUSTOMER, CUSTOMER shall also be liable to the SUPPLIER for an amount equivalent to twenty percent (20%) of the value of any award made in favor of the SUPPLIER, to cover attorney's fees and other expenses of dispute resolution or litigation.

-SECTION FIFTEEN-
GOVERNING LAW

15.1 This Agreement shall be governed by and construed in accordance with the laws of the Republic of the Philippines. The Parties shall perform all their obligations under this Agreement in accordance with Applicable Law. In case of any amendment, modification or change in Applicable Law, the Parties shall continue to perform their obligations under this Agreement unless made expressly unlawful or impossible by such amendment, modification or change.

MR. RAYMOND ANG
MR. JEMELOU PELIMER
MR. MARIO GENIS SARIGUMBA
MR. EDGARDO SALVAME

-SECTION SIXTEEN-
ENTIRE AGREEMENT

16.1 The Parties acknowledge that this Agreement constitutes the entire agreement between them and shall completely supersede all other prior understandings, previous communications, or contracts, oral or written, between the parties relating to the subject matter hereof;

16.2 Nothing contained in this Agreement shall be construed to create an association, trust, partnership, or joint venture or impose a trust or partnership duty, obligation, or liability on or with regard to either Party, or to create any duty, standard of care or liability to any person or entity not a Party hereto. Each Party shall be liable individually and severally for its own obligations under this Agreement.

MR. RAYMOND ANG

-SECTION SEVENTEEN-
ASSIGNMENT OR TRANSFER

17.1 Neither party shall assign or transfer all or any part of its rights, benefits or obligations hereunder, without the prior written consent of the other Party, except that the **SUPPLIER** may assign all or any part of its rights, benefits or obligations hereunder to its holding companies, subsidiaries, or affiliates, without need for notice to or consent of **CUSTOMER**. No assignment or transfer shall be valid unless the assignee or transferee shall issue a formal written assumption of liability of all the obligation of its assignor or transferor under this Agreement.

MR. JEMELOU PELIMER

-SECTION EIGHTEEN-
SEVERABILITY

18.1 If one or more provisions of this Agreement shall be declared invalid, illegal or unenforceable, the remaining provisions shall remain in, and shall be given, full force and effect. The Parties shall meet in good faith to agree, to the fullest extent allowed by law, on a substitute provision that would most closely approximate the intention of the invalid provision, and amend this Agreement accordingly.

MR. MARIO GENIS SARIGUMBA

IN WITNESS WHEREOF, the Parties have hereunto set their signatures the place and date first above written.

MR. EDGARDO SALVAME

KING ENERGY GENERATION INC.

BY:

MR. EDGARDO L. SALVAME
President/ CEO, King Energy

MISAMIS OCCIDENTAL II ELECTRIC COOPERATIVE, INC.

BY:

MR. MARIO GENIS B. SARIGUMBA
Board President, MOELCI II

SIGNED IN THE PRESENCE OF:

Mr. Raymond B. Ang
COO, King Energy

Mr. Jemelou L. Pelimer
General Manager, MOELCI II

ACKNOWLEDGMENT

Republic of the Philippines)
PASAY CITY)

AUG 01 2012

Before me, a Notary Public for and in the City of PASAY CITY, this ____ day of _____, 20___ personally appeared Mr. Edgardo L. Salvame who is identified by me through his passport with Nos. EB2549545 issued in Pasay City on 26 May 2011, known to me and to me known to be the same person who executed the foregoing Power Supply Agreement consisting of **19** pages, including the page wherein this Acknowledgment is made, together with its attachments, and he acknowledged that the same is his free and voluntary act and deed and of the Corporations he represents.

WITNESS my hand and seal on the date and place first above written.

NOTARY PUBLIC

ATTY. CECILIO L. CASALLA
NOTARY PUBLIC
UNTIL DECEMBER 31, 2012
PTR # 2621699 1/02/2012 PASAY CITY
IBP # #49251 1/02/2012 PASAY CITY
ROLL NO. 24854

Doc. No. 334;
Page No. 68;
Book No. XX;
Series of 2012.

ACKNOWLEDGMENT

Republic of the Philippines)
OZAMIZ CITY)

Before me, a Notary Public for and in the City of SEP 0 4 2012, this ____ day of _____, 20___ personally appeared Mr. Mario Genis B. Sarigumba who is identified by me through his Driver's Lincense with nos. N04-84049040 issued in Ozamis City Expired on January 16, 2015, known to me and to me known to be the same person who executed the foregoing Power Supply Agreement consisting of **19** pages, including the page wherein this Acknowledgment is made, together with its attachments, and he acknowledged that the same is his free and voluntary act and deed and of the Corporations he represents.

WITNESS my hand and seal on the date and place first above written.

NOTARY PUBLIC

Doc. No. 25;
Page No. 5;
Book No. I;
Series of 2012.

DAN KIRBY S. JOMILLA
NOTARY PUBLIC
UN TIL DECEMBER 31, 2013
PTR NO. 1193856A APRIL 2, 2012
IBP NO. 720558 5/18/12 MIS. OCC. CHAP.
ROLL 60290 03/23/12
2ND FLOOR, GREENWICH, CHUA HONG BLDG.
PORT ROAD, OZAMIZ CITY

MR. RAYMOND ANG

MR. JEMELOU PELIMER

MR. MARIO GENIS SARIGUMBA

MR. EDGARDO SALVAME

ANNEX "A"

METERING POINT

List of Metering Point

King Energy Generation Inc.

LOCATION	*DELIVERY VOLTAGE*
Brgy. Barang Map-an, Panaon, Misamis Occidental	*69kV*

MR. RAYMOND B. ANG

MR. JEMELOU L. PELIMER

MR. MARIO GENIS B. SARIGUMBA

MR. EDGARDO L. SALVAME

ANNEX "B"

RATES SCHEDULE

MR. RAYMOND B. ANG

MR. JEMELOU L. PELIMER

MR. MARIO GENIS B. SARIGUMBA

MR. EDGARDO L. SALVAME

1. Basic Electricity Fees Component

Capacity Fee (CF)	= Php 1,273/kw/month
Fixed O&M Fee (FOM)	= Php 188.54/kw/month
Billing Capacity (BC)	= 10,000 kW
Variable O&M (VOM)	= Php 0.6870 / kwh
Number of Hours per day	= 8 hours

2. Contract Energy Fee per Month

CEF = FC + VC

FC = (CF + FOM x IFf) x BC

VC = (VOM x IFv + FL) x ED

Where:

BC = Billing Capacity in kW

FC = Fixed charge per month in Php

VC = Variable charge per month in Php

ED = Energy Delivered in kWh

CEF = Contract Energy Fee in Php

VOM = Variable charge per month in Php/kwh

CF = Capacity fee in Php/kW/month

FOM = Fixed O&M fee in Php/kW/month

IFf = Inflation factor fixed

IFv = Inflation factor variable

FL = Fuel and Lube oil in Php/kwh (Pass through subject to heat rate schedule)

3. Inflation Factor

Inflation Factor for fixed O&M

IF (f) = 1 X (P CPI m / P CPI b)

Inflation Factor for variable O&M

IF (v) = 0.0086 + 0.0129 X (P CPI m / P CPI b) + 0.9784 X (P EX m / P EX b)

Where:

P CPI m = Philippine CPI of the current billing month

P CPI b = Philippine CPI on the effectivity month of this Agreement

P EX m = Peso to EURO exchange rate at the end of the current billing month

P EX b = Peso to EURO exchange rate on the effectivity month of this Agreement

Consumer Price Indices

P CPI m	169.80	BSP	Jan-11
P CPI b	169.80	BSP	Jan-11

Peso Foreign Exchange Rate

P EX m	59.0115 PHP/EUR	BSP	Jan-11
P EX b	59.0115 PHP/EUR	BSP	Jan-11

4. Computation of Fuel and Lube oil rate

FL = HFOCR x Actual Heavy Fuel cost per liter

Where:

HFOCR = Heavy fuel oil consumption rate in liters/kwh

= 0.26 L/kwh (based on the actual Load Factor per Schedule)

Note: The monthly actual cost per liter of fuel oil shall be based on the weighted average cost of actual monthly invoices of fuel oil deliveries, inventories and consumption.

MR. RAYMOND B. ANG

MR. JEMELOU L. PELIMER

MR. MARIO GENIS B. SARIGUMBA

MR. EDGARDO L. SALVAME

5. Testing and Commissioning Fee

Only Actual Fuel cost and Variable O&M.

6. Start up Fee

Actual cost of additional start-up and shutdown with documents.

7. Additional Energy Fee in excess of eight (8) running hours per day

AEF = AC x BC x h + (VOM + FL) x EE

Where:

AEF = Additional Energy Fees in Php

AC = Additional cost (0.78 Php/kw/h) in excess of eight (8) running Hours per day

BC = Billing Capacity, as previously defined

h = Excess hours per day

VOM = Variable O&M, as previously defined

FL = Fuel and Lube oil, as previously defined

EE = Energy delivered in excess of eight (8) hours per day

MR. RAYMOND B. ANG

MR. JEMELOU L. PELIMER

MR. MARIO GENIS B. SARIGUMBA

MR. EDGARDO L. SALVAME

8. Sample Computation

CONTRACT ENERGY SAMPLE COMPUTATION					
CEF = (CF + FOM x IFf) x BC +(VOM x IFv + FL) x ED				**Php/month**	**Php/kwh**
CF	Capacity Fee	1,273	Php/kw/month	12,730,776.52	6.2355
BC	Billing Capacity	10,000	kw		
FOM	Fixed O&M	188.54	Php/kw/month	1,885,447.25	0.9235
IFf	Inflation factor fixed	1			
VOM	Variable O&M	0.6870	Php/kwh		
IFv	Inflation factor var.	1			
ED	Energy Delivered	2,041,676	Kwh	1,402,562.01	0.6870
Total Energy Fee				**16,018,786**	**7.8459**

Notes:

1. Fuel oil cost pass-on to the consumer

2. Inflation Factor for fixed O&M

   IF (f) = 1 X (P CPI m / P CPI b)

   = 1 x (169.8/169.8)

   = 1

3. Inflation Factor for variable O&M

   IF (v) = 0.0086 + 0.0129 x (P CPI m / P CPI b) + 0.9784 x (P EX m / P EX b)

   = 0.0086 + 0.0129 x (169.8/169.8) + 0.9784 x (59.0115/59.0115)

   = 1

MR. RAYMOND B. ANG

MR. JEMELOU L. PELIMER

MR. MARIO KENIS B. SARIGUMBA

MR. EDGARDO L. SALVAME

SCHEDULE I
of annex B

Fuel Heat Rate

Capacity Factor (%)	Fuel Heat Rate (li/kWh)
50-60	0.2829
61-70	0.2727
71-80	0.2696
81-90	0.2689
91-100	0.2600

MR. RAYMOND B. ANG

MR. JEMELOU L. PELIMER

MR. MARIO GENIS B. SARIGUMBA

MR. EDGARDO L. SALVAME

ANNEX "C"

NOTICES

FOR SUPPLIER	KING ENERGY GENERATION, INC.
General Concerns	
Name:	RAYMOND B. ANG
Designation:	CHIEF OPERATION OFFICER
Address:	G/F Divine Saviour Bldg. 102 Juan St., Davao City
Telephone :	09175399503 (082) 2251252
Facsimile:	(082) 2251252
Email:	raymond_angcdo@yahoo.com
For Billing Concerns	
Name:	RAYMOND B. ANG
Designation:	CHIEF OPERATION OFFICER
Address:	G/F Divine Saviour Bldg. 102 Juan St., Davao City
Telephone :	09175399503 (082) 2251252
Facsimile:	(082) 2251252
Email:	raymond_angcdo@yahoo.com
FOR CUSTOMER	MISAMIS OCCIDENTAL II ELECTRIC COOPERATIVE, INC.
General Concerns	
Name:	MR. JEMILO PELIMER
Designation:	General Manager
Address:	Circumferential Road, Bitoon, Ozamiz City
Telephone :	088 521 1461
Facsimile:	088 521 1461
Email:	moelci2@yahoo.com
For Billing Concerns	
Name:	CARMENCITA L. WATIN
Designation:	Finance Manager
Address:	Circumferential Road, Bitoon, Ozamiz City
Telephone :	088 521 1881
Facsimile:	088 521 1881
Email:	moelci2@yahoo.com

MR. RAYMOND ANG

MR. JEMELOU PELIMER

MR. MARIO GENIS SARIGUMBA

MR. EDGARDO SALVAME

SCHEDULE 1
DEFINITIONS

AGREEMENT-	means this Power Supply Agreement and all its Annexes
APPLICABLE LAW-	refers to law, statutes, orders, issuances, ordinances, rules, rulings, regulations, codes, decisions, opinions or interpretation of any Governmental Authority pertinent to or affecting a Party or both Parties
BASIC ENERGY CHARGE-	refers to the unit price (Pesos per kWh) that Customer shall pay for Contract Energy as set out in Annex B (Rates Schedule)
BILLING PERIOD-	means the period commencing at 00:00 hours on the twenty-sixth (26th) day of each calendar month, and ending at 24:00 hours on the twenty-fifth (25th) day of the following calendar month
BILLING STATEMENT-	refers to the document that the Supplier will furnish Customer, indicating the total amount of Electricity Fees that Customer will pay Supplier
CLOSING DATE-	The Closing Date shall be the date after Sixty-Five (65) weeks counted from the complete compliance with the requirements set forth under Section 1.5 of the Agreement or on such date that may be provided by the **SUPPLIER** in accordance with Section 1.6 (b) of the Agreement.
CONFIDENTIAL INFORMATION-	means all data and information disclosed (whether before or after the date of this Agreement and whether in writing or in computer disc, verbally or by any other means and whether directly or indirectly) by the Disclosing Party (or by another person in behalf of the Disclosing Party) to the other Party in whatever form, tangible or intangible, that is not generally known to the public and relates to the operations, business, technology, practices, products, marketing, sales, services, finances or legal affairs of the Disclosing Party or of any third party doing business with or providing information to the Disclosing Party, including this Agreement, information about this Agreement and negotiations pertaining to this Agreement as well as actual or prospective customers, business partners, market opportunities, business, sales, marketing,

MR. RAYMOND ANG
MR. JEMELOU PELIMER
MR. MARIO GENIS SARIGUMBA
MR. EDGARDO SALVAME

	technical, financial and legal plans, proposal and projections, product information, know-how, design rights, trade secrets, concepts, techniques, processes, methods, systems, designs, programs, codes, formula, research, experimental work and work in progress.
CONTRACT ENERGY-	refers to the Energy quantity in kilowatt-hours per Billing Period consumed by Customer which in no case shall be below the Contract Energy provided under Annex B (Rates Schedule)
CONTRACT PERIOD-	refers to the duration of this Agreement (10 years) commencing from the Closing date until the end of the last Billing Period
CONTRACT YEAR-	refers to each period consisting of twelve (12) Billing Periods
CUSTOMER FACILITY-	refers to the Customer's distribution franchise located at the **Province of Misamis Occidental**
DELIVERY DATE-	means the first day of the Billing Period or on such date as may be extended by the Supplier in accordance with Section 1.6 (b) of the Agreement
DISCLOSING PARTY-	shall have the meaning given to this Term in Section eight (8) of the Agreement
DISPUTE-	shall have the meaning given to this Term in Section thirteen (13) of the Agreement
EFFECTIVE DATE-	refers to the date of execution of this Agreement
ELECTRICITY FEES-	refers to the total amount of charges due from Customer in respect of all energy supplied during a Billing Period
ENERGY-	refers to all Contract Energy , Additional Energy, Back-up Power and Replacement Power measured, in each case, in kilowatt-hours (kWh) delivered by Supplier to Customer during a Billing Period
EPIRA-	means R.A. 9136, otherwise known as the "Electric Power and Industry Reform Act of 2001"

MR. RAYMOND ANG

MR. JEMELOU PELIMER

MR. MARIO GENIS SARIGUMBA

MR. EDGARDO SALVAME

ERC- refers to the Energy Regulatory Commission, which is the regulating body of the electric power industry as provided under EPIRA

FORCE MAJEURE- refers to the circumstances defined under Section six (6)

FUEL- means fuel required to operate the Power Plant and to generate energy

GOOD INDUSTRY PRACTICE- means those nationally recognized practices, methods, standards and acts engaged in or approved by the majority of the members of the power generation industry in the Philippines at any relevant time, including practices, methods and act which, in the exercise of reasonable judgment in light of the facts known at the time the decision was made, could have been expected to accomplish the desired result at the lowest reasonable cost consistent with good business practices, reliability, adequacy, quality, safety and expedition. Good Industry Practice is not intended to be limited to the optimum practice, method or acts generally accepted in the region and consistently adhered to by similar generating companies

GOVERNMENTAL AUTHORITY- means the Republic of the Philippines or any national, regional, provincial, municipal or other political subdivision thereof, and any department, ministry, instrumentality, agency, corporation, or commission under the direct or indirect control or supervision of the Republic of the Philippines or any political subdivision thereof; Provided, however, that for purposes of this Agreement, Customer shall not be considered a governmental authority

GOVERNMENTAL REQUIREMENT- means any all Applicable Laws, regulations, codes, directives, judgments, decrees, orders or interpretations of any court, arbitrator or Governmental Authority and any valid waivers, exemptions, variances, permits, licenses, authorizations, orders, consents or conditions of or from, in any such case, any Governmental Authority or Court or other entity having jurisdiction over the

MR. RAYMOND ANG
MR. JEMELOU PELIMER
MR. MARIO GENIS SARIGUMBA
MR. EDGARDO SALVAME

performance of the obligations of each Party to be performed hereunder, including all consents, licenses, registrations, concessions and permits required to be issued pursuant thereto by any Governmental Authority in connection with any of the transactions contemplated hereby

METER RESULTS- refers to the set of actual hourly quantities of Energy taken by the Customer as determined by the Metering Services Group of the Supplier or any other third party to which both Customer and Supplier may jointly reassign this responsibility ("Third Party Meter Reader)

METERING POINTS- means the actual physical point (s) (e.g. plant metering point) where Supplier shall deliver the Energy to Customer

MINIMUM CONTRACT ENERGY- refers to the minimum Energy quantity in kilowatt-hours as provided in Annex B (Rates Schedule)

MINIMUM ENERGY CHARGE -refers to the load weighted average price of the Supplier for the Billing Period or the difference between the Minimum Contract Energy and the actual Energy consumed by the Customer in case the latter consumes less than the minimum Contract Energy

PAYMENT DATE- means on or before the 26th day of the immediately following month on which a Billing Period ends and on which electricity fees in respect of energy delivered during that Billing Period are due

POWER PLANT- means the **10 Megawatt Diesel Power Plant**

SECURITY DEPOSIT- means the instrument Customer is required to post to guarantee its outstanding accounts and other obligations under this Agreement, as more particularly described in the form and in the amount set out in Section 3.2.1

*****NOTHING FOLLOWS*****

MR. RAYMOND ANG
MR. JEMELOU PELIMER
MR. MARIO GENIS SARIGUMBA
MR. EDGARDO SALVAME

EXHIBIT 6

POWER SUPPLY AGREEMENT

This **Power Supply Agreement** (hereinafter referred to as "**Agreement**") is entered into this 8th day of February, 2011 in Medina, Misamis Oriental, by and between:

KING ENERGY GENERATION INC., a corporation duly organized and existing under the laws of the Republic of the Philippines, with address at G/F Divine Savior Building 102 Juan Luna St., Davao City, Philippines, herein represented in this act by its President, **MR. EDGARDO L. SALVAME**, who is duly authorized to represent it in this transaction (hereinafter referred to as "**SUPPLIER**");

And

MISAMIS ORIENTAL II ELECTRIC SERVICE COOPERATIVE, INC. (MORESCO II), a non-stock, non-profit electric cooperative organized and existing under and by virtue of P.D. 269, as amended, with address at Medina, Misamis Oriental, herein represented in this act by its Board President, **MR. ANTONIO P. REYES, SR.** who is duly authorized to represent it in this transaction, (hereinafter referred to as "**CUSTOMER**");

The SUPPLIER and the CUSTOMER shall be individually referred to herein as "**Party**", and collectively, as "**Parties**"

MR. RAYMOND B. ANG

ENGR. AMADO B. KE-E

MR. ANTONIO P. REYES, SR.

MR. EDGARDO L. SALVAME

WITNESSETH THAT:

WHEREAS, CUSTOMER is an electric cooperative engaged in the distribution of electricity and/or power in the Province of Misamis Oriental;

WHEREAS, SUPPLIER is a corporation engaged in the generation and supply of electric power;

WHEREAS, CUSTOMER is in need of and desires to contract capacity and energy from SUPPLIER, and the SUPPLIER is willing and agrees to provide capacity and energy to CUSTOMER;

NOW THEREFORE, for and in consideration of the mutual covenants and agreements hereinafter set forth, the Parties, for themselves, their successors and assigns, have mutually agreed as follows:

Words used in this Agreement shall be understood in accordance with the meanings and definitions provided under Schedule 1 hereof.

-SECTION ONE-
SCOPE AND TERM

1.1 This Agreement shall govern the terms and conditions by which the CUSTOMER shall reserve, receive and pay for the capacity and energy that will be made available by the SUPPLIER.

1.2 This Agreement shall take effect immediately upon the signing of this Agreement (the "**Effective Date**")and shall remain in full force and effect for a period of **TEN (10) years** counted from the Closing Date (the "**Term**") as defined under Section 1.3, unless earlier terminated in accordance with Section 9 hereof.

1.3 The Closing Date shall be on 31 August 2012 or on such date that may be provided by the **SUPPLIER** in accordance with Section 1.6 (b) hereof.

For purposes of this Agreement, Closing Date shall refer to the date when the SUPPLIER shall commence delivery of the contracted capacity and energy to the CUSTOMER.

1.4 Unless **WRITTEN NOTICE** is served by the duly authorized representative of one Party to the other not later than sixty (60) days prior to the expiration of the *Term*, this Agreement shall be ***automatically renewed*** for a period of another **TEN (10) years** without need for any further action or notice by either of the Parties to the other.

1.5 Notwithstanding the execution of this Agreement and the occurrence of the *Effective Date* and/or *Closing Date*, the obligation of SUPPLIER to commence deliveries of energy shall be subject to the satisfaction of the following conditions precedent:

(a) receipt by the SUPPLIER of a certificate executed by the corporate secretary of the CUSTOMER, attesting that the Board of Directors of CUSTOMER adopted resolutions: (i) authorizing CUSTOMER to execute, enter into, deliver this Agreement and the performance of its obligations hereunder, and (ii) designating the person authorized to execute this Agreement in behalf of the CUSTOMER;

(b) receipt by the SUPPLIER of the Security Deposit referred to under Section 3.2;

(c) receipt by the SUPPLIER of the proposed location for the *Genset* which must be at least one (1) hectare, including the title, contract of lease duly registered with the Register of Deeds and/or other evidence of ownership of the property where the Genset is proposed to be installed;

(d) receipt by the SUPPLIER of all permits, licenses, and other requirements necessary for the operation of the power generation

MR. RAYMOND B. ANG
ENGR. AMADO B. KE-E
MR. ANTONIO P. REYES, SR.
MR. EDGARDO L. SALVAME

facility in the area of operation of the CUSTOMER which the CUSTOMER undertook to secure in accordance with Section 7.1 (k);

(e) the ERC shall have issued an approval for this Agreement, including the pricing structure set out herein (and any provisional authority issued by the ERC shall be considered as satisfaction of this condition);

(f) the ERC shall have issued a Certificate of Compliance in favor of SUPPLIER;

Upon satisfaction of the aforesaid conditions precedent, SUPPLIER shall deliver to CUSTOMER written notice confirming receipt of the documents and instruments described above;

1.6 If any of the conditions set out in Section 1.5 shall not have been satisfied upon Closing Date, the SUPPLIER shall have the option to:

(a) Terminate this Agreement by delivery of written notice of such termination;

(b) Waive, or in its ***sole discretion***, provide a grace period for, the satisfaction of any condition precedent that shall not have been satisfied, excluding Section 1.5 (d),(e) and (f), and deliver written notice of such waiver or grace period to the CUSTOMER (In the event the SUPPLIER grants a grace period, the written notice shall specify the date, which date shall be considered as the Closing Date);

-SECTION TWO-
SUPPLY OF ENERGY

2.1 During the Term of this Agreement, and provided that all the conditions precedent under Section 1.5 have been complied with SUPPLIER shall supply and deliver Energy to the CUSTOMER during the Billing Periods, at the Metering Points specified in **Annex "A"** (*Metering Points*) and at the fixed rate specified in **Annex "B"** (*Rates Schedule*).

With reference to Annex "B" hereof, Fuel shall mean Actual Fuel Cost, inclusive of freight, insurance and duties, charged on a pass through basis subject to a gross fuel consumption rate equivalent to 0.26 li/kWh for bunker and 0.28 li/kWh for diesel.

2.2 The SUPPLIER shall conduct all meter readings at the end of each Billing Period. The CUSTOMER may dispute the Meter Results in accordance with Section 4.

2.3 The SUPPLIER shall be allowed reasonable time for preventive maintenance upon giving of written notice to the CUSTOMER.

"Reasonable time" shall be in accordance with Good Industry Practice.

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-SECTION THREE-
PAYMENT OF FEES AND SECURITY DEPOSIT

3.1 ***Payment of fees***

3.1.1 SUPPLIER shall deliver a Billing Statement setting out the Electricity Fees due on account of all Energy delivered within seven (7) working days from the end of each Billing Period.

3.1.2 CUSTOMER shall pay in full all Electricity Fees without need of any demand **not later than the 26th day** of the succeeding calendar month after the end of each Billing Period.

Payment shall only be made at the bank account designated by the Supplier and in lawful currency of the Philippines.

Failure of the CUSTOMER to remit or cause the remittance of such payments to the designated account shall cause the unpaid portion of the invoice to earn interest at the rate of **two percent (2%) per month** (a fraction of a month shall be considered as one month) until actual payment in full of the amount due has been made.

In Addition to the penalty, SUPPLIER shall have the right (i) to draw against the Security Deposit; (ii) to temporarily suspend its obligation to generate and sell electric power to CUSTOMER without need of notice; (iii) to rescind or terminate this Agreement; and/or (iv) to declare fees and charges for electricity supplied in the current Billing Period and such other unbilled periods, as due and payable, whereupon CUSTOMER shall pay such fees and charges immediately upon delivery by SUPPLIER of the corresponding Billing Statement to Customer.

3.1.3 In case of shortfalls in the consumption of CUSTOMER, it shall remain liable to pay to the SUPPLIER the minimum contract energy fee.

3.1.4 All payments made by CUSTOMER hereunder shall be made free and clear of and without any deductions for or on account of any set-off or counterclaim, except as required by law or as mutually agreed in writing by the Parties.

At any event, bank charges shall be borne by the CUSTOMER and shall not be deducted from the payment made by the CUSTOMER.

CUSTOMER may deduct applicable withholding taxes due and/or paid for the supply of energy by SUPPLIER subject to CUSTOMER's timely submission to SUPPLIER of the corresponding *Withholding Tax Certificate.*

Upon receipt by the SUPPLIER of the *Withholding Tax Certificate,* official receipt shall then be issued to the CUSTOMER.

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3.2 ***Security Deposit***

3.2.1 A Security Deposit at an amount equivalent to one month of the sum of the average monthly Capacity Fee, Fixed and Variable O&M Fees and Fuel Cost Recovery Fee of the Buyer shall be posted by the CUSTOMER in the form of a (1) manager's check or (2) cashier's check from a bank or other financial institutions acceptable to the SUPPLIER on or prior to the Closing Date. CUSTOMER may, if it chooses to do so, furnish a Security Deposit in the form of cash.

The Security Deposit shall be calculated based on the minimum usage for the first contract year and shall be adjusted in accordance with the next succeeding Section.

3.2.1 Prior to the commencement of each Contract Year after the first Contract Year, the value at which the Security Deposit shall be maintained shall be adjusted based on the average monthly Capacity Fee, Fixed and Variable O&M Fees and Fuel Cost Recovery Fee of the CUSTOMER for the immediately preceding Contract Year. The CUSTOMER shall post the Security Deposit in the adjusted amount on or prior to the first day of the first Billing Period of each succeeding Contract Year.

3.2.2 In the event that SUPPLIER draws against the Security Deposit as provided under this Agreement, CUSTOMER shall replenish the Security Deposit to restore the value thereof to its original amount prior to SUPPLIER having drawn thereon within fifteen (15) calendar days from receipt of notice from SUPPLIER.

3.2.3 In the event that CUSTOMER does not replenish its Security Deposit in full within fifteen (15) calendar days as per Section 3.2.2, SUPPLIER may unilaterally terminate the Agreement with immediate effect, and customer shall be liable to pay a Termination Fee equivalent to the amount stated in Section 9.3.

3.2.4 The Security Deposit shall be returned by SUPPLIER to the CUSTOMER together with interest earned within thirty (30) days from expiration of this Agreement.

Interest shall be fixed at two percent (2 %) per annum.

Any amount which may be due to the SUPPLIER which remains unpaid until the expiration of this Agreement may automatically be deducted by the SUPPLIER from the Security Deposit.

-SECTION FOUR-
BILLING DISPUTE

4.1 If CUSTOMER disputes any Billing Statements, it shall so inform SUPPLIER in writing within a period of **FIFTEEN (15)** days from receipt thereof. The CUSTOMER must specify the items that are disputed in the Billing Statement.

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If the dispute is not resolved by the Payment Date provided under Section 3.1.2, CUSTOMER shall pay the full amount stated in the Billing Statement on or before such due date, with the disputed portion paid under protest. The Parties shall endeavour to resolve the dispute within ten (10) days after payment in full of the amount stated in the Billing Statement. In case the dispute is not resolved within ten (10) days, then the matter shall be deemed to be a Dispute and the provisions of Section 13 shall apply.

4.2 If the Parties resolve the dispute in favor of the CUSTOMER in accordance with Section 4.1, or if the Dispute on the Billing Statement is determined adversely to SUPPLIER pursuant to Section 13, SUPPLIER shall allow CUSTOMER a credit on the Billing Statement next due in an amount equivalent to that disputed by CUSTOMER (without interest or penalty thereon whatsoever).

4.3 Disputed billing shall not be an excuse or a ground for CUSTOMER to delay payment of succeeding billings or to unilaterally deduct any amount therefrom.

-SECTION FIVE-
TAXES, FEES AND COSTS

5.1 CUSTOMER shall be liable for and shall pay: (i)any taxes (including Value Added Tax, if any), fees, charges, levies and imposts imposed or assessed by any governmental authority on or in connection with the purchase and sale of electricity and/or payments due to SUPPLIER hereunder; and (ii) any new taxes, fees, charges, levies and imposts (including any increase in the rate or amount thereof after the date hereof but excluding income taxes) imposed on SUPPLIER, excluding fines and penalties directly attributed to SUPPLIER's own negligence, after the date hereof, in connection with the performance by the SUPPLIER of its obligations pursuant to this Agreement. Such payments shall be made as and when required pursuant to applicable laws in effect from time to time.

5.2 CUSTOMER shall also be liable for payment of the Universal Charge (as this term is defined under the EPIRA) upon the imposition thereof, it being understood that the imposition of the Universal Charge pursuant to the provisions of EPIRA should not be an event of Force Majeure.

5.3 Power generated during Commissioning and Testing of the Plant shall be charged to and paid for by the CUSTOMER in accordance with Annex B (Rates Schedule).

5.4 Save as otherwise provided in this Agreement, each party shall be liable for such costs and expenses that it may incur on account of the performance of its obligations hereunder.

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-SECTION SIX-
FORCE MAJEURE

6.1 Force Majeure means any event, matter or circumstance that is unforeseeable or is outside the reasonable control of a party and that prevents or restricts the performance by that party of its obligations hereunder, and shall include: (i) acts of God; (ii) acts of war or the public enemy, whether war be declared or not, invasion, armed conflict or act of foreign enemy, blockade, embargo, revolution and public disorders, including insurrection, rebellion, civil commotion, sabotage, riots and violent demonstrations; (iii) strikes, lock-outs, riots and labor disputes in any such case which are widespread or nationwide; (iv) floods, tidal waves, explosions, fire, earthquakes, typhoons and other natural calamities; (v) expropriation or compulsory acquisition of all or any material part of the Power Plants or the Site, or any other act of governmental authority that prevents or restricts SUPPLIER's access to the Power Plants or the Site; (vi) change in governmental requirements enforced from time to time after the date hereof, including any change in the policies (or the interpretation of the policies) of the Department of Energy, the Energy Regulatory Commission, National Grid Corporation of the Philippines, or any governmental agency that regulates or exercises jurisdiction over the electric power industry or any sector thereof;(vii) arbitrary or capricious or unreasonable denial, conditioning, variation, termination or voiding of, or failure, or delay, in granting or renewing , any governmental permit, such as but not limited to any permit, license, agreement, order, certificate, franchise, registration, filing, authorization, consent or approval issued by or filed with any governmental authority, which is required for such party's performance of its obligations hereunder, notwithstanding such party's due application therefor and diligent efforts to obtain the same; or any other event of similar nature which prevents the SUPPLIER from delivering electricity to the CUSTOMER, or prevents the CUSTOMER from receiving energy from SUPPLIER.

With respect to SUPPLIER, Force Majeure shall include the failure or inability of the SUPPLIER to manage and control the contracted capacity of the power plants on account of any failure or delay in the delivery of Fuel to, or the failure or inability of SUPPLIER to take and accept deliveries of fuel at the power plants due to any event or circumstance described in the preceding paragraph, or any act of governmental authority.

Force Majeure shall not include, among other things: (i) lack of funds for the performance of any obligation hereunder (ii) fluctuation in the Peso-Dollar exchange rate and (iii) ordinary or extraordinary inflation.

6.2 Neither Party shall be liable for any failure or delay in the performance of its obligations under this Agreement if such failure or delay arises out of, but only to the extent caused by, any event of Force Majeure: ***Provided*** that the relief granted by this Section shall be available only if and to the extent that the Party claiming relief has and continues to take all steps reasonably within its control to mitigate the effects of such Force Majeure event, and in no event

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shall late payment or non-payment of money due be excused by any event of Force Majeure.

6.3 The Party seeking to rely on an event of Force Majeure to excuse failure or delay in the performance of its obligations pursuant to Section 6.2 hereof shall notify the other party as soon as reasonably possible of the nature of the Force Majeure claimed and to the extent the Force Majeure claimed affects the party's obligation under this Agreement, and such party shall resume the performance of its obligations as soon as reasonably possible after the event of Force Majeure ceases to exist.

6.4 If any event of Force Majeure occurs during the Term of this Agreement, the Term, by mutual agreement of the Parties, may be extended by a period of time equal to the period of time for which performance is excused as a result of the Force Majeure. The parties will consult each other and will take all reasonable steps to minimize the losses of either Party resulting from Force Majeure.

6.5 Notwithstanding any other provision of this Agreement to the contrary, in the case of any situation in which, in the reasonable opinion of SUPPLIER, it would be dangerous to continue to provide electricity to CUSTOMER in accordance with this Agreement, SUPPLIER shall, if it would be reasonably impracticable under the relevant circumstances to obtain the prior approval of CUSTOMER, act unilaterally to take preventive and corrective actions in response to such situation in accordance with Good Industry Practices. SUPPLIER shall notify CUSTOMER as soon as reasonably practicable, following the occurrence of such situation, of any action taken or to be taken pursuant to this Section and the reasons therefor.

6.6 Any Party may terminate this Agreement upon thirty (30) days prior written notice to the other Party if an event of Force Majeure occurs during the Term of this Agreement and prevents either Party from performing its obligations under the Agreement for a period in excess of twelve (12) consecutive months.

-SECTION SEVEN-
REPRESENTATIONS, WARRANTIES AND COVENANTS

7.1 CUSTOMER hereby represents, warrants, and agrees to the following:

(a) It is duly incorporated, validly existing and in good standing under the laws of the Republic of the Philippines;

(b) It possesses full power and authority to enter into this Agreement, and has taken all the necessary action to authorize the entry into and delivery of this Agreement and the transactions contemplated hereby , and the performance of its obligations hereunder;

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(c) It has the qualifications, capacity, and abilities to perform the obligations hereunder, pursuant to and in accordance with this Agreement;

(d) No other Party has exclusive rights to supply CUSTOMER with energy and it is in no way compromising any rights or trusts relationships between any other party and CUSTOMER, or creating a conflict of interest, or any possibility thereof, for CUSTOMER or the SUPPLIER;

(e) It has the power, licenses and permits required to carry on its business as it is being conducted and as proposed to be conducted;

(f) This Agreement is binding upon all successors-in-interest, permitted assigns, agents and representatives of the CUSTOMER;

(g) It has not failed to disclose any material fact to the SUPPLIER;

(h) This Agreement and the consummation of the transactions contemplated herein are its legal , valid, binding and enforceable obligations;

(i) The entry into and the performance by it of this Agreement do not and will not conflict with or constitute a breach of or default under (a) any applicable law; (b) any provisions of its Articles of Incorporation or By-laws; (c) any agreement, contract, or instrument binding upon it or any of its assets, real or personal;

(j) There are no outstanding notices of or any violations by the CUSTOMER of any applicable law or any other requirements of any governmental authority having jurisdiction over or affecting any part of this Agreement;

(k) CUSTOMER undertakes to procure all local governmental, corporate and other requirements, licenses, authorizations, permits necessary or desirable in connection with the entry into, performance, validity and enforceability of, and the transactions contemplated by this Agreement and CUSTOMER hereby warrants that the same are in order and in full force and effect;

(l) There are no actions or suits or proceedings by or before any court, arbitral tribunal, administrative body or other judicial or quasi-judicial authority that are pending or threatened against it that if determined adversely against it could materially and adversely affect its ability to perform its obligations under this Agreement;

(m) It operates and maintains the CUSTOMER facility in accordance with Good Industry Practice and applicable laws as necessary to enable the CUSTOMER facility to accept and take the contract energy;

(n) It shall be solely responsible for violations of any applicable laws in the performance of its obligations under this Agreement; and

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(o) Except for any statutory preference or priority established under Philippine law, its financial obligations under this Agreement shall have first priority in order of payment, and CUSTOMER has no existing liability or obligation, or is under no legal impediment, which would prevent CUSTOMER from ensuring such preference in payment.

7.2 SUPPLIER hereby represents and warrants:

(a) It is duly incorporated, validly existing and in good standing under the laws of the Republic of the Philippines;

(b) This Agreement is binding upon all successor-in-interest, permitted assigns, agents and representatives of the SUPPLIER;

(c) This Agreement and the consummation of the transactions contemplated herein are its legal, valid, binding and enforceable obligations;

(d) The entry into and the performance by it of this Agreement do not and will not conflict with or constitute a breach of or default under (a) any applicable law; (b) any provisions of its Articles of Incorporation or By-laws; (c) any agreement, contract, or instrument binding upon it or any of its assets, real or personal;

(e) There are no outstanding notices of or any violations by the SUPPLIER of any applicable law or any other requirements of any governmental authority having jurisdiction over or affecting any part of this Agreement;

(f) The SUPPLIER undertakes to procure all national governmental, corporate and other requirements, authorizations and permits necessary or desirable in connection with the entry into, performance, validity and enforceability of, and the transactions contemplated by this Agreement.

-SECTION EIGHT-
CONFIDENTIALITY

8.1 Each Party shall ensure that no confidential information of the other party (the "Disclosing Party") is disclosed to third parties unless consented to in writing by the Disclosing Party. A Party shall not accept Confidential Information from others on behalf of the other Party unless it is necessary and acquired pursuant to a written agreement with that other Party;

8.2 A Party shall not use confidential information except in the performance of its obligations under this Agreement. It shall not reproduce or otherwise copy any confidential information without the express prior written consent of the Disclosing Party except for a reasonable number of copies necessary to

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accomplish the purposes of this Agreement and subject to the condition that all copies shall, upon reproduction, contain appropriate and confidential notices and legends that may appear on the original confidential information;

8.3 Without limiting the foregoing, each Party shall use utmost efforts to prevent any unauthorized disclosure of confidential information, including the exercise of no lesser security measures and degree of care than those which it applies to its own confidential information, such as but not limited to keeping all documents and other material bearing or incorporating any of the confidential information separate from all other documents and materials;

8.4 Any consent given by the Disclosing Party for disclosure of confidential information shall be so given upon the condition that the other Party shall procure that each person or entity to whom disclosure is made shall, prior to disclosure, execute a confidentiality agreement with the disclosing party on the same terms as set out in this Section;

8.5 The provisions contained in this Section shall be effective from the Effective Date and survive the termination or expiration of this Agreement;

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-SECTION NINE-
ALLOWED DOWNTIME AND EVENTS RESULTING IN RESTRICTED ENERGY DELIVERY

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9.1 The Parties agree that SUPPLIER is allowed to incur Scheduled Outage and Unscheduled Outage up to a maximum of Eight Hundred Seventy-Six (876) hours for a Genset per contract year.

1) Scheduled Outage. SUPPLIER shall notify CUSTOMER at least five (5) days prior to undertaking any planned inspection, testing, maintenance (Including preventive and corrective maintenance), repair, replacement, improvement or overhaul of the subject Generator Set or its related facilities ("*Scheduled Outage*"). Any desired changes to the schedule shall be communicated by SUPPLIER to Customer at least one (1) day prior to such Scheduled Outage.

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2) Unscheduled Outage. SUPPLIER shall notify Customer no later than one (1) day after the occurrence of outage of any generating unit of the subject Generator Set or its related facilities caused by inspection, testing, maintenance (including preventive and corrective maintenance), repair, replacement, improvement, overhaul or otherwise causing unavailability of any generating unit of the subject Generator Set or its related facilities which could not be postponed until the next scheduled Outage ("*Unscheduled Outage*").

9.2 In any contract year and for every Generator Set (if more than one), the difference between Eight Hundred Seventy-Six (876) hours and the actual hours used by SUPPLIER for Schedules Outage and Unscheduled Outage in such contract year shall be credited and may be used by SUPPLIER to undertake Scheduled Outage or Unscheduled Outage for the relevant

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Generator Set during succeeding contract years in addition to the 876 hours allowed for such relevant succeeding year.

9.3 SUPPLIER and CUSTOMER are excused from their obligation to deliver and receive energy, respectively, during the occurrence of Scheduled Outage or Unscheduled Outage, in which case the Contract Energy for the affected Billing Period may be adjusted pro rata or as agreed by the Parties.

9.4 SUPPLIER has the option to supply CUSTOMER (all or a portion of) the Contract Energy (and Additional Energy, if applicable) during the occurrence of Allowed Downtime or any other events other than Allowed Downtime, subsequent to closing date, which results in restricted energy delivery (whether full or partial) including load shedding.

1) For the portion of Contract Energy and Additional Energy, if applicable, provided by SUPPLIER from its own back up facility and/or third party, the supply of energy shall be made in accordance with Section 2 hereof.

2) For the portion of Contract Energy provided by SUPPLIER from the Generator Set, CUSTOMER shall pay the Contract Energy Fee, provided that, CUSTOMER shall pay the Load Curtailment Adjustment in lieu of the Capacity Fee (identified as CF under Annex B) component of the Contract Energy Fee for such affected period. Similarly, if applicable, CUSTOMER shall pay the Load Curtailment Adjustment in lieu of the Additional Energy Capacity Rate component of the Additional Energy Fee.

3) Notwithstanding the foregoing, CUSTOMER continues to be liable for the Variable Charge (Identified as VOM under Schedule B) component of the Contract Energy Fee (and Additional Energy Fee, if applicable).

-SECTION TEN-
TERMINATION

10.1 This Agreement may only be terminated by the Parties upon the following grounds:

1) The CUSTOMER may terminate this Agreement by written notice to SUPPLIER upon the occurrence of the following events of default:

(a) SUPPLIER fails to supply Energy for a period of 60 days for reasons wholly attributable to its fault and/or negligence and provided that SUPPLIER fails to take reasonable actions or remedies to solve its inability to deliver capacity and energy.

2) SUPPLIER may terminate this Agreement with immediate effect by serving written notice to CUSTOMER upon the occurrence of any of the following events of default:

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(a) (i) CUSTOMER admits in writing its inability to pay any debt as and when they fall due; (ii) any bankruptcy, insolvency, suspension of payment, reorganization or similar proceedings are commenced by or against CUSTOMER; (iii) as part of scheme of arrangement or composition with its creditors, CUSTOMER makes any assignment for the benefit of its creditors; or (iv) an effective order is made (and not set aside or stayed within sixty (60) days), or an effective corporate resolution is passed, for the liquidation, winding-up or dissolution of CUSTOMER;

(b) A receiver or trustee in bankruptcy, insolvency, suspension of payment, reorganization or similar proceedings is appointed in respect of all or any material part of CUSTOMER's assets and such appointment is not set aside or stayed within sixty (60) days;

(c) Any financial obligation of CUSTOMER under this Agreement and any other agreement of CUSTOMER with Supplier is not paid when due or within any applicable grace period , or is validly declared to be or otherwise becomes due and payable prior to its stated maturity as a result of any actual or potential default, howsoever described;

(d) CUSTOMER ceases or discontinues operations for a period of thirty (30) days;

(e) Any financial obligation of the CUSTOMER under any other agreement is not paid when due nor within any applicable grace period, or is validly declared to be or otherwise becomes due and payable prior to its stated maturity as a result of any actual or potential default, howsoever described, and;

(f) (i) the Security Deposit ceases to be valid, or (ii) CUSTOMER or the Party providing the Security Deposit asserts that it is or becomes entitled to revoke, cancel or suspend the Security Deposit or does revoke, cancel or suspend the Security Deposit or otherwise repudiates the same, or (iii) any of the events or circumstances described in clauses (a) through (e) above, inclusive, shall apply to or affect the person providing the Security Deposit within fifteen (15) calendar days from the date of notice from SUPPLIER requiring that a substitute Security Deposit be posted.

10.2 Upon termination of this Agreement under any circumstances, CUSTOMER shall immediately pay to SUPPLIER all unpaid Electricity Fees and all other amounts then payable by CUSTOMER to SUPPLIER under this Agreement.

10.3 In the event that this Agreement is terminated by the SUPPLIER on grounds of breach of this Agreement attributable to the CUSTOMER, the CUSTOMER shall immediately pay to the SUPPLIER the Termination Fee equivalent to the Minimum Capacity Fee which the CUSTOMER should have been liable to pay

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were it not for the early termination of the Agreement and all other costs arising from the termination of the Agreement.

CUSTOMER, in addition to the payment of the Minimum Capacity Fee for the unexpired portion of the Agreement shall also be liable to pay the SUPPLIER reasonable amount of damages equal to ten percent (10%) of the Minimum Capacity Fee for the said unexpired portion.

The Parties hereby agree that the amount of Termination Fee stated above is equivalent to reasonable approximate of damages which will be suffered by the SUPPLIER considering the nature of this Agreement and the amount of investments of the SUPPLIER;

10.4 Upon any termination of this Agreement, neither Party shall have any further obligation to the other Party, other than for those obligations arising prior to the date of termination and those which, by their nature, are to be performed after termination or which are expressed to survive the termination hereof. The termination of this Agreement under any circumstance hereunder shall be in addition to, and not exclusive of, any other right, remedy or relief as are available to the Party terminating this Agreement hereunder, at law or in equity.

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-SECTION ELEVEN-
NOTICES

11.1 Each communication, notice, demand, or request to be made hereunder, including Billing Statements shall be made in writing and, unless otherwise stated, may be sent through personal delivery, facsimile, email, registered courier, or registered mail. Any notice to be made or delivered by one Party pursuant to this Agreement shall be made or delivered to the other Party at the contact details specified in **Annex "C"** (Notices).

Any Party may change its address, facsimile number or email address for purposes of receipt of Notices by giving the other Party not less than fifteen (15) days notice of such change. A notice shall be deemed to have been made or delivered (i) in the case of any notice made by personal delivery, registered courier, or by registered mail, when left at that address or otherwise received by the addressee; (ii) in the case of any communication made by facsimile, when a legible copy of such communication has been received, and (iii) in case of email, upon receipt by sender of the acknowledgement of the "receipt requested" message from the recipient.

-SECTION TWELVE-
NON-WAIVER, AMENDMENTS AND REMEDIES

12.1 No waiver by the SUPPLIER of any provision of this Agreement shall be binding unless made in writing and signed by the SUPPLIER's authorized representative. The failure of the SUPPLIER to insist, in any one or more instances, upon strict performance of any of the provisions of this Agreement or to take advantage of any rights granted hereunder shall not be construed as a waiver of any such provisions or the relinquishment of any of such rights in the future.

12.2 No changes or modifications of this Agreement shall be effective unless made in writing and signed by both Parties.

12.3 Unless otherwise provided, the remedies under this Agreement shall be cumulative and not exclusive, and the exercise of one remedy shall not exclude the exercise and shall not be construed as a waiver of the right to exercise the other remedies.

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-SECTION THIRTEEN-
DISPUTE RESOLUTION

13.1 The Parties shall refer any dispute, controversy, claim or difference between them arising out of or relating to this Agreement, or the breach thereof, or in the interpretation of any of the provisions hereof (each a "Dispute"), to their respective representatives who shall seek to amicably resolve such Dispute in accordance with the procedure set out in this Section.

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13.2 The Party alleging a Dispute shall give written notice thereof to the other Party within thirty (30) calendar days from the occurrence thereof, which notice shall contain a description of the Dispute.

13.3 Promptly upon receipt by the other Party of Notice of Dispute, the Parties' respective representatives shall meet and discuss in good faith to resolve the Dispute within thirty (30) days from receipt of the notice, or within such longer period as the Parties may mutually agree.

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-SECTION FOURTEEN-
JURISDICTION AND COURT LITIGATION

14.1 Any Dispute that is not resolved between the Parties in accordance with the provisions of Section 12 shall, unless the Dispute falls within the original and exclusive jurisdiction of the ERC, be submitted to jurisdiction of the proper courts of Davao City, Philippines, to the exclusion of all other courts

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elsewhere situated, and the Parties agree that the courts of Davao City are an appropriate forum for the settlement of Disputes and waive any claim or assertion that such courts are an inconvenient forum.

14.2 If SUPPLIER have instituted an action on a Dispute to enforce this Agreement or as a result of an alleged breach of this Agreement by CUSTOMER, CUSTOMER shall also be liable to the SUPPLIER for an amount equivalent to twenty percent (20%) of the value of any award made in favor of the SUPPLIER, to cover attorney's fees and other expenses of dispute resolution or litigation.

-SECTION FIFTEEN-
GOVERNING LAW

15.1 This Agreement shall be governed by and construed in accordance with the laws of the Republic of the Philippines. The Parties shall perform all their obligations under this Agreement in accordance with Applicable Law. In case of any amendment, modification or change in Applicable Law, the Parties shall continue to perform their obligations under this Agreement unless made expressly unlawful or impossible by such amendment, modification or change.

-SECTION SIXTEEN-
ENTIRE AGREEMENT

16.1 The Parties acknowledge that this Agreement constitutes the entire agreement between them and shall completely supersede all other prior understandings, previous communications, or contracts, oral or written, between the parties relating to the subject matter hereof;

16.2 Nothing contained in this Agreement shall be construed to create an association, trust, partnership, or joint venture or impose a trust or partnership duty, obligation, or liability on or with regard to either Party, or to create any duty, standard of care or liability to any person or entity not a Party hereto. Each Party shall be liable individually and severally for its own obligations under this Agreement.

-SECTION SEVENTEEN-
ASSIGNMENT OR TRANSFER

17.1 Neither party shall assign or transfer all or any part of its rights, benefits or obligations hereunder, without the prior written consent of the other Party, except that the **SUPPLIER** may assign all or any part of its rights, benefits or obligations hereunder to its holding companies, subsidiaries, or affiliates,

MR. RAYMOND ANG
ENGR. AMADO B. KE-E
MR. ANTONIO P. REYES, SR.
MR. EDGARDO SALVAME

without need for notice to or consent of **CUSTOMER**. No assignment or transfer shall be valid unless the assignee or transferee shall issue a formal written assumption of liability of all the obligation of its assignor or transferor under this Agreement.

-SECTION EIGHTEEN-
SEVERABILITY

18.1 If one or more provisions of this Agreement shall be declared invalid, illegal or unenforceable, the remaining provisions shall remain in, and shall be given, full force and effect. The Parties shall meet in good faith to agree, to the fullest extent allowed by law, on a substitute provision that would most closely approximate the intention of the invalid provision, and amend this Agreement accordingly.

IN WITNESS WHEREOF, the Parties have hereunto set their signatures the place and date first above written.

KING ENERGY GENERATION INC.

BY:

MR. EDGARDO L. SALVAME

MISAMIS ORIENTAL II ELECTRIC SERVICE COOPERATIVE, INC.

BY:

MR. ANTONIO P. REYES, SR.

SIGNED IN THE PRESENCE OF:

Engr. Amado B. Ke-e
General Manager, Moresco II

Raymond B. Ang
COO, King Energy

ACKNOWLEDGMENT

Republic of the Philippines)
MANILA)

MAY 24 2011

Before me, a Notary Public for and in the City of MANILA, this ____ day of _____, 20___ personally appeared Mr. Edgardo L. Salvame who is identified by me through his passport with nos. XX4601313 issued in Pasay City on 18 September 2001, known to me and to me known to be the same person who executed the foregoing Power Supply Agreement consisting of ____ pages including its attachments and the page wherein this Acknowledgment is made and he acknowledged that the same is his free and voluntary act and deed and of the Corporations he represents.

WITNESS my hand and seal on the date and place first above written.

NOTARY PUBLIC

Doc. No. 89;
Page No. 9;
Book No. 209;
Series of 2011.

ATTY. DELFIN P. AGCAOILI, JR.
NOTARY PUBLIC
UNTIL DECEMBER 31, 2011
PTR NO. 9237325 /01-04-11 /MLA.
IBP NO. 797259 /01-10-11 /MLA.
ROLL NO. 24655 / TIN -144519066
MCLE COMPLIANCE II- 0015473

MR. RAYMOND ANG

ENGR. AMADO B. KE-E

ACKNOWLEDGMENT

Republic of the Philippines)
City of Gingoog)

Before me, a Notary Public for and in the City of Gingoog, this 8th day of February, 2011 personally appeared Mr. Antonio P. Reyes, Sr. who is identified by me through his passport with nos. XX1967095 issued in Cagayan de Oro City 05 September 2008, known to me and to me known to be the same person who executed the foregoing Power Supply Agreement consisting of ____ pages including its attachments and the page wherein this Acknowledgment is made and he acknowledged that the same is his free and voluntary act and deed and of the Corporations he represents.

WITNESS my hand and seal on the date and place first above written.

MR. ANTONIO P. REYES, SR.

NOTARY PUBLIC

MIGUEL PADILLA PADERANGA
Notary Public
Until December 31, 2011
PTR No. 1337752 Issued 1-3-11
at Gingoog City

Doc. No. 45;
Page No. 10;
Book No. 20;
Series of 2011.

MR. EDGARDO SALVAME

ANNEX "A"

METERING POINTS

List of Metering Points

King Energy Generation Inc.

LOCATION	*DELIVERY VOLTAGE*
San Luis, Gingoog City	*69kV*

MR. RAYMOND B. ANG

ENGR. AMADO B. ACE-E

MR. ANTONIO P. REYES, SR.

MR. EDGARDO L. SALVAME

ANNEX "C"

NOTICES

FOR SUPPLIER	KING ENERGY GENERATION, INC.
General Concerns	
Name:	RAYMOND B. ANG
Designation:	CHIEF OPERATION OFFICER
Address:	G/F Divine Saviour Bldg. 102 Juan St., Davao City
Telephone :	09175399503 (082) 2251252
Facsimile:	(082) 2251252
Email:	king.energy@yahoo.com
For Billing Concerns	
Name:	RAYMOND B. ANG
Designation:	CHIEF OPERATION OFFICER
Address:	G/F Divine Saviour Bldg. 102 Juan St., Davao City
Telephone :	09175399503 (082) 2251252
Facsimile:	(082) 2251252
Email:	raymond_angcdo@yahoo.com
FOR CUSTOMER	MISAMIS ORIENTAL II ELECTRIC SERVICE COOPERATIVE, INC.
General Concerns	
Name:	ENGR. AMADO B. KE-E
Designation:	General Manager
Address:	Medina, Misamis Oriental
Telephone :	088 331 2076
Facsimile:	088 331 2771
Email:	moresco_ii@yahoo.com
For Billing Concerns	
Name:	THELMA O. DECASA
Designation:	Finance Manager
Address:	Medina, Misamis Oriental
Telephone :	088 331 2076
Facsimile:	088 331 2771
Email:	moresco_ii@yahoo.com

MR. RAYMOND B. ANG

ENGR. AMADO B. KE-E

MR. ANTONIO P. REYES, SR.

MR. EDGARDO L. SALVAME

SCHEDULE 1
DEFINITIONS

AGREEMENT- means this Power Supply Agreement and all its Annexes

APPLICABLE LAW- refers to law, statutes, orders, issuances, ordinances, rules, rulings, regulations, codes, decisions, opinions or interpretation of any Governmental Authority pertinent to or affecting a Party or both Parties

BASIC ENERGY CHARGE- refers to the unit price (Pesos per kWh) that Customer shall pay for Contract Energy as set out in Annex B (Rates Schedule)

BILLING PERIOD- means the period commencing at 00:00 hours on the twenty-sixth (26th) day of each calendar month, and ending at 24:00 hours on the twenty-fifth (25th) day of the following calendar month

BILLING STATEMENT- refers to the document that the Supplier will furnish Customer, indicating the total amount of Electricity Fees that Customer will pay Supplier

CLOSING DATE- shall be 31 August 2012 or such date as may be extended by the Supplier in accordance with Section 1.6 (b) of the Agreement. It shall also have the meaning given to this term under Sec. 1.3 of the Agreement.

CONFIDENTIAL INFORMATION- means all data and information disclosed (whether before or after the date of this Agreement and whether in writing or in computer disc, verbally or by any other means and whether directly or indirectly) by the Disclosing Party (or by another person in behalf of the Disclosing Party) to the other Party in whatever form, tangible or intangible, that is not generally known to the public and relates to the operations, business, technology, practices, products, marketing, sales, services, finances or legal affairs of the Disclosing Party or of any third party doing business with or providing information to the Disclosing Party, including this Agreement, information about this Agreement and negotiations pertaining to this Agreement as well as actual or prospective customers, business partners, market opportunities, business, sales, marketing, technical, financial and legal plans, proposal and projections, product information, know-how, design rights, trade secrets, concepts, techniques, processes,

MR. RAYMOND B. ANG
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MR. EDGARDO L. SALVAME

	methods, systems, designs, programs, codes, formula, research, experimental work and work in progress.
CONTRACT ENERGY-	refers to the Energy quantity in kilowatt-hours per Billing Period consumed by Customer which in no case shall be below the Contract Energy provided under Annex B (Rates Schedule)
CONTRACT PERIOD-	refers to the duration of this Agreement (10 years) commencing from the Closing date until the end of the last Billing Period
CONTRACT YEAR-	refers to each period consisting of twelve (12) Billing Periods
CUSTOMER FACILITY-	refers to the Customer's distribution franchise located at the Province of Misamis Oriental
DELIVERY DATE-	means the first day of the Billing Period or on such date as may be extended by the Supplier in accordance with Section 1.6 (b) of the Agreement
DISCLOSING PARTY-	shall have the meaning given to this Term in Section eight (8) of the Agreement
DISPUTE-	shall have the meaning given to this Term in Section thirteen (13) of the Agreement
EFFECTIVE DATE-	refers to the date of execution of this Agreement
ELECTRICITY FEES-	refers to the total amount of charges due from Customer in respect of all energy supplied during a Billing Period
ENERGY-	refers to all Contract Energy , Additional Energy, Back-up Power and Replacement Power measured, in each case, in kilowatt-hours (kWh) delivered by Supplier to Customer during a Billing Period
EPIRA-	means R.A. 9136, otherwise known as the "Electric Power and Industry Reform Act of 2001"
ERC-	refers to the Energy Regulatory Commission, which is the regulating body of the electric power industry as provided under EPIRA
FORCE MAJEURE-	refers to the circumstances defined under Section six (6)

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FUEL- means fuel required to operate the Power Plant and to generate energy

GOOD INDUSTRY PRACTICE- means those nationally recognized practices, methods, standards and acts engaged in or approved by the majority of the members of the power generation industry in the Philippines at any relevant time, including practices, methods and act which, in the exercise of reasonable judgment in light of the facts known at the time the decision was made, could have been expected to accomplish the desired result at the lowest reasonable cost consistent with good business practices, reliability, adequacy, quality, safety and expedition. Good Industry Practice is not intended to be limited to the optimum practice, method or acts generally accepted in the region and consistently adhered to by similar generating companies

GOVERNMENTAL AUTHORITY- means the Republic of the Philippines or any national, regional, provincial, municipal or other political subdivision thereof, and any department, ministry, instrumentality, agency, corporation, or commission under the direct or indirect control or supervision of the Republic of the Philippines or any political subdivision thereof; Provided, however, that for purposes of this Agreement, Customer shall not be considered a governmental authority

GOVERNMENTAL REQUIREMENT- means any all Applicable Laws, regulations, codes, directives, judgments, decrees, orders or interpretations of any court, arbitrator or Governmental Authority and any valid waivers, exemptions, variances, permits, licenses, authorizations, orders, consents or conditions of or from, in any such case, any Governmental Authority or Court or other entity having jurisdiction over the performance of the obligations of each Party to be performed hereunder, including all consents, licenses, registrations, concessions and permits required to be issued pursuant thereto by any Governmental Authority

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MR. EDGARDO L. SALVAME

in connection with any of the transactions contemplated hereby

METER RESULTS- refers to the set of actual hourly quantities of Energy taken by the Customer as determined by the Metering Services Group of the Supplier or any other third party to which both Customer and Supplier may jointly reassign this responsibility ("Third Party Meter Reader)

METERING POINTS- means the actual physical point (s) (e.g. plant metering point) where Supplier shall deliver the Energy to Customer

MINIMUM CONTRACT ENERGY- refers to the minimum Energy quantity in kilowatt-hours as provided in Annex B (Rates Schedule)

MINIMUM ENERGY CHARGE -refers to the load weighted average price of the Supplier for the Billing Period or the difference between the Minimum Contract Energy and the actual Energy consumed by the Customer in case the latter consumes less than the minimum Contract Energy

PAYMENT DATE- means on or before the 26th day of the immediately following month on which a Billing Period ends and on which electricity fees in respect of energy delivered during that Billing Period are due

POWER PLANT- means the 10.6 Megawatt Diesel Power Plant

SECURITY DEPOSIT- means the instrument Customer is required to post to guarantee its outstanding accounts and other obligations under this Agreement, as more particularly described in the form and in the amount set out in Section 3.2.1

*****NOTHING FOLLOWS*****

MR. RAYMOND B. ANG

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MR. ANTONIO P. REYES, SR.

MR. EDGARDO L. SALVAME

ANNEX "B"

RATES SCHEDULE

MR. RAYMOND B. ANG

1.Basic Electricity Fees Component

Capacity Fee (CF)	= Php 1,176/kw/month
Fixed O&M Fee (FOM)	= Php 218/kw/month
Billing Capacity (BC)	= 9400 kW
Variable O&M (VOM)	= Php 1.4033 / kwh
Number of Hours per day	= 7 hours

ENGR. AMADO B. KE-E

2.Contract Energy Fee per Month

CEF = FC + VC

FC = (CF + FOM x IFf) x BC

VC = (VOM x IFv + FL) x ED

Where:

BC = Billing Capacity in kW

FC = Fixed charge per month in Php

VC = Variable charge per month in Php

ED = Energy Delivered in kWh

CEF = Contract Energy Fee in Php

VOM = Variable charge per month in Php/kwh

CF = Capacity fee in Php/kW/month

FOM = Fixed O&M fee in Php/kW/month

IFf = Inflation factor fixed

IFv = Inflation factor variable

FL = Fuel and Lube oil in Php/kwh (Pass through subject to heat rate schedule)

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3. Inflation Factor

Inflation Factor for fixed O&M

IF (f) = 1 X (P CPI m / P CPI b)

Inflation Factor for variable O&M

IF (v) = 0.0071 + 0.1851 X (P CPI m / P CPI b) + 0.8078 X (P EX m / P EX b)

Where:

P CPI m = Philippine CPI of the current billing month

P CPI b = Philippine CPI on the effectivity month of this Agreement

P EX m = Peso to EURO exchange rate at the end of the current billing month

P EX b = Peso to EURO exchange rate on the effectivity month of this Agreement

Consumer Price Indices

P CPI m	169.80	BSP	Jan-11
P CPI b	169.80	BSP	Jan-11

Peso Foreign Exchange Rate

P EX m	59.0115 PHP/EUR	BSP	Jan-11
P EX b	59.0115 PHP/EUR	BSP	Jan-11

4. Computation of Fuel and Lube oil rate

FL = HFOCR x Actual Heavy Fuel cost per liter

Where:

HFOCR = Heavy fuel oil consumption rate in liters/kwh

= 0.26 L/kwh (based on the actual Load Factor per Schedule)

Note: The monthly actual cost per liter of fuel oil shall be based on the weighted average cost of actual monthly invoices of fuel oil deliveries, inventories and consumption.

MR. RAYMOND B. ANG

ENGR. AMADO B. KE-E

MR. ANTONIO P. REYES, SR.

MR. EDGARDO L. SALVAME

5. Testing and Commissioning Fee

Only Actual Fuel cost and Variable O&M.

6. Start up Fee

Actual cost of additional start-up and shutdown with documents.

7. Additional Energy Fee in excess of seven (7) running hours per day

AEF = AC x BC x h + (VOM + FL) x EE

Where:

AEF = Additional Energy Fees in Php

AC = Additional cost (0.78 Php/kw/h)in excess of seven (7) running hours per day

BC = Billing Capacity, as previously defined

h = Excess hours per day

VOM = Variable O&M, as previously defined

FL = Fuel and Lube oil, as previously defined

EE = Energy delivered in excess of seven (7) hours per day

MR. RAYMOND B. ANG

ENGR. AMADO B. KE-E

MR. ANTONIO P. REYES, SR.

MR. EDGARDO L. SALVAME

8. Sample Computation

CONTRACT ENERGY SAMPLE COMPUTATION					
CEF = (CF + FOM x IFf) x BC +(VOM x IFv + FL) x ED				**Php/month**	**Php/kwh**
CF	Capacity Fee	1,176	Php/kw/month	11,054,400	5.5233
BC	Billing Capacity	9,400	kw		
FOM	Fixed O&M	218	Php/kw/month	2,049,200	1.0239
lFf	Inflation factor fixed	1			
VOM	Variable O&M	1.4033	Php/kwh		
IFv	Inflation factor var.	1			
ED	Energy Delivered	2,001,417	Kwh	2,808,588	1.4033
Total Energy Fee				**15,912,188**	**7.951**

MR. RAYMOND B. ANG

ENGR. AMADO B. KE-E

MR. ANTONIO F. REYES, SR.

MR. EDGARDO L. SALVAME

Notes:

1. Fuel oil cost pass-on to the consumer

2. Inflation Factor for fixed O&M

   IF (f) = 1 X (P CPI m / P CPI b)

   = 1 x (169.8/169.8)

   = 1

3. Inflation Factor for variable O&M

   IF (v) = 0.0071 + 0.1851 x (P CPI m / P CPI b) + 0.8078 x (P EX m / P EX b)

   = 0.0071 + 0.1851 x (169.8/169.8) + 0.8078 x (59.0115/59.0115)

   = 1

SCHEDULE I
of ANNEX B

MR. RAYMOND B. ANG

ENGR. AMADO B. KE-E

MR. ANTONIO R. REYES, SR.

MR. EDGARDO L. SALVAME

Fuel Heat Rate

Capacity Factor (%)	Fuel Heat Rate (li/kWh)
50-60	0.2829
61-70	0.2727
71-80	0.2696
81-90	0.2689
91-100	0.2600

POWER SUPPLY AGREEMENT

BETWEEN

KING ENERGY GENERATION, INC.

AND

SURIGAO DEL SUR II ELECTRIC COOPERATIVE, INC

(SURSECO II)

SSPP

POWER SUPPLY AGREEMENT

This **Power Supply Agreement** (hereinafter referred to as "**Agreement**") is entered into this _____ day of _____, 2013 in _____, Philippines, by and between:

KING ENERGY GENERATION INC., a corporation duly organized and existing under the laws of the Republic of the Philippines, with address at G/F Divine Savior Building 102 Juan Luna St., Davao City, Philippines, herein represented in this act by its President, **MR. EDGARDO L. SALVAME**, who is duly authorized to represent it in this transaction (hereinafter referred to as "**SUPPLIER**");

And

SURIGAO DEL SUR II ELECTRIC COOPERATIVE, INC. (SURSECO II), a non-stock, non-profit electric cooperative organized and existing under and by virtue of P.D. 269, as amended, with principal office address at Balilahan, Mabua Tandag, Surigao del Sur herein represented in this act by its Board President, **MR. REYNALDO C. SINDO,** who is duly authorized to represent it in this transaction, (hereinafter referred to as "**CUSTOMER**");

The SUPPLIER and the CUSTOMER shall be individually referred to herein as "**Party**", and collectively, as "**Parties**"

MR. RAYMOND B. ANG
ENGR. IGLORIO R. HINAYON
MR. REYNALDO C. SINDO
MR. EDGARDO L. SALVAME

WITNESSETH THAT:

WHEREAS, CUSTOMER is an electric cooperative engaged in the distribution of electricity and/or power in the Province of Surigao del Sur;

WHEREAS, SUPPLIER is a corporation engaged in the generation and supply of electric power;

WHEREAS, CUSTOMER is in need of and desires to contract capacity and energy from SUPPLIER, and the SUPPLIER is willing and agrees to provide capacity and energy to CUSTOMER;

NOW THEREFORE, for and in consideration of the mutual covenants and agreements hereinafter set forth, the Parties, for themselves, their successors and assigns, have mutually agreed as follows:

Words used in this Agreement shall be understood in accordance with the meanings and definitions provided under Schedule 1 hereof.

-SECTION ONE-
SCOPE AND TERM

1.1 This Agreement shall govern the terms and conditions by which the CUSTOMER shall reserve, receive and pay for the capacity and energy that will be made available by the SUPPLIER.

1.2 This Agreement shall take effect immediately upon the signing of this Agreement (the "**Effective Date**")and shall remain in full force and effect for a period of **TEN (10) years** counted from the Closing Date (the "**Term**") as defined under Section 1.3, unless earlier terminated in accordance with Section 9 hereof.

1.3 The Closing Date shall be on April 10, 2013 or on such date that may be provided by the **SUPPLIER** in accordance with Section 1.6 (b) hereof.

For purposes of this Agreement, Closing Date shall refer to the date when the SUPPLIER shall commence delivery of the contracted capacity and energy to the CUSTOMER.

1.4 Unless **WRITTEN NOTICE** is served by the duly authorized representative of one Party to the other not later than sixty (60) days prior to the expiration of the *Term*, this Agreement shall be ***automatically renewed*** for a period of another **TEN (10) years** without need for any further action or notice by either of the Parties to the other.

1.5 Notwithstanding the execution of this Agreement and the occurrence of the *Effective Date* and/or *Closing Date*, the obligation of SUPPLIER to commence deliveries of energy shall be subject to the satisfaction of the following conditions precedent:

(a) receipt by the SUPPLIER of a certificate executed by the corporate secretary of the CUSTOMER, attesting that the Board of Directors of CUSTOMER adopted resolutions: (i) authorizing CUSTOMER to execute, enter into, deliver this Agreement and the performance of its obligations hereunder, and (ii) designating the person authorized to execute this Agreement in behalf of the CUSTOMER;

(b) receipt by the SUPPLIER of the Security Deposit referred to under Section 3.2;

(c) receipt by the SUPPLIER of the proposed location for the *Genset* which must be at least one (1) hectare, including the title, contract of lease duly registered with the Register of Deeds and/or other evidence of ownership of the property where the Genset is proposed to be installed;

(d) receipt by the SUPPLIER of all permits, licenses, and other requirements necessary for the operation of the power generation

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ENGR. IGLORIO R. HINAYON
MR. REYNALDO C. SINDO
MR. EDGARDO L. SALVAME

facility in the area of operation of the CUSTOMER which the CUSTOMER undertook to secure in accordance with Section 7.1 (k);

(e) the ERC shall have issued an approval for this Agreement, including the pricing structure set out herein (and any provisional authority issued by the ERC shall be considered as satisfaction of this condition);

(f) the ERC shall have issued a Certificate of Compliance in favor of SUPPLIER;

Upon satisfaction of the aforesaid conditions precedent, SUPPLIER shall deliver to CUSTOMER written notice confirming receipt of the documents and instruments described above;

1.6 If any of the conditions set out in Section 1.5 shall not have been satisfied upon Closing Date, the SUPPLIER shall have the option to:

(a) Terminate this Agreement by delivery of written notice of such termination;

(b) Waive, or in its ***sole discretion***, provide a grace period for, the satisfaction of any condition precedent that shall not have been satisfied, excluding Section 1.5 (d),(e) and (f), and deliver written notice of such waiver or grace period to the CUSTOMER (In the event the SUPPLIER grants a grace period, the written notice shall specify the date, which date shall be considered as the Closing Date);

-SECTION TWO-
SUPPLY OF ENERGY

2.1 During the Term of this Agreement, and provided that all the conditions precedent under Section 1.5 have been complied with SUPPLIER shall supply and deliver Energy to the CUSTOMER during the Billing Periods, at the Metering Points specified in **Annex "A"** (*Metering Points*) and at the fixed rate specified in **Annex "B"** (*Rates Schedule*).

With reference to Annex "B" hereof, Fuel shall mean Actual Fuel Cost, inclusive of freight, insurance and duties, charged on a pass through basis subject to a gross fuel consumption rate equivalent to 0.26 liter/kWh for bunker and 0.28 liter/kWh for diesel.

2.2 The SUPPLIER shall conduct all meter readings at the end of each Billing Period. The CUSTOMER may dispute the Meter Results in accordance with Section 4.

2.3 The SUPPLIER shall be allowed reasonable time for preventive maintenance upon giving of written notice to the CUSTOMER.

"Reasonable time" shall be in accordance with Good Industry Practice.

MR. RAYMOND B. ANG
ENGR. IGLORIO R. HINAYON
MR. REYNALDO C. SINDO
MR. EDGARDO L. SALVAME

-SECTION THREE-

PAYMENT OF FEES AND SECURITY DEPOSIT

3.1 ***Payment of fees***

3.1.1 SUPPLIER shall deliver a Billing Statement setting out the Electricity Fees due on account of all Energy delivered within seven (7) working days from the end of each Billing Period.

3.1.2 CUSTOMER shall pay in full all Electricity Fees without need of any demand **not later than the 26th day** of the succeeding calendar month after the end of each Billing Period.

Payment shall only be made at the bank account designated by the Supplier and in lawful currency of the Philippines.

Failure of the CUSTOMER to remit or cause the remittance of such payments to the designated account shall cause the unpaid portion of the invoice to earn interest at the rate of **two percent (2%) per month** (a fraction of a month shall be considered as one month) until actual payment in full of the amount due has been made.

In Addition to the penalty, SUPPLIER shall have the right (i) to draw against the Security Deposit; (ii) to temporarily suspend its obligation to generate and sell electric power to CUSTOMER without need of notice; (iii) to rescind or terminate this Agreement; and/or (iv) to declare fees and charges for electricity supplied in the current Billing Period and such other unbilled periods, as due and payable, whereupon CUSTOMER shall pay such fees and charges immediately upon delivery by SUPPLIER of the corresponding Billing Statement to Customer.

3.1.3 In case of shortfalls in the consumption of CUSTOMER, it shall remain liable to pay to the SUPPLIER the minimum contract energy fee.

3.1.4 All payments made by CUSTOMER hereunder shall be made free and clear of and without any deductions for or on account of any set-off or counterclaim, except as required by law or as mutually agreed in writing by the Parties.

At any event, bank charges shall be borne by the CUSTOMER and shall not be deducted from the payment made by the CUSTOMER.

CUSTOMER may deduct applicable withholding taxes due and/or paid for the supply of energy by SUPPLIER subject to CUSTOMER's timely submission to SUPPLIER of the corresponding *Withholding Tax Certificate*.

Upon receipt by the SUPPLIER of the *Withholding Tax Certificate*, official receipt shall then be issued to the CUSTOMER.

MR. RAYMOND B. ANG
ENGR. IGLORIO R. HINAYON
MR. REYNALDO C. SINDO
MR. EDGARDO L. SALVAME

3.2 ***Security Deposit***

3.2.1 A Security Deposit at an amount equivalent to one month of the sum of the average monthly Capacity Fee, Fixed and Variable O&M Fees and Fuel Cost Recovery Fee of the Buyer shall be posted by the CUSTOMER in the form of a (1) manager's check or (2) cashier's check from a bank or other financial institutions acceptable to the SUPPLIER on or prior to the Closing Date. CUSTOMER may, if it chooses to do so, furnish a Security Deposit in the form of cash.

The Security Deposit shall be calculated based on the minimum usage for the first contract year and shall be adjusted in accordance with the next succeeding Section.

3.2.1 Prior to the commencement of each Contract Year after the first Contract Year, the value at which the Security Deposit shall be maintained shall be adjusted based on the average monthly Capacity Fee, Fixed and Variable O&M Fees and Fuel Cost Recovery Fee of the CUSTOMER for the immediately preceding Contract Year. The CUSTOMER shall post the Security Deposit in the adjusted amount on or prior to the first day of the first Billing Period of each succeeding Contract Year.

3.2.2 In the event that SUPPLIER draws against the Security Deposit as provided under this Agreement, CUSTOMER shall replenish the Security Deposit to restore the value thereof to its original amount prior to SUPPLIER having drawn thereon within fifteen (15) calendar days from receipt of notice from SUPPLIER.

3.2.3 In the event that CUSTOMER does not replenish its Security Deposit in full within fifteen (15) calendar days as per Section 3.2.2, SUPPLIER may unilaterally terminate the Agreement with immediate effect, and customer shall be liable to pay a Termination Fee equivalent to the amount stated in Section 9.3.

3.2.4 The Security Deposit shall be returned by SUPPLIER to the CUSTOMER together with interest earned within thirty (30) days from expiration of this Agreement.

Interest shall be fixed at two percent (2 %) per annum.

Any amount which may be due to the SUPPLIER which remains unpaid until the expiration of this Agreement may automatically be deducted by the SUPPLIER from the Security Deposit.

-SECTION FOUR-
BILLING DISPUTE

4.1 If CUSTOMER disputes any Billing Statements, it shall so inform SUPPLIER in writing within a period of **FIFTEEN (15)** days from receipt thereof. The

MR. RAYMOND B. ANG
ENGR. IGLORIO R. HINAYON
MR. REYNALDO C. SINDO
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CUSTOMER must specify the items that are disputed in the Billing Statement. If the dispute is not resolved by the Payment Date provided under Section 3.1.2, CUSTOMER shall pay the full amount stated in the Billing Statement on or before such due date, with the disputed portion paid under protest. The Parties shall endeavour to resolve the dispute within ten (10) days after payment in full of the amount stated in the Billing Statement. In case the dispute is not resolved within ten (10) days, then the matter shall be deemed to be a Dispute and the provisions of Section 13 shall apply.

4.2 If the Parties resolve the dispute in favor of the CUSTOMER in accordance with Section 4.1, or if the Dispute on the Billing Statement is determined adversely to SUPPLIER pursuant to Section 13, SUPPLIER shall allow CUSTOMER a credit on the Billing Statement next due in an amount equivalent to that disputed by CUSTOMER (without interest or penalty thereon whatsoever).

4.3 Disputed billing shall not be an excuse or a ground for CUSTOMER to delay payment of succeeding billings or to unilaterally deduct any amount therefrom.

-SECTION FIVE-
TAXES, FEES AND COSTS

5.1 CUSTOMER shall be liable for and shall pay: (i)any taxes (including Value Added Tax, if any), fees, charges, levies and imposts imposed or assessed by any governmental authority on or in connection with the purchase and sale of electricity and/or payments due to SUPPLIER hereunder; and (ii) any new taxes, fees, charges, levies and imposts (including any increase in the rate or amount thereof after the date hereof but excluding income taxes) imposed on SUPPLIER, excluding fines and penalties directly attributed to SUPPLIER's own negligence, after the date hereof, in connection with the performance by the SUPPLIER of its obligations pursuant to this Agreement. Such payments shall be made as and when required pursuant to applicable laws in effect from time to time.

5.2 CUSTOMER shall also be liable for payment of the Universal Charge (as this term is defined under the EPIRA) upon the imposition thereof, it being understood that the imposition of the Universal Charge pursuant to the provisions of EPIRA should not be an event of Force Majeure.

5.3 Power generated during Commissioning and Testing of the Plant shall be charged to and paid for by the CUSTOMER in accordance with Annex B (Rates Schedule).

5.4 Save as otherwise provided in this Agreement, each party shall be liable for such costs and expenses that it may incur on account of the performance of its obligations hereunder.

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-SECTION SIX-
FORCE MAJEURE

6.1 Force Majeure means any event, matter or circumstance that is unforeseeable or is outside the reasonable control of a party and that prevents or restricts the performance by that party of its obligations hereunder, and shall include: (i) acts of God; (ii) acts of war or the public enemy, whether war be declared or not, invasion, armed conflict or act of foreign enemy, blockade, embargo, revolution and public disorders, including insurrection, rebellion, civil commotion, sabotage, riots and violent demonstrations; (iii) strikes, lock-outs, riots and labor disputes in any such case which are widespread or nationwide; (iv) floods, tidal waves, explosions, fire, earthquakes, typhoons and other natural calamities; (v) expropriation or compulsory acquisition of all or any material part of the Power Plants or the Site, or any other act of governmental authority that prevents or restricts SUPPLIER's access to the Power Plants or the Site; (vi) change in governmental requirements enforced from time to time after the date hereof, including any change in the policies (or the interpretation of the policies) of the Department of Energy, the Energy Regulatory Commission, National Grid Corporation of the Philippines, or any governmental agency that regulates or exercises jurisdiction over the electric power industry or any sector thereof;(vii) arbitrary or capricious or unreasonable denial, conditioning, variation, termination or voiding of, or failure, or delay, in granting or renewing , any governmental permit, such as but not limited to any permit, license, agreement, order, certificate, franchise, registration, filing, authorization, consent or approval issued by or filed with any governmental authority, which is required for such party's performance of its obligations hereunder, notwithstanding such party's due application therefor and diligent efforts to obtain the same; or any other event of similar nature which prevents the SUPPLIER from delivering electricity to the CUSTOMER, or prevents the CUSTOMER from receiving energy from SUPPLIER.

With respect to SUPPLIER, Force Majeure shall include the failure or inability of the SUPPLIER to manage and control the contracted capacity of the power plants on account of any failure or delay in the delivery of Fuel to, or the failure or inability of SUPPLIER to take and accept deliveries of fuel at the power plants due to any event or circumstance described in the preceding paragraph, or any act of governmental authority.

Force Majeure shall not include, among other things: (i) lack of funds for the performance of any obligation hereunder (ii) fluctuation in the Peso-Dollar exchange rate and (iii) ordinary or extraordinary inflation.

6.2 Neither Party shall be liable for any failure or delay in the performance of its obligations under this Agreement if such failure or delay arises out of, but only to the extent caused by, any event of Force Majeure: ***Provided*** that the relief granted by this Section shall be available only if and to the extent that the Party claiming relief has and continues to take all steps reasonably within its control to mitigate the effects of such Force Majeure event, and in no event

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shall late payment or non-payment of money due be excused by any event of Force Majeure.

6.3 The Party seeking to rely on an event of Force Majeure to excuse failure or delay in the performance of its obligations pursuant to Section 6.2 hereof shall notify the other party as soon as reasonably possible of the nature of the Force Majeure claimed and to the extent the Force Majeure claimed affects the party's obligation under this Agreement, and such party shall resume the performance of its obligations as soon as reasonably possible after the event of Force Majeure ceases to exist.

6.4 If any event of Force Majeure occurs during the Term of this Agreement, the Term, by mutual agreement of the Parties, may be extended by a period of time equal to the period of time for which performance is excused as a result of the Force Majeure. The parties will consult each other and will take all reasonable steps to minimize the losses of either Party resulting from Force Majeure.

6.5 Notwithstanding any other provision of this Agreement to the contrary, in the case of any situation in which, in the reasonable opinion of SUPPLIER, it would be dangerous to continue to provide electricity to CUSTOMER in accordance with this Agreement, SUPPLIER shall, if it would be reasonably impracticable under the relevant circumstances to obtain the prior approval of CUSTOMER, act unilaterally to take preventive and corrective actions in response to such situation in accordance with Good Industry Practices. SUPPLIER shall notify CUSTOMER as soon as reasonably practicable, following the occurrence of such situation, of any action taken or to be taken pursuant to this Section and the reasons therefor.

6.6 Any Party may terminate this Agreement upon thirty (30) days prior written notice to the other Party if an event of Force Majeure occurs during the Term of this Agreement and prevents either Party from performing its obligations under the Agreement for a period in excess of twelve (12) consecutive months.

-SECTION SEVEN-
REPRESENTATIONS, WARRANTIES AND COVENANTS

7.1 CUSTOMER hereby represents, warrants, and agrees to the following:

(a) It is duly incorporated, validly existing and in good standing under the laws of the Republic of the Philippines;

(b) It possesses full power and authority to enter into this Agreement, and has taken all the necessary action to authorize the entry into and delivery of this Agreement and the transactions contemplated hereby , and the performance of its obligations hereunder;

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(c) It has the qualifications, capacity, and abilities to perform the obligations hereunder, pursuant to and in accordance with this Agreement;

(d) No other Party has exclusive rights to supply CUSTOMER with energy and it is in no way compromising any rights or trusts relationships between any other party and CUSTOMER, or creating a conflict of interest, or any possibility thereof, for CUSTOMER or the SUPPLIER;

(e) It has the power, licenses and permits required to carry on its business as it is being conducted and as proposed to be conducted;

(f) This Agreement is binding upon all successors-in-interest, permitted assigns, agents and representatives of the CUSTOMER;

(g) It has not failed to disclose any material fact to the SUPPLIER;

(h) This Agreement and the consummation of the transactions contemplated herein are its legal , valid, binding and enforceable obligations;

(i) The entry into and the performance by it of this Agreement do not and will not conflict with or constitute a breach of or default under (a) any applicable law; (b) any provisions of its Articles of Incorporation or By-laws; (c) any agreement, contract, or instrument binding upon it or any of its assets, real or personal;

(j) There are no outstanding notices of or any violations by the CUSTOMER of any applicable law or any other requirements of any governmental authority having jurisdiction over or affecting any part of this Agreement;

(k) CUSTOMER undertakes to procure all local governmental, corporate and other requirements, licenses, authorizations, permits necessary or desirable in connection with the entry into, performance, validity and enforceability of, and the transactions contemplated by this Agreement and CUSTOMER hereby warrants that the same are in order and in full force and effect;

(l) There are no actions or suits or proceedings by or before any court, arbitral tribunal, administrative body or other judicial or quasi-judicial authority that are pending or threatened against it that if determined adversely against it could materially and adversely affect its ability to perform its obligations under this Agreement;

(m) It operates and maintains the CUSTOMER facility in accordance with Good Industry Practice and applicable laws as necessary to enable the CUSTOMER facility to accept and take the contract energy;

(n) It shall be solely responsible for violations of any applicable laws in the performance of its obligations under this Agreement; and

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(o) Except for any statutory preference or priority established under Philippine law, its financial obligations under this Agreement shall have first priority in order of payment, and CUSTOMER has no existing liability or obligation, or is under no legal impediment, which would prevent CUSTOMER from ensuring such preference in payment.

7.2 SUPPLIER hereby represents and warrants:

(a) It is duly incorporated, validly existing and in good standing under the laws of the Republic of the Philippines;

(b) This Agreement is binding upon all successor-in-interest, permitted assigns, agents and representatives of the SUPPLIER;

(c) This Agreement and the consummation of the transactions contemplated herein are its legal, valid, binding and enforceable obligations;

(d) The entry into and the performance by it of this Agreement do not and will not conflict with or constitute a breach of or default under (a) any applicable law; (b) any provisions of its Articles of Incorporation or By-laws; (c) any agreement, contract, or instrument binding upon it or any of its assets, real or personal;

(e) There are no outstanding notices of or any violations by the SUPPLIER of any applicable law or any other requirements of any governmental authority having jurisdiction over or affecting any part of this Agreement;

(f) The SUPPLIER undertakes to procure all national governmental, corporate and other requirements, authorizations and permits necessary or desirable in connection with the entry into, performance, validity and enforceability of, and the transactions contemplated by this Agreement.

-SECTION EIGHT-
CONFIDENTIALITY

8.1 Each Party shall ensure that no confidential information of the other party (the "Disclosing Party") is disclosed to third parties unless consented to in writing by the Disclosing Party. A Party shall not accept Confidential Information from others on behalf of the other Party unless it is necessary and acquired pursuant to a written agreement with that other Party;

8.2 A Party shall not use confidential information except in the performance of its obligations under this Agreement. It shall not reproduce or otherwise copy any confidential information without the express prior written consent of the Disclosing Party except for a reasonable number of copies necessary to

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accomplish the purposes of this Agreement and subject to the condition that all copies shall, upon reproduction, contain appropriate and confidential notices and legends that may appear on the original confidential information;

8.3 Without limiting the foregoing, each Party shall use utmost efforts to prevent any unauthorized disclosure of confidential information, including the exercise of no lesser security measures and degree of care than those which it applies to its own confidential information, such as but not limited to keeping all documents and other material bearing or incorporating any of the confidential information separate from all other documents and materials;

8.4 Any consent given by the Disclosing Party for disclosure of confidential information shall be so given upon the condition that the other Party shall procure that each person or entity to whom disclosure is made shall, prior to disclosure, execute a confidentiality agreement with the disclosing party on the same terms as set out in this Section;

8.5 The provisions contained in this Section shall be effective from the Effective Date and survive the termination or expiration of this Agreement;

-SECTION NINE-
ALLOWED DOWNTIME AND EVENTS RESULTING IN RESTRICTED ENERGY DELIVERY

9.1 The Parties agree that SUPPLIER is allowed to incur Scheduled Outage and Unscheduled Outage up to a maximum of Eight Hundred Seventy-Six (876) hours for a Genset per contract year.

1) Scheduled Outage. SUPPLIER shall notify CUSTOMER at least five (5) days prior to undertaking any planned inspection, testing, maintenance (Including preventive and corrective maintenance), repair, replacement, improvement or overhaul of the subject Generator Set or its related facilities ("*Scheduled Outage*"). Any desired changes to the schedule shall be communicated by SUPPLIER to Customer at least one (1) day prior to such Scheduled Outage.

2) Unscheduled Outage. SUPPLIER shall notify Customer no later than one (1) day after the occurrence of outage of any generating unit of the subject Generator Set or its related facilities caused by inspection, testing, maintenance (including preventive and corrective maintenance), repair, replacement, improvement, overhaul or otherwise causing unavailability of any generating unit of the subject Generator Set or its related facilities which could not be postponed until the next scheduled Outage ("*Unscheduled Outage*").

9.2 In any contract year and for every Generator Set (if more than one), the difference between Eight Hundred Seventy-Six (876) hours and the actual hours used by SUPPLIER for Schedules Outage and Unscheduled Outage in such contract year shall be credited and may be used by SUPPLIER to undertake Scheduled Outage or Unscheduled Outage for the relevant

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Generator Set during succeeding contract years in addition to the 876 hours allowed for such relevant succeeding year.

9.3 SUPPLIER and CUSTOMER are excused from their obligation to deliver and receive energy, respectively, during the occurrence of Scheduled Outage or Unscheduled Outage, in which case the Contract Energy for the affected Billing Period may be adjusted pro rata or as agreed by the Parties.

9.4 SUPPLIER has the option to supply CUSTOMER (all or a portion of) the Contract Energy (and Additional Energy, if applicable) during the occurrence of Allowed Downtime or any other events other than Allowed Downtime, subsequent to closing date, which result in restricted energy delivery (whether full or partial) including load shedding.

1) For the portion of Contract Energy and Additional Energy, if applicable, provided by SUPPLIER from its own back up facility and/or third party, the supply of energy shall be made in accordance with Section 2 hereof.

2) For the portion of Contract Energy provided by SUPPLIER from the Generator Set, CUSTOMER shall pay the Contract Energy Fee, provided that, CUSTOMER shall pay the Load Curtailment Adjustment in lieu of the Capacity Fee (identified as CF under Annex B) component of the Contract Energy Fee for such affected period. Similarly, if applicable, CUSTOMER shall pay the Load Curtailment Adjustment in lieu of the Additional Energy Capacity Rate component of the Additional Energy Fee.

3) Notwithstanding the foregoing, CUSTOMER continues to be liable for the Variable Charge (Identified as VOM under Schedule B) component of the Contract Energy Fee (and Additional Energy Fee, if applicable).

-SECTION TEN-
TERMINATION

10.1 This Agreement may only be terminated by the Parties upon the following grounds:

1) The CUSTOMER may terminate this Agreement by written notice to SUPPLIER upon the occurrence of the following events of default:

(a) SUPPLIER fails to supply Energy for a period of 60 days for reasons wholly attributable to its fault and/or negligence and provided that SUPPLIER fails to take reasonable actions or remedies to solve its inability to deliver capacity and energy.

2) SUPPLIER may terminate this Agreement with immediate effect by serving written notice to CUSTOMER upon the occurrence of any of the following events of default:

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(a) (i) CUSTOMER admits in writing its inability to pay any debt as and when they fall due; (ii) any bankruptcy, insolvency, suspension of payment, reorganization or similar proceedings are commenced by or against CUSTOMER; (iii) as part of scheme of arrangement or composition with its creditors, CUSTOMER makes any assignment for the benefit of its creditors; or (iv) an effective order is made (and not set aside or stayed within sixty (60) days), or an effective corporate resolution is passed, for the liquidation, winding-up or dissolution of CUSTOMER;

(b) A receiver or trustee in bankruptcy, insolvency, suspension of payment, reorganization or similar proceedings is appointed in respect of all or any material part of CUSTOMER's assets and such appointment is not set aside or stayed within sixty (60) days;

(c) Any financial obligation of CUSTOMER under this Agreement and any other agreement of CUSTOMER with Supplier is not paid when due or within any applicable grace period , or is validly declared to be or otherwise becomes due and payable prior to its stated maturity as a result of any actual or potential default, howsoever described;

(d) CUSTOMER ceases or discontinues operations for a period of thirty (30) days;

(e) Any financial obligation of the CUSTOMER under any other agreement is not paid when due nor within any applicable grace period, or is validly declared to be or otherwise becomes due and payable prior to its stated maturity as a result of any actual or potential default, howsoever described, and;

(f) (i) the Security Deposit ceases to be valid, or (ii) CUSTOMER or the Party providing the Security Deposit asserts that it is or becomes entitled to revoke, cancel or suspend the Security Deposit or does revoke, cancel or suspend the Security Deposit or otherwise repudiates the same, or (iii) any of the events or circumstances described in clauses (a) through (e) above, inclusive, shall apply to or affect the person providing the Security Deposit within fifteen (15) calendar days from the date of notice from SUPPLIER requiring that a substitute Security Deposit be posted.

10.2 Upon termination of this Agreement under any circumstances, CUSTOMER shall immediately pay to SUPPLIER all unpaid Electricity Fees and all other amounts then payable by CUSTOMER to SUPPLIER under this Agreement.

10.3 In the event that this Agreement is terminated by the SUPPLIER on grounds of breach of this Agreement attributable to the CUSTOMER, the CUSTOMER shall immediately pay to the SUPPLIER the Termination Fee equivalent to the Minimum Capacity Fee which the CUSTOMER should have been liable to pay

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were it not for the early termination of the Agreement and all other costs arising from the termination of the Agreement.

CUSTOMER, in addition to the payment of the Minimum Capacity Fee for the unexpired portion of the Agreement shall also be liable to pay the SUPPLIER reasonable amount of damages equal to ten percent (10%) of the Minimum Capacity Fee for the said unexpired portion.

The Parties hereby agree that the amount of Termination Fee stated above is equivalent to reasonable approximate of damages which will be suffered by the SUPPLIER considering the nature of this Agreement and the amount of investments of the SUPPLIER;

10.4 Upon any termination of this Agreement, neither Party shall have any further obligation to the other Party, other than for those obligations arising prior to the date of termination and those which, by their nature, are to be performed after termination or which are expressed to survive the termination hereof. The termination of this Agreement under any circumstance hereunder shall be in addition to, and not exclusive of, any other right, remedy or relief as are available to the Party terminating this Agreement hereunder, at law or in equity.

-SECTION ELEVEN-
NOTICES

11.1 Each communication, notice, demand, or request to be made hereunder, including Billing Statements shall be made in writing and, unless otherwise stated, may be sent through personal delivery, facsimile, email, registered courier, or registered mail. Any notice to be made or delivered by one Party pursuant to this Agreement shall be made or delivered to the other Party at the contact details specified in **Annex "C"** (Notices).

Any Party may change its address, facsimile number or email address for purposes of receipt of Notices by giving the other Party not less than fifteen (15) days notice of such change. A notice shall be deemed to have been made or delivered (i) in the case of any notice made by personal delivery, registered courier, or by registered mail, when left at that address or otherwise received by the addressee; (ii) in the case of any communication made by facsimile, when a legible copy of such communication has been received, and (iii) in case of email, upon receipt by sender of the acknowledgement of the "receipt requested" message from the recipient.

-SECTION TWELVE-
NON-WAIVER, AMENDMENTS AND REMEDIES

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12.1 No waiver by the SUPPLIER of any provision of this Agreement shall be binding unless made in writing and signed by the SUPPLIER's authorized representative. The failure of the SUPPLIER to insist, in any one or more instances, upon strict performance of any of the provisions of this Agreement or to take advantage of any rights granted hereunder shall not be construed as a waiver of any such provisions or the relinquishment of any of such rights in the future.

12.2 No changes or modifications of this Agreement shall be effective unless made in writing and signed by both Parties.

12.3 Unless otherwise provided, the remedies under this Agreement shall be cumulative and not exclusive, and the exercise of one remedy shall not exclude the exercise and shall not be construed as a waiver of the right to exercise the other remedies.

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-SECTION THIRTEEN-
DISPUTE RESOLUTION

13.1 The Parties shall refer any dispute, controversy, claim or difference between them arising out of or relating to this Agreement, or the breach thereof, or in the interpretation of any of the provisions hereof (each a "Dispute"), to their respective representatives who shall seek to amicably resolve such Dispute in accordance with the procedure set out in this Section.

13.2 The Party alleging a Dispute shall give written notice thereof to the other Party within thirty (30) calendar days from the occurrence thereof, which notice shall contain a description of the Dispute.

13.3 Promptly upon receipt by the other Party of Notice of Dispute, the Parties' respective representatives shall meet and discuss in good faith to resolve the Dispute within thirty (30) days from receipt of the notice, or within such longer period as the Parties may mutually agree.

-SECTION FOURTEEN-
JURISDICTION AND COURT LITIGATION

14.1 Any Dispute that is not resolved between the Parties in accordance with the provisions of Section 12 shall, unless the Dispute falls within the original and exclusive jurisdiction of the ERC, be submitted to jurisdiction of the proper courts of Davao City, Philippines, to the exclusion of all other courts elsewhere situated, and the Parties agree that the courts of Davao City are an appropriate forum for the settlement of Disputes and waive any claim or assertion that such courts are an inconvenient forum.

14.2 If SUPPLIER have instituted an action on a Dispute to enforce this Agreement or as a result of an alleged breach of this Agreement by CUSTOMER, CUSTOMER shall also be liable to the SUPPLIER for an amount equivalent to twenty percent (20%) of the value of any award made in favor of the SUPPLIER, to cover attorney's fees and other expenses of dispute resolution or litigation.

-SECTION FIFTEEN-
GOVERNING LAW

15.1 This Agreement shall be governed by and construed in accordance with the laws of the Republic of the Philippines. The Parties shall perform all their obligations under this Agreement in accordance with Applicable Law. In case of any amendment, modification or change in Applicable Law, the Parties shall continue to perform their obligations under this Agreement unless made expressly unlawful or impossible by such amendment, modification or change.

-SECTION SIXTEEN-
ENTIRE AGREEMENT

16.1 The Parties acknowledge that this Agreement constitutes the entire agreement between them and shall completely supersede all other prior understandings, previous communications, or contracts, oral or written, between the parties relating to the subject matter hereof;

16.2 Nothing contained in this Agreement shall be construed to create an association, trust, partnership, or joint venture or impose a trust or partnership duty, obligation, or liability on or with regard to either Party, or to create any duty, standard of care or liability to any person or entity not a Party hereto. Each Party shall be liable individually and severally for its own obligations under this Agreement.

-SECTION SEVENTEEN-
ASSIGNMENT OR TRANSFER

17.1 Neither party shall assign or transfer all or any part of its rights, benefits or obligations hereunder, without the prior written consent of the other Party, except that the **SUPPLIER** may assign all or any part of its rights, benefits or obligations hereunder to its holding companies, subsidiaries, or affiliates, without need for notice to or consent of **CUSTOMER**. No assignment or transfer shall be valid unless the assignee or transferee shall issue a formal written assumption of liability of all the obligation of its assignor or transferor under this Agreement.

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-SECTION EIGHTEEN-
SEVERABILITY

18.1 If one or more provisions of this Agreement shall be declared invalid, illegal or unenforceable, the remaining provisions shall remain in, and shall be given, full force and effect. The Parties shall meet in good faith to agree, to the fullest extent allowed by law, on a substitute provision that would most closely approximate the intention of the invalid provision, and amend this Agreement accordingly.

IN WITNESS WHEREOF, the Parties have hereunto set their signatures the place and date first above written.

KING ENERGY GENERATION INC.

BY:

MR. EDGARDO L. SALVAME
President

SURIGAO DEL SUR II ELECTRIC COOPERATIVE, INC.

BY:

MR. REYNALDO C. SINDO
President

SIGNED IN THE PRESENCE OF:

Engr. Iglorio R. Hinayon
General Manager, SURSECO II

Mr. Raymond B. Ang
COO, King Energy Generation Inc.

ACKNOWLEDGMENT

Republic of the Philippines)
CITY OF CAGAYAN DE ORO)

Before me, a Notary Public for and in the City of CITY OF CAGAYAN DE ORO, this APR 1 6 2013 day of _____, 20___ personally appeared Mr. Edgardo L. Salvame who is identified by me through his passport with nos. EB2549545 issued in DFA Manila on 26 May 2011, known to me and to me known to be the same person who executed the foregoing Power Supply Agreement consisting of ____ pages including its attachments and the page wherein this Acknowledgment is made and he acknowledged that the same is his free and voluntary act and deed and of the Corporations he represents.

WITNESS my hand and seal on the date and place first above written.

ATTY. FELIX P. SAARENAS
NOTARY PUBLIC
COMMISSION EXPIRES DECEMBER 31, 2014
PTR NO.2327855/03 JAN 13/CDO
IBP NO. 875301/03 JAN 13/MIS. OR.
ROLL NO. 43576/MAY 5, 19[illegible]
MCLE COMPLIANCE NO.IV-002779/03 OCT 11

Doc. No. 53;
Page No. 10;
Book No. 43;
Series of 2013.

ACKNOWLEDGMENT

Republic of the Philippines)
TANDAG CITY)

Before me, a Notary Public for and in the City of TANDAG CITY this ____ day of APR 1 1 2013, 20___ personally appeared Mr. Reynaldo C. Sindo who is identified by me through his CTC with nos. 04420390 issued in Tandag, Surigao del Sur on January 15, 2013, known to me and to me known to be the same person who executed the foregoing Power Supply Agreement consisting of ____ pages including its attachments and the page wherein this Acknowledgment is made and he acknowledged that the same is his free and voluntary act and deed and of the Corporations he represents.

WITNESS my hand and seal on the date and place first above written.

GERARDO M. MAGLINTE
NOTARY PUBLIC
UNTIL DECEMBER 31, 2014
FOR THE PROVINCE OF SURIGAO DEL SUR
CABRERA COR., [illegible], TANDAG CITY
IBP LIFETIME ROLL NO. [illegible] - DEC. 01, 2006
MCLE COMP NO. IV-[illegible] - OCT. 3, 2012
PTR NO. 4344696-1.02.13/SURIGAO DEL SUR
COMM. NO. 001 - JAN. 03, 2013

Doc. No. 284;
Page No. 57;
Book No. 45;
Series of 2013.

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MR. EDGARDO L. SALVAME

ANNEX "A"

METERING POINTS

List of Metering Points

King Energy Generation Inc.

LOCATION	*DELIVERY VOLTAGE*
Tandag, Surigao del Sur	*69 kV*

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MR. REYNALDO C. SINDO

MR. EDGARDO L. SALVAME

ANNEX "B"

RATES SCHEDULE

1.Basic Electricity Fees Component

Capacity Fee (CF)	= Php 1,307/kw/month
Fixed O&M Fee (FOM)	= Php 243/kw/month
Billing Capacity (BC)	= 5,461 kW
Variable O&M (VOM)	= Php 1.1285 / kwh
Number of Hours per day	= 8 hours

2.Contract Energy Fee per Month

CEF = FC + VC

FC = (CF + FOM x IFf) x BC

VC = (VOM x IFv + FL) x ED

Where:

BC = Billing Capacity in kW

FC = Fixed charge per month in Php

VC = Variable charge per month in Php

ED = Energy Delivered in kWh

CEF = Contract Energy Fee in Php

VOM = Variable O&M per month in Php/kwh

CF = Capacity fee in Php/kW/month

FOM = Fixed O&M fee in Php/kW/month

IFf = Inflation factor fixed

IFv = Inflation factor variable

FL = Fuel and Lube oil in Php/kwh (Pass through subject to heat rate schedule I)

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MR. EDGARDO L. SALVAME

3. Inflation Factor

Inflation Factor for fixed O&M

IF (f) = 1 X (P CPI m / P CPI b)

Inflation Factor for variable O&M

IF (v) = 0.0075 + 0.1445 X (P CPI m / P CPI b) + 0.8480 X (P EX m / P EX b)

Where:

P CPI m = Philippine CPI of the current billing month

P CPI b = Philippine CPI on the effectivity month of this Agreement

P EX m = Peso to EURO exchange rate at the end of the current billing month

P EX b = Peso to EURO exchange rate on the effectivity month of this Agreement

Consumer Price Indices

P CPI m	169.80	BSP	Jan-12
P CPI b	169.80	BSP	Jan-12

Peso Foreign Exchange Rate

P EX m	59.0115 PHP/EUR	BSP	Jan-12
P EX b	59.0115 PHP/EUR	BSP	Jan-12

4. Computation of Fuel and Lube oil rate

FL = HFOCR x Actual Heavy Fuel cost per liter

Where:

HFOCR = Heavy fuel oil consumption rate in liters/kwh

= 0.26 L/kwh (based on the actual Load Factor per Schedule I)

Note: The monthly actual cost per liter of fuel oil shall be based on the weighted average cost of actual monthly invoices of fuel oil deliveries, inventories and consumption.

MR. RAYMONDO B. ANG

ENGR. IGLORIOR. HINAYON

MR. REYNALDO C. SINDO

MR. EDGARDO L. SALVAME

5. Testing and Commissioning Fee

Only Actual Fuel cost and Variable O&M.

6. Start up Fee

Actual cost of additional start-up and shutdown with documents.

7. Additional Energy Fee in excess of eight (8) running hours per day

AEF = AC x BC x h + (VOM + FL) x EE

Where:

AEF = Additional Energy Fees in Php

AC = Additional cost (0.78 Php/ kw/h) in excess of eight (8) running hours per day

BC = Billing Capacity, as previously defined

h = Excess hours per day

VOM = Variable O&M, as previously defined

FL = Fuel and Lube oil, as previously defined

EE = Energy delivered in excess of eight (8) hours per day

MR. RAYMOND B. ANG

ENGR. IGLORIO R. HINAYON

MR. REYNALDO C. SINDO

MR. EDGARDO L. SALVAME

8. Sample Computation

CONTRACT ENERGY SAMPLE COMPUTATION					
CEF = (CF + FOM x IFf) x CC +(VOM x IFv + FO) x CE				**Php/month**	**Php/kwh**
CF	Capacity Fee	1,307	Php/kw/month	7,140,192.06	6.2480
CC	Contracted Capacity	5,461	kw		
FOM	Fixed O&M	243	Php/kw/month	1,327,000.00	1.1612
lFf	Inflation factor fixed	1			
VOM	Variable O&M	1.1285	Php/kwh		
IFv	Inflation factor var.	1			
CE	Contracted Energy	1,142,805	Kwh	1,289,672.94	1.1285
Total Energy Fee				**9,756,865**	**8.5376**

Notes:

1. Fuel oil cost pass-on to the consumer

2. Inflation Factor for fixed O&M

   IF (f) = 1 X (P CPI m / P CPI b)

   = 1 x (169.8/169.8)

   = 1

3. Inflation Factor for variable O&M

   IF (v) = 0.0075 + 0.1445 x (P CPI m / P CPI b) + 0.848 x (P EX m / P EX b)

   = 0.0075 + 0.1445 x (169.8/169.8) + 0.848 x (59.0115/59.0115)

   = 1

MR. RAYMOND B. ANG

ENGR. IGLORIO R. HINAYON

MR. REYNALDO C. SINDO

MR. EDGARDO L. SALVAME

SCHEDULE I
Of ANNEX B

MR. RAYMOND B. ANG

ENGR. IGLORIO R. HINAYON

MR. REYNALDO C. SINDO

MR. EDGARDO L. SALVAME

Fuel Heat Rate

Capacity Factor (%)	Fuel Heat Rate (li/kWh)
50-60	0.2829
61-70	0.2727
71-80	0.2696
81-90	0.2689
91-100	0.2600

ANNEX "C"

NOTICES

FOR SUPPLIER	KING ENERGY GENERATION, INC.
General Concerns	
Name:	RAYMOND B. ANG
Designation:	CHIEF OPERATION OFFICER
Address:	G/F Divine Saviour Bldg. 102 Juan St., Davao City
Telephone :	09175399503 (082) 2251252
Facsimile:	(082) 2251252
Email:	raymond_angcdo@yahoo.com
For Billing Concerns	
Name:	RAYMOND B. ANG
Designation:	CHIEF OPERATION OFFICER
Address:	G/F Divine Saviour Bldg. 102 Juan St., Davao City
Telephone :	09175399503 (082) 2251252
Facsimile:	(082) 2251252
Email:	raymond_angcdo@yahoo.com
FOR CUSTOMER	SURIGAO DEL SUR II ELECTRIC COOPERATIVE, INC. (SURSECO II)
General Concerns	
Name:	ENGR. IGLORIO R. HINAYON
Designation:	General Manager
Address:	Tandag, Surigao del Sur
Telephone :	(086) 211-3553
Facsimile:	(086) 211-3553
Email:	surseco2@yahoo.com
For Billing Concerns	
Name:	MRS. ARLINDA C. YPARRAGUIRRE
Designation:	Finance Manager
Address:	Tandag, Surigao del Sur
Telephone :	(086) 211-3553
Facsimile:	(086) 211-3553
Email:	bbyparr@yahoo.com

MR. RAYMOND B. ANG

ENGR. IGLORIO R. HINAYON

MR. REYNALDO C. SINDO

MR. EDGARDO L. SALVAME

SCHEDULE 1
DEFINITIONS

AGREEMENT- means this Power Supply Agreement and all its Annexes

APPLICABLE LAW- refers to law, statutes, orders, issuances, ordinances, rules, rulings, regulations, codes, decisions, opinions or interpretation of any Governmental Authority pertinent to or affecting a Party or both Parties

BASIC ENERGY CHARGE- refers to the unit price (Pesos per kWh) that Customer shall pay for Contract Energy as set out in Annex B (Rates Schedule)

BILLING PERIOD- means the period commencing at 00:00 hours on the twenty-sixth (26th) day of each calendar month, and ending at 24:00 hours on the twenty-fifth (25th) day of the following calendar month

BILLING STATEMENT- refers to the document that the Supplier will furnish Customer, indicating the total amount of Electricity Fees that Customer will pay Supplier

CLOSING DATE- shall be April 10, 2013 or such date as may be extended by the Supplier in accordance with Section 1.6 (b) of the Agreement. It shall also have the meaning given to this term under Sec. 1.3 of the Agreement.

CONFIDENTIAL INFORMATION- means all data and information disclosed (whether before or after the date of this Agreement and whether in writing or in computer disc, verbally or by any other means and whether directly or indirectly) by the Disclosing Party (or by another person in behalf of the Disclosing Party) to the other Party in whatever form, tangible or intangible, that is not generally known to the public and relates to the operations, business, technology, practices, products, marketing, sales, services, finances or legal affairs of the Disclosing Party or of any third party doing business with or providing information to the Disclosing Party, including this Agreement, information about this Agreement and negotiations pertaining to this Agreement as well as actual or prospective customers, business partners, market opportunities, business, sales, marketing, technical, financial and legal plans, proposal and projections, product information, know-how, design rights, trade secrets, concepts, techniques, processes,

MR. RAYMOND B. ANG
ENGR. IGLORIO R. HINAYON
MR. REYNALDO C. SINDO
MR. EDGARDO L. SALVAME

methods, systems, designs, programs, codes, formula, research, experimental work and work in progress.

CONTRACT ENERGY- refers to the Energy quantity in kilowatt-hours per Billing Period consumed by Customer which in no case shall be below the Contract Energy provided under Annex B (Rates Schedule)

CONTRACT PERIOD- refers to the duration of this Agreement (10 years) commencing from the Closing date until the end of the last Billing Period

CONTRACT YEAR- refers to each period consisting of twelve (12) Billing Periods

CUSTOMER FACILITY- refers to the Customer's distribution franchise located at the Province of Surigao del Sur

DELIVERY DATE- means the first day of the Billing Period or on such date as may be extended by the Supplier in accordance with Section 1.6 (b) of the Agreement

DISCLOSING PARTY- shall have the meaning given to this Term in Section eight (8) of the Agreement

DISPUTE- shall have the meaning given to this Term in Section thirteen (13) of the Agreement

EFFECTIVE DATE- refers to the date of execution of this Agreement

ELECTRICITY FEES- refers to the total amount of charges due from Customer in respect of all energy supplied during a Billing Period

ENERGY- refers to all Contract Energy , Additional Energy, Back-up Power and Replacement Power measured, in each case, in kilowatt-hours (kWh) delivered by Supplier to Customer during a Billing Period

EPIRA- means R.A. 9136, otherwise known as the "Electric Power and Industry Reform Act of 2001"

ERC- refers to the Energy Regulatory Commission, which is the regulating body of the electric power industry as provided under EPIRA

FORCE MAJEURE- refers to the circumstances defined under Section six (6)

MR. RAYMOND B. ANG

ENGR. IGLORIO R. HINAYON

MR. REYNALDO C. SINDO

MR. EDGARDO L. SALVAME

FUEL-	means fuel required to operate the Power Plant and to generate energy
GOOD INDUSTRY PRACTICE-	means those nationally recognized practices, methods, standards and acts engaged in or approved by the majority of the members of the power generation industry in the Philippines at any relevant time, including practices, methods and act which, in the exercise of reasonable judgment in light of the facts known at the time the decision was made, could have been expected to accomplish the desired result at the lowest reasonable cost consistent with good business practices, reliability, adequacy, quality, safety and expedition. Good Industry Practice is not intended to be limited to the optimum practice, method or acts generally accepted in the region and consistently adhered to by similar generating companies
GOVERNMENTAL AUTHORITY-	means the Republic of the Philippines or any national, regional, provincial, municipal or other political subdivision thereof, and any department, ministry, instrumentality, agency, corporation, or commission under the direct or indirect control or supervision of the Republic of the Philippines or any political subdivision thereof; Provided, however, that for purposes of this Agreement, Customer shall not be considered a governmental authority
GOVERNMENTAL REQUIREMENT-	means any all Applicable Laws, regulations, codes, directives, judgments, decrees, orders or interpretations of any court, arbitrator or Governmental Authority and any valid waivers, exemptions, variances, permits, licenses, authorizations, orders, consents or conditions of or from, in any such case, any Governmental Authority or Court or other entity having jurisdiction over the performance of the obligations of each Party to be performed hereunder, including all consents, licenses, registrations, concessions and permits required to be issued pursuant thereto by any Governmental Authority

ENGR. IGLORIO R. HINAYON
MR. RAYMOND B. ANG
MR. REYNALDO C. SINDO
MR. EDGARDO L. SALVAME

	in connection with any of the transactions contemplated hereby
METER RESULTS-	refers to the set of actual hourly quantities of Energy taken by the Customer as determined by the Metering Services Group of the Supplier or any other third party to which both Customer and Supplier may jointly reassign this responsibility ("Third Party Meter Reader)
METERING POINTS-	means the actual physical point (s) (e.g. plant metering point) where Supplier shall deliver the Energy to Customer
MINIMUM CONTRACT ENERGY-	refers to the minimum Energy quantity in kilowatt-hours as provided in Annex B (Rates Schedule)
MINIMUM ENERGY CHARGE	-refers to the load weighted average price of the Supplier for the Billing Period or the difference between the Minimum Contract Energy and the actual Energy consumed by the Customer in case the latter consumes less than the minimum Contract Energy
PAYMENT DATE-	means on or before the 26th day of the immediately following month on which a Billing Period ends and on which electricity fees in respect of energy delivered during that Billing Period are due
POWER PLANT-	means the 5.4 Megawatt Diesel Power Plant
SECURITY DEPOSIT-	means the instrument Customer is required to post to guarantee its outstanding accounts and other obligations under this Agreement, as more particularly described in the form and in the amount set out in Section 3.2.1

*****NOTHING FOLLOWS*****

MR. RAYMOND B. ANG

ENGR. IGLORIO R. HINAYON

MR. REYNALDO C. SINDO

MR. EDGARDO L. SALVAME

List of all parents, subsidiaries, affiliates included in the conglomerate map of the Registrant (EXHIBIT 7)

EXHIBIT 7

KING ENERGY GENERATION INC.
RELATED PARTIES
As of December 31, 2023

LIST OF ALL PARENTS, SUBSIDIARIES, AND AFFILIATES INCLUDED IN THE CONGLOMERATE MAP OF THE REGISTRANT.

COMPANY NAME	NATURE OF BUSINESS	RELATIONSHIP W/ KEGI	MAJOR TRANSACTIONS W/ KEGI	NO. OF SHARES OF KEGI
ESRA PRIME CORP	Invest in shares of stock	Affiliates	None	None
MARAMAG MINI HYDRO POWER CORPORATION	Power Generation – Hydro	Associate	Advances	Subscribed 298,990 shares (42.70%)

Consent of Expert and Independent Counsel (EXHIBIT 8)

25/04/2024

EXHIBIT 8

SECURITIES AND EXCHANGE COMMISION
SEC Headquarter, 7907 Makati Avenue
Salcedo Village, Bel-Air, Makati City

Gentlemen:

We refer to the Registration Statement and Prospectus of name of applicant company (the "Registrar) relating to the registration and issuance of no of shares and amount at ₱ 123.98 per share.

As counsel for the Registrant, we have examined the said Registration Statement and Prospectus, the relevant laws and regulations of the Republic of the Philippines, the originals and copies, photocopies, certified or otherwise identified to our satisfaction, of all such corporate and official records of the Registrant and all such documents and matters, as we have considered necessary or desirable in the opinions hereinafter expressed.

We have relied, as the basis for the opinion expressed herein, on the documents and information provided to us and do not assume responsibility for any document which we have not been provided with, nor any matter not disclosed to us.

In such examination, we have assumed the genuineness of the signatures and the authenticity of all documents submitted to us as originals, and conformity with the originals of all documents submitted to us as copies thereof. As to any other matters of fact material to the opinion expressed herein, we have relied upon certificates and representations of officers and other representatives of the Registrants.

On the basis of such examination, we are of the opinion that:

1. The Registrant is a corporation duly incorporated, validly existing and in good standing under and by virtue of the laws of the Republic of the Philippines, with power and authority to conduct its business.

2. The proposed registration and issuance of Common Shares will not conflict with nor violate the Articles of Incorporation, By-laws or any law, administrative regulation or court decree applicable to the Registrant.

3. The Common Shares covered by the Registration Statement will, when sold and fully paid for, be legally issued, non-assessable and binding obligations of the Registrant.

4. The statements set forth in the Registration Statement and the attached Prospectus with respect to Philippine Taxation and the applicability of tax laws with respect to the Registrant are accurate in all material respects as of the dates indicated in the Registration Statement and the Prospectus.

We consent to the use of this opinion for purposes of the Registration Statement/Prospectus.

Very truly yours,

ATTY. JORGE B. MAGDAONG, JR.
KEGI's External Counsel

Notarized Curriculum Vitae and Photographs of Officers and Members of the BOD (EXHIBIT 9)

EXHIBIT 9



ENGR. EDELYN JANE A. SALVAME

Licensure/Examinations Passed	Board of Civil Engineering, Professional Regulation Commission
Education	2015 - 2016 University of Cebu — BSEE (ETEEAP) 2009 - 2013 Mapua Institute of Technology — BSCE 2004 - 2008 De La Salle- College of St. Benilde — BSBA Major in Computer Applications
Professional Experience	July 1, 2022 – present — President/CEO/Chairman of the Board Nov. 18, 2014 – June 30, 2022 — Chief Operating Officer, King Energy Generation Inc. 2022- Jan 2024 — President/CEO/Chairman of the Board 2018 – 2021 — Chief Operating Officer, Ibaan Electric Corporation 2022 - present — President/CEO/Chairman of the Board 2018 – 2021 — Chief Operating Officer, Meter King Inc. 2022- present — President/CEO/Chairman of the Board 2021 – 2022 — Chief Financial Officer, ESRA Prime Corp. 2018 - present — Shareholder/Treasurer, Grandscape Homes Corp. July 1, 2022 – present — President/CEO/Chairman of the Board, Maramag Mini Hydro Power Corporation 2021 – present — Sole Shareholder / President, Eaglewood Heights OPC 2021 – present — Sole Shareholder / President, Suburban Estate Properties OPC
Professional Memberships	n/a
Seminars Attended	Best Practices of Effective Boards — August 16, 2023 Roles, Responsibilities and Liabilities of Board Directors — September 11, 2023 Simplified guide to Parliamentary Procedures for Highly Effective Corporate Meetings — October 12-13, 2023

Personal Data	Birthdate	March 11, 1987
	Civil Status	Single
	Religion	Roman Catholic
	Address	Tulay na Patpat, Ibaan Batangas

I hereby certify that all the above information is true to the best of my belief and knowledge.

ENGR. EDELYN JANE A. SALVAME
Affiant

SUBSCRIBED AND SWORN to before me this APR 0 4 2024 at Cagayan de Oro City, Philippines, by affiant exhibiting to me her valid government-issued Driver's License ID No. N04-08-001651 with expiry date on March 11, 2033.

Doc. No. 449;
Page No. 090;
Book No. 001;
Series of 2024.

ATTY. LIANNE B. BALDON REB, REA
NOTARY PUBLIC
NC-2024-173 valid until December 31, 2025
Atty.'s Roll No. 76791, May 5, 2022
IBP O.R. No. 376323, Dec. 27, 2023, Mis. Or.
PTR No. 3054351B, Dec. 27, 2023, CDOC
MCLE Initial Compliance until April 2025-
Admitted to the Bar on May 5, 2022
TIN: 493-539-706, E-mail add: attylianne@gmail.com

EXHIBIT 9



GILBERT J. RODRIGUEZ

Licensure / Examinations Passed	Registered Electrical Engineer
Education	Completed in 1989 Cagayan de Oro College Associate Electrical Engineer
Professional Experience	Aug. 2023 - present King Energy Generation Inc. Senior Vice President 2011- 2023 King Energy Generation Inc. General Manager July 1, 2022- present Maramag Mini-Hydro Power Corp Board of Director/ Corporate Secretary March 2008 -Jan. 2010 Asea Brown Boveri Inc. Key Accounts Manager (Northern Mindanao) March 2004- March 2008 Asea Brown Boveri Inc Sr. Sales Engineer March 2002- March 2004 Asea Brown Boveri Inc. Sr. Field Service Engineer Jan. 1997 - March 2002 Asea Brown Boveri Inc. Sr. Project Engineer. Sept. 1993 – Jan. 1997 Asea Brown Boveri Inc. Project Engineer March 1993 – Sept. 1993 Asea Brown Boveri Inc. Jr. Design Engineer 1989 - 1993 Graybar Marketing Electrical Engineer Project Supervisor
Professional Memberships	Institute of Integrated Electrical Engineers of the Phils. Inc. Cagayan de Oro Chapter, Member Fraternal Order of Eagles
Seminars Attended	Best Practices of Effective Boards August 16, 2023 Roles, Responsibilities and Liabilities of Board Directors September 11, 2023 Simplified guide to Parliamentary Procedures for Highly Effective Corporate Meetings October 12-13, 2023
Personal Data	Birthdate February 4, 1963 Civil Status Married

	Religion	Roman Catholic
	Address	B-5 L10 Promiseland Subdivision, Tagoloan, Misamis Oriental

I hereby certify that all the above information is true to the best of my belief and knowledge.

GILBERT J. RODRIGUEZ, REE
Affiant

SUBSCRIBED AND SWORN to before me this APR 04 2024 at Cagayan de Oro City, Philippines, by affiant exhibiting to me his valid government-issued Passport ID No. P8062286A with expiry date on July 23, 2028.

Doc. No. 450;
Page No. 090;
Book No. 001;
Series of 2024.

ATTY. LIANNE B. BALDON REB, REA
NOTARY PUBLIC
NC-2024-173 valid until December 31, 2025
Atty.'s Roll No. 76791, May 5, 2022
IBP O.R. No. 376323, Dec. 27, 2023, Mis. Or.
PTR No. 30543518, Dec. 27, 2023, CDOC
MCLE Initial Compliance until April 2025-
Admitted to the Bar on May 5, 2022
TIN: 493-539-708, E-mail add: attylianne@gmail.com

EXHIBIT 9



ARIEL J. BURAGAY

Licensure / Examinations Passed	Registered Electrical Engineer (PRC No. 15291) Registered Master Electrician (PRC No. 14235)
Education	1983-1989 Cagayan de Oro College Bachelor of Science in Electrical Engineering
Professional Experience	Aug. 2023 - present King Energy Generation Inc. Vice President-Operations Jan. 2023 – Aug. 2023 King Energy Generation Inc. General Manager Feb. 2016 – Jan. 2023 King Energy Generation Inc. Plant Manager April 2015 – Feb. 2016 Great Providence Wood Products Corporation Plant OIC Aug. 2014-March 2015 Evergrowth Wooden Product Corp. Liaison Officer March 2008-Jan 2014 Asia Pacific Timber and Plywood Corporation, APTPCO Engineering Dept. Head Aug. 2001 – Feb. 2008 Sacramento Steel Corp. Formerly Coresteel Operations and Maintenance Manager Feb. 1998-Aug. 2001 Coresteel Industrial Pilipinas Inc. Electrical-System Maintenance Head Feb 1997 – Feb. 1998 Bisdac Development Corporation Electrical Foreman April 1994 – Jan. 1997 Magsaysay Lines Incorporated Seafarer/POEA Rating: Asst. Electrician Nov. 1991 – Aug. 1992 Coca-Cola Bottlers Phils. Inc. Electrical Contractor March 1987 – Dec. 1990 ECC Engineering Services Maintenance Electrician/ Service Electrician
Professional Memberships	APTPCO Fire & Rescue, Incident Commander Rotary Club International, RC Piemo, District 3870, Past President (Oct. 2001) Institute of Integrated Electrical Engineers of the Phils. Inc. Cagayan de Oro Chapter, Member (July 2, 1990 – present) All Japan Seaman Union, Member (April 25, 1994- April 25, 1995)
Seminars Attended	Best Practices of Effective Boards August 16, 2023

	Roles, Responsibilities and Liabilities of Board Directors		September 11, 2023
	Simplified guide to Parliamentary Procedures for Highly Effective Corporate Meetings		October 12-13, 2023
Personal Data	Birthdate	May 20, 1966	
	Civil Status	Married	
	Religion	Roman Catholic	
	Address	6109 Acacia St. Reyes Subdivision, Bugo, Cagayan de Oro City	

I hereby certify that all the above information is true to the best of my belief and knowledge.

ARIEL J. BURAGAY
Affiant

SUBSCRIBED AND SWORN to before me this APR 0 4 2024 at Cagayan de Oro City, Philippines, by affiant exhibiting to me his valid government-issued Passport ID No. P4199683B with expiry date on Dec. 11, 2029.

Doc. No. 451;
Page No. 091;
Book No. 001;
Series of 2024

ATTY. LIANNE B. BALDON REB, REA
NOTARY PUBLIC
NC-2024-173 valid until December 31, 2025
Atty.'s Roll No. 76791, May 5, 2022
IBP O.R. No. 376373, Dec. 27, 2023, Mis. Or.
PTR No. 3054351B, Dec. 27, 2023, CDOC
MCLE Initial Compliance until April 2025-
Admitted to the Bar on May 5, 2022
TIN: 493-539-708, E-mail add: attylianne@gmail.com

EXHIBIT 9



MILAGROS S. CASTRO

Licensure/Examinations Passed	CERTIFIED PUBLIC ACCOUNTANT BOARD EXAMINATION – November 1983
Education	1978 – 1982 UNIVERSITY OF THE EAST BACHELOR IN ACCOUNTANCY Manila
Professional experience	2022- present Board of Director King Energy Generation Inc. 2021- present Chief Operating Officer Ibaan Electric Corporation August 2015 – July 2021 – Consultancy work for various firms for accounting, finance, tax, payroll, business registration/de registration and other works Clients: Power Express Forwarder Inc. Sangat Island Resort FH Management Services Inc. FH Asset Management Corp. FH Corporate Services Inc. Health Wellness Lifestyle Inc. Nov. 06, 2013– July 15, 2015 FTI CONSULTING PHILIPPINES, INC., Makati City **Finance & Administration Manager** • Supervises the financial activities and treasury operations of the company • Prepares all payroll related activities • Coordinates with external auditors for the completion of Audited Financial Statements • Review all financials • Coordinates and reports to Asia Pacific Office in Hongkong for all matters affecting our Philippine operations • Cash forecasting, budget review, financial planning, tax review and compliance with local tax authorities • Attend to the administrative and limited human resources functions of the office. June 2003 – Dec. 2012 PASCUAL LABORATORIES INC Quezon City **Accounting Head – Financial & Controllership Department** • Manages the financial activities and accounting functions of the parent company and its subsidiaries • Supervises the work of the accounting group and is responsible for managing the team to ensure that work is properly allocated and completed in a timely and accurate manner • Monitors and analyses department work to develop more efficient procedures and use of resources while maintaining high level of accuracy • Work with the controller to ensure a clean and timely year-end audit

- Assist in the development and implementation of the new procedures and features to enhance the workflow of the department
- Responds to inquiries from the Director of Finance, Controller and firm wide managers regarding financial results, special reporting requests and the like.
- Oversees the migration to the new accounting system (SAP/ERP system)
- Supports budget and forecasting activities
- Ensures compliance with regulatory requirements of the Bureau of Internal Revenue and Securities and Exchange Commission
- Provide staff training and perform annual staff evaluations.
- Performs other related duties as assigned.

January – June 2013 – Consultant PASCUAL LABORATORIES, INC.

- Facilitated all the audit requirements for the 2012 Audited Financial Statements
- Review of audited financial statements for parent company, subsidiaries, and and consolidated reports
- Ensured the filing, payment of 2012 income tax returns, and the filing of 2012 Audited Financial Statements with the Securities and Exchange Commission
- Turnover of duties and responsibilities to the different Unit Heads who assumed my previous functions as Accounting Head

January 2002 – May 2003 PRIVATE PRACTICE

- Engagement with Asiatrust Bank for the reconciliation of the remittances of International Banking Department.
- Handled books of accounts of various companies.

July 2001 to Nov . 2001 EXPORT AND IMPORT BANK Makati City

Consultant

- Assisted in the Liabilities Servicing Plan of Urban Depositors
- Handled the initial pay-out of deposits for Urban depositors
- Assisted in the consolidation and merging of Urban and Export Bank
- Facilitated the proper turn-over of transactions

May 1984 to April 2000 – Urban Bank Makati City

Head Bank Accounting Unit/Senior Manager

- August 1998 – April 2000
- Checks, verifies, and accounts all Foreign Currency Deposit/Trade/Non-trade transactions, foreign investments/loans/borrowings, and trading of foreign currency particularly US Dollars
- Monitors balances of accounts maintain with foreign banks
- Ensures compliance of foreign exchange position, 100% liquidity cover for foreign currency assets and liabilities
- Computes and remits corporate income tax for foreign currency transactions
- Checks and verifies all bank loan transactions
- Verifies all Statements of Accounts

	• Head – Reports and Reconciliation Unit/Senior Manager • October 1992 – July 1998 • Ensures compliance with BSP ratio's on reserves on deposits, liquidity reserves, DOSRI ceiling, Capital to Risk Assets, Agri-Agra requirement, Funds Set Aside for Small Enterprises, Loans to Deposit, Ceiling on Real Estate Loan Exposure • Responsible for the submission of timely and accurate reports to Bangko Sentral ng Pilipinas (BSP), Philippine Deposit Insurance Corporation (PDIC), Securities and Exchange Commission (SEC), and Philippine Stock Exchange (PSE) • Review of all reports related to budget of Marketing Department • Reviews and ensures the preparation of reconciliation statements of inter office accounts and bank accounts • Other Positions Held • Branch Accountant (1986 to1990) • Accounting Assistant (1984 to1986) May 1983 to April 1984 RS Navarro Enterprises Makati City Bookkeeper • Records all transactions in the general ledger books • Updates loan ledgers of borrowers • Prepares Trial Balance • Petty Cash Custodian
Professional memberships	PHILIPPINE INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANT
Seminars Attended	Best Practices of Effective Boards — August 16, 2023 Roles, Responsibilities and Liabilities of Board Directors — September 11, 2023 Simplified guide to Parliamentary Procedures for Highly Effective Corporate Meetings — October 12-13, 2023
Personal Data	Birthdate: May 26, 1962 Civil Status: Married Religion: Catholic Address: Barangay Talaibon, Ibaan Batangas Cellphone No.: Globe 0927-892-7300 or Smart 0919-792-8888

I hereby certify that all the above information is true to the best of my belief and knowledge.

MILAGROS S. CASTRO
Affiant

SUBSCRIBED AND SWORN to before me this APR 0 4 2024 at Cagayan de Oro City, Philippines, by affiant exhibiting to me her valid government-issued UMID ID No.: CRN-0003-7500916-3.

Doc. No. 452;
Page No. 091;
Book No. 001;
Series of 2024

ATTY. LIANNE B. BALDON REB, REA
NOTARY PUBLIC
NC-2024-123 valid until December 31, 2025
Atty.'s Roll No. 76791, May 5, 2022
IBP O.R. No. 376323, Dec. 27, 2023, Mis. Or.
PTR No. 10543516, Dec. 27, 2023, CDOC
MCLE Initial Compliance until April 2025-
Admitted to the Bar on May 5, 2022
TIN: 493-539-708, E-mail add: attylianne@gmail.com

EXHIBIT 9



JODETTE P. ELLO

Licensure / Examinations Passed	Philippine Certified Public Accountant		
Education	2006-2007	Xavier University – Ateneo de Cagayan	Bachelor of Science in Accountancy
	2002-2006	Xavier University – Ateneo de Cagayan	Bachelor of Science in Management Accounting
Professional Experience	Aug. 2023- present	King Energy Generation Inc.	VP Finance/ Chief Finance Officer
	Jan. 2021- 2023	King Energy Generation Inc.	Accounting Consultant
	2013 – Jan. 2021	King Energy Generation Inc.	Accounting/Admin Manager
	Dec. 2012 - 2013	King Energy Generation Inc.	General Accountant
	2011-Nov. 2012	Banco de Oro Unibank	Credit Assistant/Analyst Level 5
	April 2008-2011	Banco de Oro Unibank	Client Service Associate
Professional Memberships	International Institute of Management Accountants, Member		
	Philippine Institute of Certified Public Accountants, Member		
Seminars Attended	Best Practices of Effective Boards		August 16, 2023
	Roles, Responsibilities and Liabilities of Board Directors		September 11, 2023
	Simplified guide to Parliamentary Procedures for Highly Effective Corporate Meetings		October 12-13, 2023
Personal Data	Birthdate	January 2, 1986	
	Civil Status	Married	
	Religion	Roman Catholic	
	Address	Blk 5 Lot 8 Adelaida Park Residence, Upper Balulang, Cagayan de Oro	

I hereby certify that all the above information is true to the best of my belief and knowledge.

JODETTE P. ELLO
Affiant

SUBSCRIBED AND SWORN to before me this APR 0 4 2024 at Cagayan de Oro City, Philippines, by affiant exhibiting to me her valid government-issued LTO Driver's License No.: K02-13-001920 with expiry date on _____.

Doc. No. 453;
Page No. 091;
Book No. 001;
Series of 2024

ATTY. LIANNE B. BALDON REB, REA
NOTARY PUBLIC
NC-2024-173 valid until December 31, 2025
Atty.'s Roll No. 76791, May 5, 2022
IBP O.R. No. 376323, Dec. 27, 2023, Mis. Or.
PTR No. 10643518, Dec. 27, 2023, CDOC
MCLE Initial Compliance until April 2025-
Admitted to the Bar on May 5, 2022
TIN: 493-539-708, E-mail add: attyllanne@gmail.com

EXHIBIT 9



RAYMOND BRIÑAS ANG

Licensure/Examinations Passed	n/a		
Education	1991 - 1992	Laguna College	BSC Major in Accounting
	1987 - 1988	San Pablo City Technical Trade School	Technical Course
Professional Experience	2010 - present	King Energy Generation Inc.	Board of Director
	2010 – Nov. 17, 2014	King Energy Generation Inc.	Chief Operating Officer
	2018-2023	Ibaan Electric Corporation	Board of Director
	2001-present	Meter King Inc.	Board of Director
	1995 - 2001	Meter King Inc.	Branch Manager, CDO
Professional Memberships	n/a		
Seminars Attended	Best Practices of Effective Boards		August 16, 2023
	Roles, Responsibilities and Liabilities of Board Directors		September 11, 2023
	Simplified guide to Parliamentary Procedures for Highly Effective Corporate Meetings		October 12-13, 2023
Personal Data	Birthdate	October 12, 1969	
	Civil Status	Married	
	Religion	Roman Catholic	
	Address	16 Tepolo Street, Baloy, Tablon, Cagayan de Oro City	

I hereby certify that all the above information is true to the best of my belief and knowledge.

RAYMOND BRIÑAS ANG
Affiant

SUBSCRIBED AND SWORN to before me this APR 0 4 2024 at Cagayan de Oro City, Philippines, by affiant exhibiting to me his valid government-issued Passport ID No. P0109419C with expiry date on May 16, 2032.

Doc. No. 454;
Page No. 091;
Book No. 001;
Series of 2024.

ATTY. LIANNE B. BALDON REB, REA
NOTARY PUBLIC
NC-2024-173 valid until December 31, 2025
Atty.'s Roll No. 76791, May 5, 2022
IBP O.R. No. 376323, Dec. 27, 2023, Mis. Or.
PTR No. 3054351B, Dec. 27, 2023, CDOC
MCLE Initial Compliance until April 2025-
Admitted to the Bar on May 5, 2022
TIN: 493-539-708, E-mail add: attylianne@gmail.com

EXHIBIT 9



SALLY OLAER ANG

Licensure / Examinations Passed	n/a		
Education	1993 - 1994	Northern Mindanao Polytechnic School	Office Management
Professional experience	2010 - present	King Energy Generation Inc.	Board of Director
	2010 - July 2023	King Energy Generation Inc.	Corporate Secretary
	2022 - present	Maramag Mini-Hydro Power Corp.	Finance Manager/ Board of Director
	2018 - present	Ibaan Electric Corporation	Board of Director
	2001 - present	Meter King Inc.	Board of Director/ Finance Manager
Professional memberships	Fraternal Order of Eagles		
Seminars Attended	Best Practices of Effective Boards		August 16, 2023
	Roles, Responsibilities and Liabilities of Board Directors		September 11, 2023
	Simplified guide to Parliamentary Procedures for Highly Effective Corporate Meetings		October 12-13, 2023
Personal Data	Birthdate	June 7, 1974	
	Civil Status	Married	
	Religion	Catholic	
	Address	16 Tepolo Street, Baloy, Tablon, Cagayan de Oro City	

I hereby certify that all the above information is true to the best of my belief and knowledge.

SALLY OLAER ANG
Affiant

SUBSCRIBED AND SWORN to before me this APR 0 4 2024 at Cagayan de Oro City, Philippines, by affiant exhibiting to me her valid government-issued Passport ID No.: P7180933A with expiry date on May 15, 2028.

Doc. No. 455;
Page No. 091;
Book No. 001;
Series of 2024.

ATTY. LIANNE B. BALDON REB, REA
NOTARY PUBLIC
NC-2024-173 valid until December 31, 2025
Atty.'s Roll No. 76791, May 5, 2022
IBP O.R. No. 376323, Dec. 27, 2023, Mis. Or.
PTR No. 30543518, Dec. 27, 2023, CDOC
MCLE Initial Compliance until April 2025-
Admitted to the Bar on May 5, 2022
TIN: 493-539-708, E-mail add: attylianne@gmail.com

EXHIBIT 9



ATTY. ALISA TRENA R. OLANO

Licensure/Examinations Passed	2022 Real Estate Consultant 2011 Real Estate Appraiser 2010 Real Estate Broker 2010 Bar Examination
Education	March 2009 Xavier University – Ateneo de Cagayan — Bachelor of Laws March 2005 Xavier University – Ateneo de Cagayan — Bachelor of Science in Management Accounting March 2001 Sacred Heart of Jesus Montessori School — High School March 1997 St. Francis Learning Center — Elementary School
Professional Experience	2023-present — King Energy Generation Inc. — Independent Director Feb. 2017-May 2022 — Body Basics Nail Salon and Spa Franchisee and operator of Nailandia Nail Studio and Body Spa SM CDO Downtown Premier Branch — Sole Proprietor/ Owner June 2010- Dec. 2011 Notary Public in the Province of Misamis Oriental 2010-present — A.V. Pamatong Trading and Construction Co., Inc. — Legal Counsel 2010- present — Private Enterprise Corporation (Owner and operator of Philtown Hotel and Oriental Garden Restaurant) — Property Administrator/ Legal Counsel 2010-present — Anacleto O. Rañises Trading and Realty Co., Inc. — Property Administrator/ Legal Counsel 2012-2014 — LA4 Property Innovations, Inc. — Corporate Secretary 2005- present — 4 ACES Realty — Licensed Real Estate Broker 2011- present — 4 ACES Realty — Real Estate Appraiser May 2010 — Congressman Pedro Unabia 1st District Misamis Oriental — Election Lawyer May 2007 — Mayor Redintor Jardin — Paralegal S.Y. 07-08 — Association of Law Students — Tribunal Member S.Y. 06-07 — Association of Law Students — Secretary S.Y. 03-04 — Commerce Student Council — Executive Secretary

Professional memberships	Rotary Club of Cagayan de Oro Premier IPREA- Northern Mindanao Association of Real Estate Appraisers, Inc. (NORMINAREA) Institute of Professional Real Estate Education, Inc. (IPREE) Philippine Institute of Real Estate Service Practitioners (PhilRES), Inc. Junior Chamber International- Macajalar 24K Chapter Philippine Association of Realtors Boards, Inc. Northern Mindanao Realtors Board Integrated Bar of the Philippines (IBP) Mis. Or. Federacion International de Abogadas Portia Sorority XU Chapter Sta. Faustina Divine Mercy Apostolate Association of Law Students Commerce Student Council Junior Philippine Institute of Management Accountants
SEMINARS ATTENDED	Best Practices of Effective Boards — August 16, 2023 Roles, Responsibilities and Liabilities of Board Directors — September 11, 2023 Simplified guide to Parliamentary Procedures for Highly Effective Corporate Meetings — October 12-13, 2023
Personal Data	Birthdate: November 29, 1984 Civil Status: Single Religion: Roman Catholic Address: 1511 San Isidro Street, Sta. Cecilia Village P1, Gusa Cagayan de Oro City

I hereby certify that all the above information is true to the best of my belief and knowledge.

ATTY. ALISA TRENA R. OLANO, REB, REA, REC
Affiant

SUBSCRIBED AND SWORN to before me this APR 0 4 2024 at Cagayan de Oro City, Philippines, by affiant exhibiting to me her valid government-issued Passport No. P2084155B with expiry date on May 03, 2029.

Doc. No. 457;
Page No. 092;
Book No. 001;
Series of 2024.

ATTY. LIANNE B. BALDON REB, REA
NOTARY PUBLIC
NC-2024-173 valid until December 31, 2025
Atty.'s Roll No. 76791, May 5, 2022
IBP O.R. No. 376323, Dec. 27, 2023, Mis. Or.
PTR No. 30543518, Dec. 27, 2023, CDOC
MCLE Initial Compliance until April 2025-
Admitted to the Bar on May 5, 2022
TIN: 493-539-708, E-mail add: attylianne@gmail.com

EXHIBIT 9



ATTY. JAIRO MATURAN LADERA

Licensure/Examinations Passed	2010 Bar Examination 2006 Career Service Examinations
Education	2006- 2010 Xavier University – Ateneo de Cagayan Bachelor of Laws 2001-2005 Xavier University – Ateneo de Cagayan Bachelor of Science in Accountancy 1997- 2001 Mindanao Polytechnic State College High School 1991-1997 Bugo Central School Elementary School
Professional Experience	2023- present King Energy Generation Inc. Independent Director May 2023- present Ladera Rodriguez-Salvaña and Associates Managing Partner Dec. 2014-Apr 2023 Almirante Ladera and Associates Senior Partner Jan. 2018- present South Bank Inc. Corporate Secretary Jun. 2014- Oct. 2019 Liceo de Cagayan University. College of Law Professor Jun. 2012- May 2014 Xavier University- Ateneo de Cagayan Professor May 2011-Dec. 2014 AC UBAUB and Associates Associate Lawyer Sept. 2011-Apr 2012. Department of Agriculture Field Unit Legal Officer Apr. 2011-Sept. 2011 LCG Group of Companies Legal Counsel Oct. 2010-Sept. 2011 LCG Group of Companies Internal Auditor
Professional Memberships	Integrated Bar of the Philippines Fraternitas Scintilla Legis Alumni Association Inc. Fraternitas Scintilla Legis Association of Law Students Young Men's Christian Association (YMCA Cagayan de Oro) Fraternal Order of Eagles - Carmen Eagles Club Circulo de Arte Xavier University, Cagayan de Oro City Knights of Columbus Sacred Heart Parish, Bugo, Cagayan de Oro City

Seminars Attended	Best Practices in Corporate Housekeeping	February 1-3, 2023
	Best Practices of Effective Boards	August 16, 2023
	Roles, Responsibilities and Liabilities of Board Directors	September 11, 2023
	Simplified guide to Parliamentary Procedures for Highly Effective Corporate Meetings	October 12-13, 2023
Personal Data	Birthdate: December 25, 1984 Civil Status: Single Religion: Roman Catholic Address: Zone 3, Tibasak Road, Macasandig Cagayan de Oro City	

I hereby certify that all the above information is true to the best of my belief and knowledge.

ATTY. JAIRO M. LADERA
Affiant

SUBSCRIBED AND SWORN to before me this APR 0 4 2024 at Cagayan de Oro City, Philippines, by affiant exhibiting to me his valid government-issued Driver's License No. K02-11-007856 with expiry date on December 25, 3031.

Doc. No. 456;
Page No. 092;
Book No. 001;
Series of 2024.

ATTY. LIANNE B. BALDON REB, REA
NOTARY PUBLIC
NC-2024-173 valid until December 31, 2025
Atty.'s Roll No. 76791, May 5, 2022
IBP O.R. No. 376323, Dec. 27, 2023, Mis. Or.
PTR No. 3054351B, Dec. 27, 2023, CDOC
MCLE Initial Compliance until April 2025-
Admitted to the Bar on May 5, 2022
TIN: 493-539-708, E-mail add: attylianne@gmail.com

EXHIBIT 9



ATTY. MARITES FLORES SANGUAL

Licensure/Examinations Passed	2011 Philippine Bar Examination Passer Career Service Sub-Professional Eligibility		
Education	2006-2011	Xavier University Ateneo de Cagayan	Bachelor of Laws (LLB)
	2002-2006	Xavier University Ateneo de Cagayan	Bachelor of Science Major in Psychology
Professional experience	Jan. 2023 – present	King Energy Generation Inc.	Legal Manager
	Aug. 2023 – present	King Energy Generation Inc.	Corporate Secretary
	Jan. 2022 – Dec. 2022	King Energy Generation Inc.	Legal & Administrative Division Manager
	Feb. 2018 – Dec. 2021	King Energy Generation Inc.	Corporate Counsel
	Feb. 2018 – present	Various Companies	Legal Consultant
	July 2017 – Jan. 2018	Provincial Assessor's Office Of Misamis Oriental	Attorney IV
	Sept. 2016 – June 2017	Provincial Legal Office Of Misamis Oriental	Acting Provincial Legal Officer
	Dec. 2014 – Aug. 2016	Provincial Legal Office Of Misamis Oriental	Attorney IV
	Aug. 2013 – Dec. 2014	Provincial Legal Office Of Misamis Oriental	Attorney III
	Oct. 2012 – May 2013	Xavier University Center For Legal Assistance	Volunteer Lawyer
	Mar. 2012 – Aug. 2012	San Jose Tagarda & Yap Law Firm	Associate Lawyer
	Dec 2011 – Mar. 2012	San Jose Tagarda & Yap Law Firm	Legal Assistant

Professional memberships	Integrated Bar of the Philippines- Misamis Oriental Chapter, Member, 2012 to date Ateneo Human Rights Center (AHRC), Intern, 2010 Environmental Legal Assistance Center (ELAC), Intern, 2010 Xavier University Law Electoral on Commission, Commissioner, 2009-2011 Xavier University Center for Legal Assistance (XUCLA), Member, 2008 to date Balay Alternative Legal Advocates for Development in Mindanaw (BALAOD), Intern, 2008 Epsilon Beta Kappa Society (EBK), Member, 2008 to date Xavier University Moot & Debate Society, Member, 2008 Association of Law Students Member/Volunteer, 2006-2011 Xavier University- Ateneo de Cagayan Softball Varsity Team, Member, 2003-2006
SEMINARS ATTENDED	Certification Course for Compliance Officers — Mar – Apr 2024 IBP-CBD 4th Leg of the Nationwide CPRA Roll Out with the theme: "Understanding and Living the Code of Professional Responsibility And Accountability (CPRA) and the New Lawyer's Oath in One's Personal and Professional Life" — January 2024 Simplified Guide to Parliamentary Procedures for Highly Effective Corporate Meetings — October 2023 Roles, Responsibilities and Liabilities of Board of Directors — September 2023 Masterclass on Writing Minutes of Meetings — August 2023 Best Practices of Effective Boards — August 2023 Best Practices in Corporate Housekeeping — February 2023 The New Bidding Documents for Procurement of Goods — August 2022 7th Mandatory Continuing Legal Education — May 2022
Personal Data	Birthdate August 23, 1985 Civil Status Single Religion Roman Catholic Address 124 Zone 8, Patag, Cagayan de Oro City

I hereby certify that all the above information is true to the best of my belief and knowledge.

ATTY. MARITES FLORES SANGUAL
Affiant

SUBSCRIBED AND SWORN to before me this APR 0 8 2024 at Cagayan de Oro City, Philippines, by affiant exhibiting to me her valid government-issued SSS UMID CRN-021-1369-5449-8.

Doc. No. 461;
Page No. 093;
Book No. 001;
Series of 2024.

ATTY. LIANNE B. BALDON REB, REA
NOTARY PUBLIC
NC-2024-173 valid until December 31, 2025
Atty.'s Roll No. 76791, May 5, 2022
IBP No. 316543, Dec. 27, 2023, Mis. Or.
PTR No. 30543518, Dec. 27, 2023, CDOC
MCLE Initial Compliance until April 2025-
Admitted to the Bar on May 5, 2022
TIN: 493-539-708, E-mail add: attylianne@gmail.com
NOTARY PUBLIC

EXHIBIT 9



RAMIL TANGILAN INZO

Licensure/Examinations Passed	Licensed Professional Teacher (LPT)
Education	2019-2020 Medina College — Master of Business Administration 2004 Bukidnon State University — Master of Arts in Educational Administration (9 units) 2000-2004 Bukidnon State University — Bachelor of Secondary Education Major in Mathematics 1996 Xavier University Ateneo de Cagayan Center for Industrial Technology (With full time scholarship grant from Del Monte Phils. Inc.) — Electrical Technology
Professional experience	Aug. 2023 – present — King Energy Generation Inc. — VP-Compliance Aug. 2023 – present — King Energy Generation Inc. — Compliance Officer Jan. 2023 – July 2023 — King Energy Generation Inc. — Compliance Manager March 2022 – present — Diamond Streamworks Inc. — General Manager April 2017 – Dec. 2022 — King Energy Generation Inc. — Safety, Health, and Environmental Manager Sept. 2012- April 2017 — King Energy Generation Inc. — Safety and Environmental Head May 2013 – present — King Energy Generation Inc. — Designated Permitting/ Compliance Officer Sept. 2012 – May 2013 — King Energy Generation Inc. — Head-Safety Officer Bukidnon PP1 OIC Nov. 2009 – Sept. 2012 — Universal Robina Corporation — Production Supervisor Oct. 2008 – Nov. 2009 — Universal Robina Corporation — Good Mfg. Practice Marshall June 1997 – Oct. 2008 — Universal Robina Corporation — Production Maintenance Technician, Mfg. Specialist, Production Operator 2 March. 1997–May 1997 — Cagayan Electric Power and Light Company Incorporated — Collector At Large Sept. 1996-Feb. 1997 — Jollibee Foods Corporation (Cogon Branch) — Service Crew (Working Student) June 1994 -Dec. 1994 — Jollibee Foods Corporation (Limketkai Branch) — Service Crew (Working Student)

	Other affiliations:		
	Jan. 2018 – present	Meter King Inc.	Safety Consultant
	Jan. 2018 – present	Grandstellar Builders Incorporated	Safety Consultant
	Aug. 2018 - present	Galaxy Power Solutions Phils. Inc.	Safety Consultant
	June 2009-Aug. 2011	URC Employees Multi-Purpose Cooperative	General Manager
	May 2009- April 2010	Oro Savings and Sharing Cooperative	Board of Director
	May 2008-April 2009	Oro Savings and Sharing Cooperative	Board Secretary
	March 2007- April 2008	Oro Savings and Sharing Cooperative	Board of Director
	May 2009-May 2010	Provincial Cooperative Devt. Council -Misamis Oriental	Council Treasurer
	June 2009- May 2010	Labor Management Cooperation	Chairman of the Steering Committee
Professional memberships	Oct. 2017- Present	Accredited DOLE Occupational, Safety and Health Practitioner	
Seminars Attended	Certification Course for Compliance Officers		Mar – Apr 2024
	Simplified Guide to Parliamentary Procedures for Highly Effective Corporate Meetings		October 2023
	Best Practices of Effective Boards		August 2023
	Crisis Management Lead Implementation Course		Sept. – Oct 2022
	Safety Program Audit		July 2019
	Defensive Driving Course		February 2019
	Work Environmental Measurement Training Workshop		July – Aug 2018
	Training of Trainers		November 2017
	Basic and Occupational Safety and Health		May 2017
	Environmental Training and Professional Summit		November 2014
	Basic Training Course for Pollution Control Officers Part 1		November 2014
	Oil Spill Management Training		October 2014
	Basic Training Course for Pollution Control Officers Part 2		June 2014
	Loss Control Management Seminar		April 2014
	Construction Safety and Health Seminar		Jan. – Feb. 2013
	Coaching for Effectiveness		2011
	Basic Management Training		2011
	Chief Executive Officers (CEO) Training Course		2007

	Board of Directors Training Course	2007 & 2008
	Mindanao Cooperative Summit	2008
	Manager's Training	2008
	The Seven Habits of Highly Effective People	March 2008
	Basic Fire Safety and Fire Brigade Seminar	March 2016
	Intensive English Training	May 2003
	Seminars on Hard Candy Manufacturing Operations and Process Principle	July 2002
	Bukas Isip Workshop	July 1999
	Piattos Process Principle and Basic Preventive Maintenance	July 1998

Personal Data	Birthdate	August 13,1975
	Civil Status	Married
	Religion	Roman Catholic
	Address	Nemesito Chavez Village, Bayabas, Cagayan de Oro City

I hereby certify that all the above information is true to the best of my belief and knowledge.

RAMIL TANGILAN INZO, LPT, ASP
Affiant

SUBSCRIBED AND SWORN to before me this APR 0 8 2024 at Cagayan de Oro City, Philippines, by affiant exhibiting to me his valid government-issued ID: LTO Driver's License No. K02-97-067687 with Expiry date on August 13, 2024.

ATTY. LIANNE B. BALDON REB, REA
NOTARY PUBLIC
NC-2024-173 valid until December 31, 2025
Atty.'s Roll No. 76791, May 5, 2022
IBP O.R. No. 376323, Dec. 27, 2023, Mis. Or.
PTR No. 3054107, ORY 2024, CDOC
MCLE Initial Compliance until April 2025-
Admitted to the Bar on May 5, 2022
TIN: 493-539-708, E-mail add: attylianne@gmail.com
NOTARY PUBLIC

Doc. No. 462;
Page No. 093;
Book No. 001;
Series of 2024.

Authorized re: Registrant's Bank Accounts in conformity with the attached Template (EXHIBIT 10)

SECURITIES AND EXCHANGE COMMISSION
7909 Makati Avenue, Salcedo Village
Brgy. Bel-Air, Makati City

EXHIBIT 10

AUTHORIZATION TO EXAMINE BANK ACCOUNT AND UNDERTAKING TO GRANT AUTHORITY AND PROVIDE PERTINENT BANK INFORMATION

I, JODETTE P. ELLO as Chief Finance Officer/Treasurer of KING ENERGY GENERATION INC (the **"Corporation"**), with office address at Brgy. San Luis, Gingoog City, Misamis Oriental, as the duly authorized officer of the Corporation and in compliance with the requirements under SRC Rule 12.1 in connection with the Registration Statement filed by the Corporation relative to INITIAL PUBLIC OFFERING by the Corporation of FOUR MILLION FIVE HUNDRED THOUSAND SHARES (4,500,000.00) (the **"Offered Shares"**) at an Offer Price of ₱123.98 per share equivalent to an aggregate ₱450,000,000.00 hereby authorize the Securities and Exchange Commission and its duly authorized representatives ("SEC") to access, inspect and copy all of the bank accounts of the Corporation and all of its subsidiaries.

This authorization shall be for all banks, domestic or foreign, wherein accounts are maintained and shall be continuous for as long as the registration of securities of the Corporation is effective and the Offered Shares remain outstanding.

The said authority to access, inspect and copy of the Bank accounts shall also apply to person/entities that are under common control with or by the Company.

The proceeds of the Offer Shares will be remitted to the following bank account of the Company.

Bank	BANCO DE ORO
Branch	9TH AVENUE GRACE PARK CALOOCAN CITY
Account Type and Number	SAVINGS ACCOUNT 00381-801-3010

I further undertake to grant to the appropriate department of the SEC the necessary authority and to provide the details of the bank accounts of the Corporation and its subsidiaries for the purpose of verification by the SEC that the proceeds of the Offer Shares are used (or have been used) in accordance with the representations of the Corporation and that the terms and conditions for the issuance of the Offer Shares have been compiled with.

The company hereby absolves and renders harmless SEC and its duly-authorized representatives from any and all complaints, cause of action and suits, civil and criminal, that may be filed in relation to the issuance of this authorization and its exercise by SEC of its duly.

Very truly yours,

Jodette P. Ello, CPA
Chief Finance Officer/Treasurer

Statement of Management Responsibility on the Financial Statements, schedules and other required attachments under SRC Rule 68 (EXHIBIT 11)

KING ENERGY GENERATION INC.
"Efficiently providing you the most reliable source of energy..."
KING ENERGY GENERATION INC.
Misamis Oriental Power Plant (MOPP1) Brgy. San Luis, Gingoog City, Misamis Oriental
*Cellular No.: 0917-7140-584
*Telephone No.: (088) 859-3542
*Email: kegi@kingenergy.info
*Website: www.kingenergy.info

Statement of Management's Responsibility For Annual Income Tax Return

The management of **KING ENERGY GENERATION, INC.** is responsible for all information and representations contained in the Annual Income Tax Return for the year ended December 31, 2021. Management is likewise responsible for all information and representations contained in the financial statements accompanying the Annual Income Tax Return covering the same reporting period. Furthermore, the Management is responsible for all information and representations contained in all the other tax returns filed for the reporting period, including, but not limited, to the value added tax and/or percentage tax returns, withholding tax returns, documentary stamp tax returns, and any and all other tax returns.

In this regard, the Management affirms that the attached audited financial statements for the year ended December 31, 2021 and the accompanying Annual Income tax Return are in accordance with the books and records of **KING ENERGY GENERATION, INC.,** complete and correct in all material respects. Management likewise affirms that:

(a) the Annual Income Tax Return has been prepared in accordance with the provisions of the National Internal Revenue Code, as amended, and pertinent tax regulations and other issuances of the Department of Finance and the Bureau of Internal Revenue;
(b) any disparity of figures in the submitted reports arising from the preparation of financial statements pursuant to financial accounting standards and the preparation of the income tax return pursuant to tax accounting rules has been reported as reconciling items and maintained in the company's books and records in accordance with the requirements of Revenue Regulations No. 8-2007 and other relevant issuances;
(c) the **KING ENERGY GENERATION, INC.** has filed all applicable tax returns, reports and statements required to be filed under Philippine tax laws for the reporting period, and all taxes and other impositions shown thereon to be due and payable have been paid for the reporting period, except those contested in good faith.

MR. EDGARDO L. SALVAME
CHAIRMAN / CHIEF EXECUTIVE OFFICER

MS. ROSALIE A. SALVAME
TREASURER / CHIEF FINANCE OFFICER

Signed this 10th day of May 2022

REVENUE DISTRICT 697 GINGOOG CITY
BUREAU OF INTERNAL REVENUE
RECEIVED
16 MAY 2022

EXHIBIT 11

KING ENERGY GENERATION INC.

"Efficiently providing you the most reliable source of Energy..."

Main Office: Brgy. San Luis, Gingoog City, Misamis Oriental *Cellular: 0917 7138782 *Email: king.energy@yahoo.com

Satellite Office: #16 Tepolo St. Baloy, Tablon, Cagayan de Oro City. *Telefax (08822) 733169 *Cellular: 0917 7246285 *Email: king.energy@yahoo.com

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **KING ENERGY GENERATION, INC.** (the Company) is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended December 31, 2022 and 2021, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative to do so.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

The Board of Directors reviews and approves the financial statements including the schedules attached therein and submits the same to the stockholders.

BACONGA PATRIANA & CO., the independent auditors appointed by the stockholders for the years ended December 31, 2022 and 2021, has audited the financial statements of the Company in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.

ENGR. EDELYN JANE A. SALVAME
CHIEF EXECUTIVE OFFICER / CHAIRMAN

DR. ERIKA JEAN A. SALVAME
CHIEF FINANCIAL OFFICER / TREASURER

APR 17 2023

Signed this ___ day of April, 2023.

SUBSCRIBED AND SWORN TO, before me, this APR 17 2023 day of April 2023, Affiant exhibited to me her Community Tax Certificate/Passport No. as follows:

Names	CTC/Passport No.	Date of Issue	Place of Issue
Edelyn Jane A. Salvame	P3611431B	October 23, 2019	DFA NCR WEST
Erika Jean A. Salvame	P3558443B	October 17, 2019	DFA NCR WEST

Doc. No. : 170
Page No. : 34
Book No. : IV
Series of 2023

ANA KARLA L. CABRERA
Notary Public / NC 2022-169
Until December 31, 2023
Roll of Attorneys No. 78261
IBP OR No. 267204 / Jan 4, 2023 / Mis. Or.
PTR No. 5572581A /Jan 4, 2023 / CDOC
TIN 610-317-936-00000

BUREAU OF INTERNAL REVENUE
Large Taxpayers Service
Large Taxpayers Service
Date MAY 02 2023 127
RECEIVED
MARK LORENZO E. ALAMARES

EXHIBIT 11

KING ENERGY GENERATION INC.
"Efficiently providing you the most reliable source of Energy..."
KING ENERGY GENERATION INC.
Main Office: Brgy. San Luis, Gingoog City, Misamis Oriental *Cellular: 0917 7138782 *Email: king.energy@yahoo.com
Satellite Office: #16 Tepolo St. Baloy, Tablon, Cagayan de Oro City. *Telefax (08822) 733169 *Cellular: 0917 7246285 *Email: king.energy@yahoo.com

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR ANNUAL INCOME TAX RETURN

The Management of **KING ENERGY GENERATION, INC.** is responsible for all information and representations contained in the Annual Income Tax Return for the year ended December 31, 2023. Management is likewise responsible for all information and representations contained in the financial statements accompanying the Annual Income Tax Return covering the same reporting period. Furthermore, the Management is responsible for all information and representations contained in all the other tax returns filed for the reporting period, including, but not limited, to the value added tax and/or percentage tax returns, withholding tax returns, documentary stamp tax returns, and any and all other tax returns.

In this regard, the Management affirms that the attached audited financial statements for the year ended December 31, 2023 and the accompanying Annual Income Tax Return are in accordance with the books and records of **KING ENERGY GENERATION, INC.** complete and correct in all material respects. Management likewise affirms that:

(a) the Annual Income Tax Return has been prepared in accordance with the provisions of the National Internal Revenue Code, as amended, and pertinent tax regulations and other issuances of the Department of Finance and the Bureau of Internal Revenue;
(b) any disparity of figures in the submitted reports arising from the preparation of financial statements pursuant to financial accounting standards and the preparation of the income tax return pursuant to tax accounting rules has been reported as reconciling items and maintained in the company's books and records in accordance with the requirements of Revenue Regulations No. 8-2007 and other relevant issuances;
(c) the **KING ENERGY GENERATION, INC.** has filed all applicable tax returns, reports and statements required to be filed under Philippine tax laws for the reporting period, and all taxes and other impositions shown thereon to be due and payable have been paid for the reporting period, except those contested in good faith.

MS. EDELYN JANE A. SALVAME
CHIEF EXECUTIVE OFFICER / CHAIRMAN

MS. JODETTE P. ELLO
CHIEF FINANCIAL OFFICER / TREASURER

Signed this 5th day of April, 2024.

SUBSCRIBED AND SWORN TO, before me, this APR 05 2024 day of April 2024, Affiant exhibited to me her Community Tax Certificate/Passport No. as follows:

Names	CTC/Passport No.	Date of Issue	Place of Issue
Edelyn Jane A. Salvame			
Jodette P. Ello			

Doc. No. : 389
Page No. : 78
Book No. : XXX
Series of 2024

ATTY. MARITES F. SANGUAL
NOTARY PUBLIC NC-2023-2; 8 UNTIL DECEMBER 31, 2024
IBP No. 414955; 01/10/2024 MIS. OR.
PTR No. 3054544; 01/02/2024 MIS. OR.
Roll No. 60155; 03-22-14
MCLE Compliance nO. VII-00178632; 05-13-22
TIN 418-205-315-000

Signed this 5th day of April 2024

Audited Financial Statements and/or Audited Interim Financial Statements as required by Revised Rule 68 (EXHIBIT 12)

EXHIBIT 12

ject **Tax Return Receipt Confirmation**
rom <ebirforms-noreply@bir.gov.ph>
To <accounting@kingenergy.info>
Date 2022-05-13 04:48

This confirms receipt of your submission with the following details subject to validation by BIR:
File name: 007935629000-1702RTv2018C-122021V1.xml
Date received by BIR: 13 May 2022
Time received by BIR: 05:17 PM
Penalties may be imposed for any violation of the provisions of the NIRC and issuances thereof.

FOR RETURNS WITH PAYMENT
Please print this e-mail together with the RETURN and proceed to pay through the Authorized Agent Bank / Collection Agent / GCASH or use other payment options.

This is a system-generated email. Please do not reply.

Bureau of Internal Revenue

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For BIR Use Only — BCS/ Item:

Republic of the Philippines
Department of Finance
Bureau of Internal Revenue

BIR Form No. **1702-RT**
January 2018(ENCS)
Page 1

Annual Income Tax Return

Corporation, Partnership and Other Non-Individual Taxpayer Subject Only to REGULAR Income Tax Rate

Enter all required information in CAPITAL LETTERS. Mark applicable boxes with an "X". Two copies MUST be filed with the BIR and one held by the taxpayers.

1702-RT 01/18ENCS P1

1 For	2 Year Ended (MM/20YY)	3 Amended Return?	4 Short Period Return	5 Alphanumeric Tax Code (ATC)
(•) Calendar ( ) Fiscal	12 - December 20 21	(•) Yes ( ) No	( ) Yes (•) No	IC 055–Minimum Corporate Income Tax (MCIT) (•) IC010 - CORPORATION IN GENERAL - JAN 1, 2009 ( )

Part I - Background Information

6 Tax Identification Number (TIN): 007 - 935 - 629 - 00000 | 7 RDO Code: 097

8 Registered Name *(Enter only 1 letter per box using CAPITAL LETTERS)*

KING ENERGY GENERATION, INC.

9 Registered Address *(Indicate complete address. If the registered address is different from the current address, go to the RDO to update registered address by using BIR Form No. 1905)*

MINLAGAS BRGY, SAN LUIS GINGOOG CITY

9A ZIP Code: 9014

10 Date of Incorporation/Organization *(MM/DD/YYYY)*: 12/06/2010

11 Contact Number: 8576368

12 Email Address: accounting@kingenergy.info

13 Method of Deductions: (•) Itemized Deductions [Section 34 (A-J), NIRC] ( ) Optional Standard Deduction (OSD) - 40% of Gross Income [Section 34(L), NIRC as amended]

Part II - Total Tax Payable

(Do NOT enter Centavos; 49 Centavos or Less drop down; 50 or more round up)

14 Tax Due	24,944,003
15 Less: Total Tax Credits/Payments	26,844,354
16 Net Tax Payable (Overpayment) *(Item 14 Less Item 15)*	(1,900,351)
Add: Penalties	
17 Surcharge	0
18 Interest	0
19 Compromise	0
20 Total Penalties *(Sum of Items 17 to 19)*	0
21 TOTAL AMOUNT PAYABLE (Overpayment) *(Sum of Items 16 and 20)*	(1,900,351)

If Overpayment, mark one(1) box only *(Once the choice is made, the same is irrevocable)*

( ) To be refunded ( ) To be issued a Tax Credit Certificate (TCC) (•) To be carried over as a tax credit for next year/quarter

We declare under the penalties of perjury that this return, and all its attachments, have been made in good faith, verified by us, and to the best of our knowledge and belief, are true and correct, pursuant to the provisions of the National Internal Revenue Code, as amended, and the regulations issued under authority thereof. *(If signed by an Authorized Representative, indicate TIN and attach authorization letter)*

Signature over Printed Name of President/Principal Officer/Authorized Representative	Signature over Printed Name of Treasurer/Assistant Treasurer	22 Number of Attachments
Title of Signatory: TIN:	Title of Signatory: TIN:	000

Part III - Details of Payment

Particulars	Drawee Bank/ Agency	Number	Date(MM/DD/YYYY)	Amount
23 Cash/Bank Debit Memo				0
24 Check				0
25 Tax Debit Memo				0
26 Others(Specify Below)				
				0

Machine Validation/Revenue Official Receipt Details *[if not filed with an Authorized Agent Bank(AAB)]*

Stamp of Receiving Office/AAB and Date of Receipt (RO's Signature/Bank Teller's Initial)

REVENUE DISTRICT OFFICE GINGOOG CITY
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BIR Form No. 1702-RT January 2018(ENCS) Page 2	Annual Income Tax Return Corporation, Partnership and Other Non-Individual Taxpayer Subject Only to REGULAR Income Tax Rate	1702-RT 01/18ENCS P2

Taxpayer Identification Number(TIN)				Registered Name
007	935	629	00000	KING ENERGY GENERATION, INC.

Part IV - Computation of Tax	(DO NOT enter Centavos; 49 Centavos or Less drop down; 50 or more round up)
27 Sales/Revenues/Receipts/Fees	1,078,296,268
28 Less:Sales Returns, Allowances and Discounts	0
29 Net Sales/Revenues/Receipts/Fees *(Item 27 Less Item 28)*	1,078,296,268
30 Less: Cost of Sales/Services	771,023,575
31 Gross Income from Operation *(Item 29 less Item 30)*	307,272,693
32 Add: Other Taxable Income Not Subjected to Final tax	0
33 Total Taxable Income *(Sum of Items 31 and 32)*	307,272,693
Less: Deductions Allowable under Existing Law	
34 Ordinary Allowable Itemized Deductions	207,496,680
35 Special Allowable Itemized Deductions	0
36 NOLCO *(Only for those taxable under Sec. 27(A to C); Sec. 28(A)(1)(A)(6)(b) of Tax code, as amended)*	0
37 Total Deductions *(Sums of Items 34 to 36)*	207,496,680
OR *[in case taxable under Sec 27(A) & 28(A)(1)]*	
38 Optional Standard Deduction (OSD) *(40% of Item 33)*	0
39 Net Taxable Income/(Loss) *If itemized: Item 33 Less Item 37; If OSD: Item 33 Less Item 38)*	99,776,013
40 Applicable Income Tax Rate	25 %
41 Income Tax Due other than Mininum Corporate Income Tax(MCIT) *(Item 39 x Item 40)*	24,944,003
42 MCIT Due *(2% of Item 33)*	0
43 Tax Due *(Normal Income Tax Due in Item 41 OR the MCIT Due in Item 42, whichever is higher)*	24,944,003
Less: Tax Credits/Payments(attach proof)	
44 Prior Year's Excess Credits Other Than MCIT	0
45 Income Tax Payment under MCIT from Previous Quarter/s	0
46 Income Tax Payment under Regular/Normal Rate from Previous Quarter/s	5,305,904
47 Excess MCIT Applied this Current Taxable Year	0
48 Creditable Tax Withheld from Previous Quarter/s per BIR Form No. 2307	18,070,728
49 Creditable Tax Withheld per BIR Form No. 2307 for the 4th Quarter	0
50 Foreign Tax Credits, if applicable	0
51 Tax Paid in Return Previously Filed, if this is an Amended Return	3,467,722
52 Special Tax Credits	0
Other Credits/Payments *(Specify)*	
53	0
54	0
55 Total Tax Credits/Payments *(Sum of Items 44 to 54)*	26,844,354
56 Net Tax Payable (Overpayment) *(Item 43 Less Item 55)*	(1,900,351)
Part V - Tax Relief Availment	
57 Special Allowable Itemized Deductions *(Item 35 of Part IV x Applicable Income Tax Rate)*	0
58 Add:Special Tax Credits	0
59 Total Tax Relief Availment *(Sum of Items 57 & 58)*	0

REVENUE DISTRICT 057 GINGOOG CITY
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BIR Form No. **1702-RT** January 2018(ENCS) Page 3

Annual Income Tax Return

Corporation, Partnership and Other Non-Individual Taxpayer Subject Only to REGULAR Income Tax Rate

1702-RT 01/18ENCS P3

Taxpayer Identification Number(TIN)	Registered Name
007 935 629 00000	KING ENERGY GENERATION, INC.

Part VI - Schedules

(DO NOT enter Centavos; 49 Centavos or Less drop down; 50 or more round up)

Schedule I - Ordinary Allowable Itemized Deductions (Attach additional sheet/s if necessary)

1	Amortization	0
2	Bad Debts	13,600,740
3	Charitable and Other Contributions	587,749
4	Depletion	0
5	Depreciation	25,737,328
6	Entertainment, Amusement and Recreation	10,022,731
7	Fringe Benefits	4,788,524
8	Interest	78,879,271
9	Losses	6,180,711
10	Pension Trusts	0
11	Rental	458,225
12	Research and Development	6,275,997
13	Salaries, Wages and Allowances	8,739,596
14	SSS, GSIS, Philhealth, HDMF and Other Contributions	1,896,870
15	Taxes and Licenses	13,157,788
16	Transportation and Travel	618,601
17	Others(Deductions Subject to Withholding Tax and Other Expenses) (Specify below; Add additional sheet(s), if necessary)	
a	Janitorial and Messengerial Services	0
b	Professional Fees	1,740,400
c	Security Services	8,388,886
d	REPAIRS AND MAINTENANCE	8,160,601
e	CONSULTING SERVICES	7,221,373
f	GAS, OIL AND LUBRICANTS	4,897,115
g	TRAININGS AND SEMINARS	1,761,891
h	POSTAGE AND COMMUNICATION	1,695,843
i	OTHERS	2,686,440
18	**Total Ordinary Allowable Itemized Deductions** (Sum of Items 1 to 17i)	207,496,680

Schedule II - Special Allowable Itemized Deductions (Attach additional sheet/s, if necessary)

	Description	Legal Basis	Amount
1			0
2			0
3			0
4			0
5	**Total Special Allowable Itemized Deductions** (Sum of Items 1 to 4)		0



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BIR Form No. 1702-RT January 2018(ENCS) Page 4	**Annual Income Tax Return** Corporation, Partnership and Other Non-Individual Taxpayer Subject Only to REGULAR Income Tax Rate	1702-RT 01/18ENCS P4

Taxpayer Identification Number(TIN): 007 935 629 00000 **Registered Name:** KING ENERGY GENERATION, INC.

Schedule III - Computation of Net Operating Loss Carry Over (NOLCO)

1	Gross Income	0
2	Less: Ordinary Allowable Itemized Deductions	0
3	Net Operating Loss *(Item 1 Less Item 2) (To Schedule IIIA,Item 7A)*	0

Schedule IIIA - Computation of Available Net Operating Loss Carry Over (NOLCO) *(DO NOT enter Centavos; 49 Centavos or Less drop down; 50 or more round up)*

	Year Incurred	Net Operating Loss A) Amount	B) NOLCO Applied Previous Year/s
4		0	0
5		0	0
6		0	0
7		0	0

Continuation of Schedule IIIA *(Item numbers continue from table above)*

	C) NOLCO Expired	D) NOLCO Applied Current Year	E) Net Operating Loss (Unapplied) [E = A Less (B + C + D)]
4	0	0	0
5	0	0	0
6	0	0	0
7	0	0	0
8	**Total NOLCO** *(Sum of Items 4D to 7D)*	0	

Schedule IV -Computation of Minimum corporate Income Tax(MCIT)

	Year	A) Normal Income Tax as Adjusted	B) MCIT	C) Excess MCIT over Normal Income Tax
1		0	0	0
2		0	0	0
3		0	0	0

Continuation of Schedule IV *(Item numbers continue from table above)*

	D) Excess MCIT Applied/Used in Previous Years	E) Expired Portion of Excess MCIT	F) Excess MCIT Applied this Current Taxable Year	G) Balance of Excess MCIT Allowable as Tax Credit for Succeeding Year/s [G = C Less (D + E + F)]
1	0	0	0	0
2	0	0	0	0
3	0	0	0	0
4	**Total Excess MCIT Applied** *(Sum of Items 1F to 3F)*		0	

Schedule V - Reconciliation of Net Income per Books Against Taxable Income *(Attach additional sheet/s, if necessary)*

1	Net Income/(Loss) per Books	88,037,963
	Add: Non-deductible Expenses/Taxable Other Income	
2	PROVISION FOR ALLOWANCE OF DOUBTFUL ACCOUNTS	17,164,448
3	OTHERS	9,271,154
4	Total *(Sum of Items 1 to 3)*	114,473,565
	Less: A) Non-Taxable Income and Income Subjected to Final Tax	
5	INTEREST INCOME ON BANK DEPOSITS	88,238
6	OTHERS	14,609,314
	B) Special Deductions	
7		0
8		0
9	Total *(Sum of Items 5 to 8)*	14,697,552
10	**Net taxable Income (Loss)** *(Item 4 Less Item 9)*	99,776,013

REVENUE DISTRICT 69 PASIG-TAGUIG CITY
BUREAU OF INTERNAL REVENUE
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DATE: 16 MAY 2022

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BP&Co.
BACONGA PATRIANA & Co.
Certified Public Accountants

PRC/BOA Accreditation No. 2431
SEC Accreditation No. 0393-F
NEA Accreditation No. 2013-10
Bangko Sentral ng Pilipinas (BSP) Accredited
CDA CEA No. 0027-AF

6th Floor TTK Tower
Imperial Appliance Plaza Bldg.
Don Apolinar Velez Street.
9000 Cagayan de Oro City
Telefax No. +63 (08822) 714729 or 8566498
Email Address: cpas_bprcdo@yahoo.com.ph
Website: www.bpandcompany.com

Report of Independent Auditors
To Accompany Income Tax Return

The Board of Directors and Stockholders
KING ENERGY GENERATION, INC.
Brgy. San Luis, Gingoog City, Misamis Oriental

We have audited the financial statements of the Company for the year ended December 31, 2021, on which we have rendered the attached report dated March 10, 2022.

In compliance with Revenue Regulation V-20, we are stating the following:

1. The taxes paid or accrued by the above Company for the year ended December 31, 2021 are shown in Note 27 to the financial statements.

2. No partner of our Firm is related by consanguinity or affinity to the president, manager or members of the Board of the Company.

BACONGA PATRIANA & CO.
By:

JESERIO C. LONON, JR.
Partner
CPA Certificate No. 0123245
TIN No. 948-861-793
PTR No. 5222193 A - January 5, 2022, Cagayan de Oro City
Partner's SEC Accreditation No. 1810-A, July 7, 2020 to July 7, 2023
BIR AN 16-005517-003-2019, July 16, 2019 to July 16, 2022

Firm BOA/PRC Cert. of Reg. No. 2431, September 15, 2020 to October 8, 2023
Firm SEC Accreditation No. 0393-F, July 7, 2020 to July 7, 2023
Firm CDA CEA No. 0027-AF, February 25, 2020 to February 24, 2023
Firm NEA Accreditation No. 2019-10-0006, October 30, 2019 to October 29, 2022
Firm BSP Selected External Auditors for Institutions under Category B
valid for 2021, 2022, 2023, 2024 and 2025 audited reports and AFS

Cagayan de Oro City
May 10, 2022

REVENUE DISTRICT OFFICE GINGOOG CITY
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BP&Co.
BACONGA PATRIANA & Co.
Certified Public Accountants

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9000 Cagayan de Oro City
Telefax No. +63 (08822) 714729 or 8566498
Email Address: cpas_bprcdo@yahoo.com.ph
Website: www.bpandcompany.com

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders
KING ENERGY GENERATION, INC.
San Luis, Gingoog City

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **KING ENERGY GENERATION, INC.** ("the Company"), which comprise the statement of financial position as at December 31, 2021, and the statement of comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of **KING ENERGY GENERATION, INC.** as at December 31, 2021, and of its financial performance and its cash flows for the year then ended in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audit in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the Philippines, the *Code of Ethics for Professional Accountants in the Philippines,* and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

We draw attention to Note 26 to the financial statements, which describes management's assessment of the impact of the COVID-19 pandemic to the Company's operations and performance as of December 31, 2021.

Our opinion is not modified in respect of this matter.

Other Matter

The financial statements of **KING ENERGY GENERATION, INC.** for the year ended December 31, 2020 were audited by another auditors whose report dated April 13, 2021 on those statements were unqualified. Our opinion is not modified in respect of this matter.

REVENUE DISTRICT 69 GINGOOG CITY
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16 MAY 2022

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Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with PFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

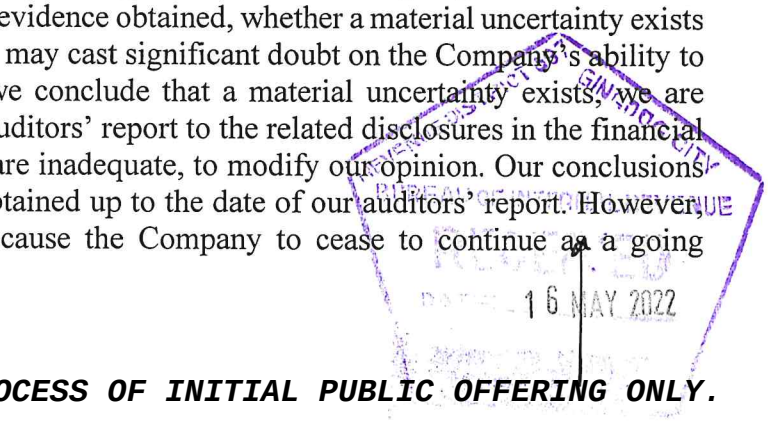
As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.



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- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on the Supplementary Information Required by the Bureau of Internal Revenue

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information in Note 27 to the financial statements are presented for purposes of filing with the Bureau of Internal Revenue and are not a required part of the basic financial statements. Such information is the responsibility of management. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

BACONGA PATRIANA & CO.
By:

JESERIO G. LONON, JR.
Partner
CPA Certificate No. 0123245
TIN No. 948-861-793
PTR No. 5222193 A - January 5, 2022, Cagayan de Oro City
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Firm BSP Selected External Auditors for Institutions under Category B
valid for 2021, 2022, 2023, 2024 and 2025 audited reports and AFS

Cagayan de Oro City
May 10, 2022



KING ENERGY GENERATION, INC.

STATEMENT OF FINANCIAL POSITION
December 31, 2021
(With Comparative Figures for 2020)

	Notes		2021		(As Restated) 2020
ASSETS					
Noncurrent Assets					
Generation plant, property and equipment, *net*	5	P	3,871,181,013	P	4,164,856,134
Investment in associate	6		17,077,809		23,555,201
Deferred tax asset	21		2,115,241		-
Other noncurrent asset	7		216,000		-
Total Noncurrent Assets			3,890,590,063		4,188,411,335
Current Assets					
Cash	8		155,295,077		124,056,712
Trade and other receivables	9		550,563,941		525,754,336
Inventories	10		104,225,698		59,255,047
Prepayments and other current assets	11		40,290,240		49,630,478
Total Current Assets			850,374,956		758,696,573
TOTAL ASSETS		P	4,740,965,019	P	4,947,107,908
EQUITY AND LIABILITIES					
Equity		P	3,135,598,316	P	3,050,827,547
Noncurrent Liabilities					
Loans and borrowings, *net of current portion*	13		540,411,418		733,333,333
Trade and other payables, noncurrent	15		393,364,328		493,573,292
Retirement liabilities	14		4,897,255		4,897,254
Total Noncurrent Liabilities			938,673,001		1,231,803,879
Current Liabilities					
Loans and borrowings	13		204,944,524		218,750,000
Trade and other payables	15		460,181,806		441,469,886
Income tax payable			1,567,372		4,256,596
Total Current Liabilities			666,693,702		664,476,482
Total Liabilities			1,605,366,703		1,896,280,361
TOTAL LIABILITIES AND EQUITY		P	4,740,965,019	P	4,947,107,908

(The notes on pages 8 to 51 are an integral parts of these financial statements)



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KING ENERGY GENERATION, INC.

STATEMENT OF COMPREHENSIVE INCOME
For the Year Ended December 31, 2021
(With Comparative Figures for 2020)

	Notes		2021		(As Restated) 2020
SALE OF POWER	17	P	1,078,296,268	P	1,013,735,821
COST OF SERVICE	17		771,023,575		665,701,620
GROSS INCOME			307,272,693		348,034,201
OPERATING EXPENSES					
Depreciation	5		25,737,328		22,295,122
Employees salaries, wages, and other benefits	18		16,395,133		18,828,707
Provision for impairment losses	9		17,164,448		14,851,979
Taxes and licenses			13,157,788		14,339,673
Security services			8,388,886		8,575,899
Other operating expenses	19		52,050,665		28,450,655
			132,894,248		107,342,035
OPERATING INCOME BEFORE FINANCE INCOME AND FINANCE COST			174,378,445		240,692,166
Interest income			88,238		165,785
Finance cost	13		(78,901,330)		(141,968,054)
			(78,813,092)		(141,802,269)
INCOME BEFORE OTHER EXPENSE			95,565,353		98,889,897
Share in net loss of associate	6		(7,527,390)		(2,143,799)
INCOME BEFORE TAX EXPENSE			88,037,963		96,746,098
TAX EXPENSE	21				
Current			24,944,003		27,149,131
Deferred			(2,115,241)		-
			22,828,762		27,149,131
NET INCOME			65,209,201		69,596,967
OTHER COMPREHENSIVE LOSS					
Actuarial loss on retirement liabilities	14		(38,432)		-
TOTAL COMPREHENSIVE INCOME		P	65,170,769	P	69,596,967
EARNINGS PER SHARE	22	P	4.10	P	9.28

(The notes on pages 8 to 51 are an integral parts of these financial statements)



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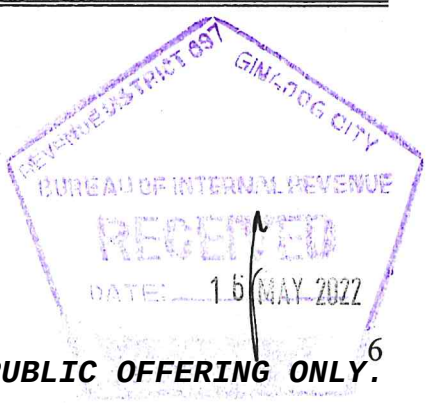
KING ENERGY GENERATION, INC.

STATEMENT OF EQUITY
For the Year Ended December 31, 2021
(With Comparative Figures for 2020)

	Notes	2021	(As Restated) 2020
CAPITAL STOCK	12		
Authorized - 30 Million shares in 2021 and 7.5 Million in 2020			
Subscribed and issued - 25,696,000 shares in 2021 and 7,500,000 shares in 2020			
Balance, January 1		**750,000,000**	750,000,000
Additional subscriptions during the year		**1,819,600,000**	-
Balance, December 31		**2,569,600,000**	750,000,000
SHARE PREMIUM			
Balance, January 1		-	-
Additions during the period	12	**337,469,946**	-
Balance, December 31		**337,469,946**	-
DEPOSIT FOR FUTURE STOCK SUBSCRIPTIONS			
Balance, January 1		**2,137,469,946**	-
Converted to shares during the period	12	**(2,137,469,946)**	2,137,469,946
Balance, December 31		-	2,137,469,946
RETAINED EARNINGS			
Balance, January 1		**163,357,601**	93,760,634
Net income		**65,209,201**	69,596,967
Balance, December 31		**228,566,802**	163,357,601
CUMULATIVE REMEASUREMENT LOSS ON RETIREMENT LIABILITY			
Balance, January 1		-	-
Other comprehensive loss	14	**(38,432)**	-
Balance, December 31		**(38,432)**	-
TOTAL EQUITY		**P 3,135,598,316**	P 3,050,827,547

(The notes on pages 8 to 51 are an integral parts of these financial statements)



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KING ENERGY GENERATION, INC.

STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2021
(With Comparative Figures for 2020)

	Notes	2021	(As Restated) 2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before tax expense		P 88,037,963	P 96,746,098
Adjustments for:			
Depreciation and amortization	5	314,052,398	328,221,838
Provision for impairment of receivables	9	17,164,448	14,851,979
Provision for retirement expense	14	970,143	1,020,509
Loss on investment with associate	6	7,527,390	2,143,799
Finance cost	13	78,901,330	141,968,054
Loss on disposal and property damages	5	6,180,711	6,138
Operating income before working capital changes		512,834,383	584,958,415
Decrease (increase) in assets			
Trade and other receivables		(28,373,313)	(182,575,695)
Inventories and prepayments and other current assets		(35,630,412)	47,675,148
Increase (decrease) in liabilities			
Trade and other payables		(81,497,044)	(15,571,520)
Cash flows from operating activities		367,333,614	434,486,348
Finance cost paid	13	(78,901,330)	(141,968,054)
Retirement benefits paid	14	(1,008,574)	-
Income tax paid		(27,633,227)	(24,001,150)
Write-off of receivables	9	(13,600,740)	(14,851,979)
Net cash flows from operating activities		246,189,743	253,665,165
CASH FLOWS USED IN INVESTING ACTIVITIES			
Acquisition of generation plant, property and equipment	5	(26,575,073)	(37,092,202)
Proceeds from disposal of asset	5	17,086	-
Additional investment in associate	6	(1,050,000)	-
Additions to other noncurrent assets	7	(216,000)	-
Net cash flows used in investing activities		(27,823,987)	(37,092,202)
CASH FLOWS FROM FINANCING ACTIVITIES			
Availment of loans and borrowings	13	12,496,364	-
Payment on loans and borrowings	13	(219,223,755)	(218,750,000)
Additional issuance of shares	12	19,600,000	-
Net cash flows from financing activities		(187,127,391)	(218,750,000)
NET INCREASE IN CASH		31,238,365	(2,177,037)
CASH, January 1		124,056,712	126,233,749
CASH, December 31		P 155,295,077	P 124,056,712

(The notes on pages 8 to 51 are an integral parts of these financial statements)

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KING ENERGY GENERATION, INC.

NOTES TO FINANCIAL STATEMENTS
December 31, 2021
(With Comparative Figures in 2020)

NOTE 1 – CORPORATE INFORMATION

King Energy Generation, Inc. (the Company) was incorporated and registered with the Philippine Securities and Exchange Commission on December 06, 2010 primarily to carry on the business of exploring, developing and utilizing renewable energy, such as but not limited to biomass, biogas, hydro- power, geothermal, wind, solar energy including operating, managing, maintaining and rehabilitating renewable energy systems. Also, the Company has a purpose to build, construct, erect, own, equip, install, operate, maintain, sell and lease power generation plants and related facilities, machineries, equipment for the generation and supply of electric power utilizing any fuel or energy source; to provide ancillary services and to supply services such as billing, collection, customer service, energy trading and electricity sales for the contestable market and/or customers, including but not limited to electric cooperatives and private distribution utilities; and to engage in any and all acts which may be necessary, or convenient, in the furtherance of such power generation services.

The Company's registered office and its principal place of business is San Luis, Gingoog City. The Company is domiciled in the Philippines.

NOTE 2 - BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

Basis of Preparation
The principal accounting policies applied in the preparation of these financial statements are summarized below. These have been consistently applied in all years presented, unless otherwise indicated.

Statement of Compliance
The financial statements of the Company have been prepared in compliance with Philippine Financial Reporting Standards (PFRSs). The term PFRS, in general, includes all applicable PFRS, Philippine Accounting Standards (PAS), and interpretations issued by former Standing Interpretations Committee, the Philippine Interpretations Committee and the International Financial Reporting Interpretations Committee (IFRIC) which have been approved by the Philippine Financial Reporting Standards Council and adopted by the Philippine SEC.

Basis of measurement and presentation
The financial statements of the Company have been prepared using the historical cost basis, except for agricultural produce which is measured at fair value less cost to sell at the point of harvest. These financial statements are presented in Philippine Peso, which is the Company's functional and reporting currency. All values are rounded to the nearest peso, except when otherwise indicated. These have been consistently applied in all periods presented, unless otherwise indicated.

Use of Judgments and Estimates
The preparation of financial statements in compliance with PFRS requires the use of certain critical accounting estimates. It also requires the Company's management to exercise judgment in applying the Company's accounting policies. The areas where significant judgments and estimates have been made preparing the financial statements and their effects are disclosed in Note 4.

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Standards Issued and Effective on or after January 1, 2021

The following are amendments and revision to PFRS which are mandatorily effective for annual periods beginning on or after January 1, 2021. Unless otherwise indicated, these new and revised accounting standards have no significant impact to the Company.

Amendments to PFRS 9, PFRS 7, PFRS 4 and PFRS 16, Interest Rate Benchmark Reform – Phase 2.
The amendments provide the following temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR):

- Practical expedient for changes in the basis for determining the contractual cash flows as a result of IBOR reform
- Relief from discontinuing hedging relationships
- Relief from the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

The Company shall also disclose information about:

- The about the nature and extent of risks to which the entity is exposed arising from financial instruments subject to IBOR reform, and how the entity manages those risks; and
- Their progress in completing the transition to alternative benchmark rates, and how the entity is managing that transition

The amendments are effective for annual reporting periods beginning on or after January 1, 2021 and apply retrospectively, however, the Company is not required to restate prior periods.

COVID-19-Related Rent Concessions beyond 30 June 2021—Amendment to IFRS 16
In the prior year, early adoption was allowed on the Covid-19-Related Rent Concessions (Amendment to IFRS 16) that provided practical relief to lessees in accounting for rent concessions occurring as a direct consequence of COVID-19, by introducing a practical expedient to PFRS 16. This practical expedient was available to rent concessions for which any reduction in lease payments affected payments originally due on or before 30 June 2021.

In March 2021, another amendment was issued, Covid-19-Related Rent Concessions beyond 30 June 2021 (Amendment to IFRS 16), that extends the practical expedient to apply to reduction in lease payments originally due on or before 30 June 2022.

The practical expedient permits a lessee to elect not to assess whether a COVID-19-related rent concession is a lease modification. A lessee that makes this election shall account for any change in lease payments resulting from the COVID-19-related rent concession applying PFRS 16 as if the change were not a lease modification.

The practical expedient applies only to rent concessions occurring as a direct consequence of COVID-19 and only if all of the following conditions are met:

- The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change
- Any reduction in lease payments affects only payments originally due on or before 30 June 2022 (a rent concession meets this condition if it results in reduced lease payments on or before 30 June 2022 and increased lease payments that extend beyond 30 June 2022)
- There is no substantive change to other terms and conditions of the lease.

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Standards Issued but not yet Effective

Pronouncements issued but not yet effective are listed in the next pages. Unless otherwise indicated, the Company does not expect that the future adoption of the said pronouncements will have a significant impact on its consolidated financial statements. The Company intends to adopt the following pronouncements when they become effective.

Effective beginning on or after January 1, 2022

- Amendments to PFRS 3, Reference to the Conceptual Framework

  The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements. The amendments added an exception to the recognition principle of PFRS 3, Business Combinations to avoid the issue of potential 'day 2'gains or losses arising for liabilities and contingent liabilities that would be within the scope of PAS 37, Provisions, Contingent Liabilities and Contingent Assets or Philippine-IFRIC 21, Levies, if incurred separately.

  At the same time, the amendments add a new paragraph to PFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

  The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively.

- Amendments to PAS 16 , Plant and Equipment: Proceeds before Intended Use

  The amendments prohibit entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

  The amendment is effective for annual reporting periods beginning on or after January 1, 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

  The amendments are not expected to have a material impact on the Company.

- Amendments to PAS 37, Onerous Contracts – Costs of Fulfilling a Contract

  The amendments specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2022. The Company will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

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- Annual Improvements to PFRSs 2018-2020 Cycle

  Amendments to PFRS 1, First-time Adoption of Philippines Financial Reporting Standards, Subsidiary as a first-time adopter

  The amendment permits a subsidiary that elects to apply paragraph D16(a) of PFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to PFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of PFRS 1.

  The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted. The amendments are not expected to have a material impact on the Company.

  Amendments to PFRS 9, Financial Instruments, Fees in the '10 per cent' test for derecognition of financial liabilities

  The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

  The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted. The Company will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendments are not expected to have a material impact on the Company.

  Amendments to PAS 41, Agriculture, Taxation in fair value measurements

  The amendment removes the requirement in paragraph 22 of PAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of PAS 41.

  An entity applies the amendment prospectively to fair value measurements on or after the beginning of the first annual reporting period beginning on or after January 1, 2022 with earlier adoption permitted. The amendments are not expected to have a material impact on the Company.

Effective beginning on or after January 1, 2023

- Amendments to PAS 1, Classification of Liabilities as Current or Non-current

  The amendments clarify paragraphs 69 to 76 of PAS 1, Presentation of Financial Statements, to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

  - What is meant by a right to defer settlement
  - That a right to defer must exist at the end of the reporting period
  - That classification is unaffected by the likelihood that an entity will exercise its deferral right

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- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and must be applied retrospectively. The Company is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

- PFRS 17, Insurance Contracts

PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, Insurance Contracts. This new standard on insurance contracts applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

PFRS 17 is effective for reporting periods beginning on or after January 1, 2023, with comparative figures required. Early application is permitted.

Deferred effectivity
Amendments to PFRS 10, Consolidated Financial Statements, and PAS 28, Sale or Contribution of Assets between an Investor and its Associate or Joint Venture.

The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

On January 13, 2016, the Financial Reporting Standards Council deferred the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board (IASB) completes its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

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NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING AND FINANCIAL REPORTING POLICIES

Financial Instruments

PFRS 9, Financial Instruments
The Company adopted PFRS 9 (2014) effective January 1, 2018, the date of adoption. This new standard on financial instruments replaced PAS 39, Financial Instruments: Recognition and Measurement, and PFRS 9 (2009, 2010, and 2013 versions) – hereinafter referred to as PFRS 9. In addition to the principal classification categories for financial assets and financial liabilities and hedge accounting under PFRS 9, PFRS 9 (2014) includes the following major provisions:

- limited amendments to the classification and measurement requirements for financial assets introducing a fair value measurement through other comprehensive income for eligible debt securities; and
- an expected credit loss (ECL) model in determining impairment of all debt financial assets that are not measured at fair value through profit or loss (FVPL), which generally depends on whether there has been a significant increase in credit risk since initial recognition of a financial asset.

The adoption of PFRS 9 (2014) from January 1, 2018 resulted to changes in accounting policies but have no significant impact on the Company's financial statements. As allowed and in accordance with the transitional provisions of this new standard, comparative figures have not been restated but the Company is required to provide the related transition disclosure requirements under PFRS 7, Financial Instruments: Disclosures.

Date of recognition
Financial assets and financial liabilities are recognized in the statement of financial position when the Company becomes a party to the contractual provisions of the instruments. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulations or convention in the marketplace are recognized on the settlement date. Derivatives are recognized on trade date basis.

Initial recognition
Financial assets and financial liabilities are recognized initially at fair value, which is the fair value of the consideration given (in case of an asset) or received (in case of a liability). The fair value of the consideration given or received is determined by reference to the transaction price or other market prices. If such market prices are not reliably determinable, the fair value of the consideration is estimated as the sum of all future cash payments or receipts, discounted using the prevailing market rate of interest for similar instruments with similar maturities. The initial measurement of financial instruments, except for those designated at fair value through profit or loss (FVPL), includes transaction costs.

Determination of fair value
The fair value of financial instruments traded in active markets at the financial reporting date is based on their quoted market price or dealer price quotation (bid price for long positions and ask price for short positions), without any deduction for transaction costs. When current bid and asking prices are not available, the price of the most recent transaction provides evidence of the current fair values as long as there has not been a significant change in economic circumstances since the time of the transaction.

If the financial instruments are not listed in an active market, the fair value is determined using appropriate valuation techniques which include recent arm's length market transactions, net present value techniques, comparison to similar instruments for which market observable prices exist, options pricing models and other relevant valuation models.

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Classification of Financial Instruments

Financial Assets
The classification and measurement of financial assets is driven by the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. From January 1, 2018, in accordance with the new provisions on classification and measurement of financial assets under PFRS 9 (2014), the Company classifies and measures financial assets as follows:

- Financial assets instruments at amortized cost

  Financial assets are measured at amortized cost if both of the following conditions are met:

  - the asset is held within the Company's business model whose objective is to hold assets in order to collect contractual cash flows; and
  - the contractual terms of the instrument give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

  Financial assets meeting these criteria are measured initially at fair value plus transaction costs. They are subsequently measured at amortized cost using the effective interest method less any impairment in value, with the interest calculated recognized as "Interest income" in the statements of income. The Company classified "Cash" *(See Note 8)* and "Trade and other receivables" *(See Note 9)* as financial assets at amortized cost.

  The Company may irrevocably elect at initial recognition to classify a financial asset that meets the amortized cost criteria above as at FVTPL if that designation eliminates or significantly reduces an accounting mismatch had the financial asset been measured at amortized cost.

- Financial assets at FVPL

  The Company classifies financial assets under FVPL when they do not meet the criteria of FVOCI or amortized cost. Financial assets at FVPL are measured at fair value with gains and losses arising from changes in fair value recognized in profit or loss.

  The Company does not have financial assets under this category as at December 31, 2021 and 2020.

- Financial assets at FVOCI

  The Company classifies debt instruments under FVOCI when both of the following conditions are met:

  - the asset is held within the Company's business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
  - the contractual terms of the instrument give rise, on specified dates, to cash flows that are solely payment of principal and interest on the principal amount outstanding.

  Financial assets at FVOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income. Interest income and foreign exchange gains and losses are recognized in profit or loss in the same manner as for financial assets measured at amortized cost. On derecognition, cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss.

  The Company does not have financial assets under this category as at December 31, 2021 and 2020.

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Financial Liabilities
Financial liabilities are classified as financial liabilities at FVPL and other financial liabilities. The classification depends on the purpose for which the investments are acquired and whether they are quoted in an active market. Management determines the classification of its financial assets and liabilities at initial recognition and, where allowed and appropriate, re-evaluates such designation at every financial reporting date.

Financial liabilities at FVPL
Financial liabilities are classified in this category if these result from trading activities or derivative transactions that are not accounted for as hedges, or when the Company elects to designate a financial liability under this category.

The Company does not have financial liabilities under this category as at December 31, 2021 and 2020.

Other financial liabilities
This classification pertains to financial liabilities that are not held for trading nor designated as at FVPL upon the inception of the liability. Included in this category are liabilities arising from operations or borrowings (e.g. payables or accruals and long-term debt).

The financial liabilities are recognized initially at fair value and are subsequently measured at amortized cost, taking into account the impact of applying the effective interest rate method of amortization (or accretion) for any related premium, discount and any directly attributable transaction costs. However, liabilities that have no stated interest and classified as current liabilities are measured at the undiscounted amount of cash or other consideration expected to be paid.

Fair value measurement hierarchy
PFRS 7 requires certain disclosure which requires the classification of financial asset and financial liabilities measured at fair value using a fair value hierarchy that reflects the significance of the inputs used in making the fair value measurement. The fair value hierarchy has the following levels:

a. quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
b. inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (Level 2); and
c. inputs for the assets or liabilities that are not based on observable market data (unobservable inputs) (Level 3).

The level in the fair value hierarchy within which the financial asset or financial liability is categorized is determined on the basis of the lowest level input that is significant to the fair value measurement. Financial asset and financial liabilities are classified in their entirety into one of the three levels.

Financial guarantees
A financial guarantee is classified in this category if the entity must provide for payments to be made if and only if the debtor fails to make payments when due. In order for a contract to meet the definition of a guarantee it would be necessary that the guaranteed party only receives the exact amount of loss advances from the default of the debtor. Such a contract is structured in two ways: a) the guarantor purchases the defaulted loan for its nominal amount instead of making a payment for the best estimate of loss; or b) on settlement of the final loss, there is a further payment between that amount and the initial loss estimate that was paid.

Such contracts are recognized initially at fair value and subsequently carried at the higher of the initial value that would be recognized if PAS 37 or PAS 18, was applied.

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Derecognition of Financial Assets and Liabilities

Financial Assets
A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when: a) the rights to receive cash flows from the asset have expired; b) the Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or c) the Company has transferred its rights to receive cash from the asset and either transferred substantially all the risks and rewards of the asset or has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Company's continuing involvement in the asset.

Continuing involvement that makes the form of guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and maximum account of consideration that the Company could be required to repay.

Financial Liabilities
A financial liability is derecognized when the obligation under the liability is discharged or cancelled or has expired.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amount is recognized in profit or loss.

Impairment of Financial Assets

Assessment of Impairment
PFRS 9 requires the Company to record expected credit loss methodology (ECL) for all loans and other debt financial assets not classified as at FVTPL, together with irrevocable loan commitments and financial guarantee contracts.

ECL represent credit losses that reflect an unbiased and probability-weighted amount which is based on reasonable and supportable information about past events, current conditions and forecasts of future economic conditions, and the time value of money. The objective of the new impairment model is to record lifetime losses on all financial instruments which have experienced a significant increase in credit risk (SICR) since their initial recognition. As a result, ECL allowances are now measured at amounts equal to either (i) 12-month ECL or (ii) lifetime ECL for those financial instruments which have experienced a SICR since initial recognition (General Approach). The 12month ECL is the portion of lifetime ECL that results from default events on a financial instrument that are possible within the next 12 months after the reporting date. Lifetime ECLs are credit losses that result from all possible default events over the expected life of a financial instrument.

Following the ECL approach, the Company must establish a policy to perform an assessment, at the end of each reporting period, whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

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A financial asset is assessed for impairment based on the following stages:

Stage 1: When a financial asset is first recognized, the Company recognizes credit losses based on the twelve-month ECLs. Stage 1 financial asset also include facilities where the credit risk has improved and has been reclassified from Stage 2.

Stage 2: When a financial asset has shown a significant increase in credit risk since origination, the Company recognizes an allowance for the lifetime ECL. Stage 2 financial asset also include facilities where the credit risk has improved and has been reclassified from Stage 3.

Stage 3: When a financial asset is considered as credit impaired, the Company recognizes an allowance for the lifetime ECL.

The key elements used in the calculation of ECL are as follows:

- Probability of Default – is an estimate of likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the instrument has not been previously derecognized and is still in the portfolio.

- Loss Given Default – is an estimate of loss arising in case where a default occurs at a given time. It is based on the difference between the contractual cash flows of a financial instrument due from a counterparty and those that the Company would expect to receive, including the realization of any collateral.

- Exposure at Default – represents the gross carrying amount of the financial instruments subject to the impairment calculation.

Evidence of Impairment
Objective evidence that financial assets are impaired can include default or delinquency by a borrower, restructuring of a receivable or an advance by the Company on terms that the Company would not otherwise consider, disappearance of an active market for a security or other observable data relating to a group of assets such as adverse changes in the payment status of borrowers, or economic conditions that correlate with defaults.

Impairment of financial assets carried at amortized cost
If there is objective evidence that an impairment loss on loans and receivables carried at amortized cost has been incurred, the amount of loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows. The carrying amount of the asset shall be reduced either directly or through the use of an allowance account. The amount of loss shall be recognized in profit or loss.
Impairment on financial assets carried at cost
If there is an objective evidence of an impairment loss on an unquoted equity/debt instrument that is not carried at fair value because its fair value cannot be reliably measured, or of a derivative asset that is linked to and must be settled by delivery of such an unquoted equity/debt instrument, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for similar financial asset.

Reversal of impairment loss
If, in subsequent period, the amount of the impairment loss decreases, and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed either directly or by adjusting an allowance account. The reversal shall not result in a carrying amount of the financial asset that exceeds what the amortized cost would have been had the impairment not been recognized at the date the impairment is reversed. The amount of the reversal shall be recognized in profit or loss.

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Classification of financial instrument between debt and equity
Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual agreement. Interest, dividend, gains and losses relating to a financial instrument or a component that is a financial liability is reported as expense or income.

A financial instrument is classified as debt if it provides a contractual obligation to:

a. deliver cash or other financial assets to another entity; or

b. exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Company; or

c. satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

If the Company does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability.

An equity instrument is any contract that evidence residual interest in the asset of an entity after deducting all of its liabilities.

Offsetting of Financial Instruments
Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented in gross in the statement of financial position.

Derivatives
Derivatives are initially recognized at fair value on the date which the derivative transaction is entered into or bifurcated, and are subsequently re-measured at fair value. Derivatives are carried as an asset when the fair value is positive and as a liability when the fair value is negative.

The Company has no derivatives as at December 31, 2021 and 2020.

Embedded derivatives
An embedded derivative is separated from the host contract and accounted for as derivative if all of the following conditions are met: (a) economic characteristics and risks of the embedded derivatives are not closely related to the economic characteristics and risks of the host contract; (b) a separate instrument with the same terms as the embedded derivative would meet the definition; (c) the hybrid or combined instrument is not recognized at FVPL.

The Company has no transactions with embedded derivatives as at December 31, 2021 and 2020.

Cash and Cash Equivalents
Cash and cash equivalents are valued at face value. Cash includes cash on hand and with banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of 3 months or less from the date of acquisitions and that are subject to an insignificant change in value. The Company has no cash equivalents as at December 31, 2021 and 2020.

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Trade and Other Receivables
Trade and other receivables are recognized at transaction price and carried at amortized cost using effective interest method. At the end of each reporting period, the carrying amounts of trade and others receivables are reviewed to determine whether there is any objective evidence that the amounts are not recoverable. If so, an impairment loss is recognized immediately in the statements of comprehensive income.

If there is objective evidence that an impairment loss on trade and other receivables has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset or group of assets shall be reduced either directly or through the use of an allowance account. The amount of the loss shall be recognized in the statements of comprehensive income.

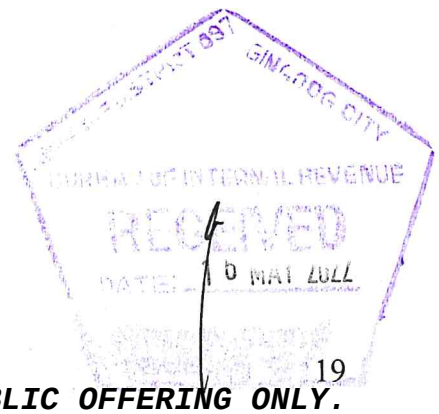
Inventories
Inventories are stated at the lower of cost and net realizable value. The net realizable value of inventory is the estimated selling price in the ordinary course of business less estimated costs necessary to make the sale. Cost is determined using the first in, first out (FIFO) method. At each reporting date, inventories are assessed for impairment. If inventory is impaired, the carrying amount is reduced to its selling price less costs to complete and sell; the impairment loss is recognized immediately in the statements of comprehensive income.

Prepayments
These are outflow of resources made in the current accounting period that would benefit future periods. Costs of this asset is amortized over the period benefited.

Investment in Associate
Investment in shares of stock where the Company holds 20% or more ownership, or where it has the ability to significantly influence the investee company's operating activities is accounted for in this separate financial statements under the cost method. Accordingly, dividends received are treated as income in the year these are collectible.

Property and Equipment
Property and equipment are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes the purchase price and other expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The Company adds to the carrying amount of an item of property and equipment the cost of replacing parts of such an item when that cost is incurred if the replacement part is expected to provide incremental future benefits to the Company. The carrying amount of the replaced part is derecognized. When assets are derecognized, their cost, accumulated depreciation and amortization and accumulated impairment losses are eliminated from the accounts. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized in the statements of comprehensive income. All other repairs and maintenance are charged to profit or loss during the period in which they are incurred.



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Land is not depreciated. Depreciation is charged so as to allocate the cost of property and equipment less their residual value over the estimated useful lives, using the straight-line method. The estimated useful lives range as follows:

Components	Estimated Useful Life
Generation plant	20 years
Transmission line	10 years
Building	10-20 years
Land improvements	10 years
Service vehicles	5 years
Furniture and equipment	3-5 years

Depreciation of an item of property and equipment begins when it becomes available for use i.e., when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Depreciation ceases at the earlier of the date that the item is classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with PFRS 5, *Non-current Assets Held for Sale and Discounted Operations*, and the date the asset is derecognized.

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, if there is an indication of a significant change since the last reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Construction in progress (CIP) is stated at cost. This includes cost of construction and other direct costs. CIP is not depreciated until such time the relevant assets are completed and put into operational use.

Impairment of Non-financial Assets

The carrying amounts of the Company's non-financial assets such as the property and equipment are reviewed at each financial reporting date to determine whether there is any indication of impairment or an impairment loss previously recognized no longer exists or may have decreased. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognized in profit or loss whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount.
The recoverable amount of a non-financial asset is the greater of the asset's fair value less costs to sell and value in use. The fair value less costs to sell is the amount obtainable from the sale of the asset in an arm's length transaction. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash flows largely independent of those assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. Reversals of impairment are recognized in profit or loss.

Intangible Assets

Intangible assets include acquired licenses on computer software used in administration and accounting which is accounted for under the cost model. The cost of the asset is the amount of cash or cash equivalents paid to acquire an asset. Capitalized costs are amortized on a straight-line basis over the

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estimated useful lives ranging from 10 to 15 years as the lives of these intangible assets are considered limited. Costs associated with maintaining computer software are expensed as incurred.

Trade and Other Payables
Trade and other payables are recognized initially at the transaction price and subsequently measured at amortized cost using the effective interest method. Trade and other payables are on normal credit terms and do not bear interest.

Related Party Transactions
Parties are related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties can be individual or corporate entity. Key management personnel are also considered as related parties.

Borrowings and Borrowing Costs
Borrowing costs include interest charges and other costs incurred in connection with the borrowing of funds. These are recognized as expense when incurred except when such costs relate to a qualifying asset, in which case, borrowing costs incurred will be capitalized. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale.

Equity

Capital Stock
Capital stock represents the portion of the paid in capital representing the total par value of the shares issued.

Retained Earnings
Retained earnings represent the cumulative balance of net income or loss, net of any dividend declaration.

Revenue and Cost Recognition
The Company has applied PFRS 15 where revenue is recognized when (or as) the Company satisfies a performance obligation by transferring a promised good or service to a customer (i.e. an asset). An asset is transferred when (or as) the customer obtains control of that asset.

The recognition of revenue can be either over time or at a point in time depending on when the performance obligation is satisfied.

When control of a good or service is transferred over time, that is, when the customer simultaneously receives and consumes the benefits, the Company satisfies the performance obligation and recognizes revenue over time. Otherwise, revenue is recognized at the point in time at the point of transfer control of the good or service to the customer.

Variable consideration is measured using either the expected value method or the most likely amount method depending on which method the Company expects to better predict the amount of consideration to which it will be entitled. This is the estimated amount of variable consideration, or the portion, if any, of that amount for which it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur. Where there is a single performance obligation, the transaction price is allocated in its entirety to that performance obligation. Where there are multiple performance obligations, the transaction price is allocated to the performance obligation to which it relates based on stand-alone selling prices.

The Company recognizes revenue based on the price specified in the contract, net of the estimated rebates/discounts and include variable consideration, if there is any. Accumulated experience is used to

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estimate and provide for the discounts and revenue is only recognized to the extent that it is highly probable that a significant reversal will not occur.

The Company does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Company does not adjust any of the transaction prices for the time value of money.

The following specific recognition criteria must also be met before revenue and cost is recognized:

Sale of power	-	Revenue is recognized at the point in time when the services are transferred to the customers and the performance obligations are fulfilled.
Interest on bank deposits	-	Interest is recognized as interest accrues based on effective interest method of accounting.

Cost and expenses are recognized in the statement of comprehensive income: a) when a decrease in future economic benefits related in an asset or an increase of a liability has arisen that can be measured reliably; b) on the basis of a direct association the costs incurred and the earning of specific items of income; c) on the basis of systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and the association with income can only be broadly or indirectly determined; or d) immediately when an expenditure produces no future economic benefits or when, and to the extent that, future economic benefits do not qualify, or cease to qualify, for recognition in the statement of financial position as an asset. Operating expenses are costs attributable to the general and administrative activities of the Company.

The Company presents a contract asset when it transfers control of goods or performs services before the customer pays consideration or before payment is due. A contract asset is the Company's right to consideration in exchange for goods or services that the Company has transferred to a customer.

The Company presents a contract liability when a customer pays the consideration, or the Company has the right to an amount of consideration that is unconditional (i.e., a receivable), before the Company transfers goods or performs services to the customer. A contract liability is the Company's obligation to transfer goods or services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer.

Contract liability also includes cash received from customers which are applied to subsequent progress billings for construction contracts (see Note 9). The Company considers the effect of significant financing component in the contract which is recognized as part of Contract Revenues and Finance Cost in the statement of comprehensive income.

The Company incurs incremental costs in obtaining customer contracts (i.e., biddings costs on construction contracts). These costs are expensed when incurred as these are incurred regardless whether the contract is obtained.

The Company also incurs costs in fulfilling contracts with customers. These costs are divided into: (i) costs that give rise to an asset; and, (ii) costs that are expensed as incurred. When determining the appropriate accounting treatment for such costs, the Company first considers any other applicable standards. If other standards preclude capitalization of a particular cost, then an asset is not recognized under PFRS 15. If other standards are not applicable to contract fulfillment costs, the Company applies the following criteria, which, if met, result in capitalization:

i. the costs directly relate to a contract or to a specifically identifiable anticipated contract;

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ii. the costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and
iii. the costs are expected to be recovered.

Contract fulfillment assets or capitalized costs are amortized using percentage of completion method consistent with construction revenue recognition policy of the Company. Furthermore, these are derecognized either upon disposal or when no further economic benefits are expected to flow from its use or disposal.

At each reporting date, the Company determines whether there is an indication that contract fulfillment assets or capitalized costs to obtain a contract may be impaired. If such indication exists, the Company makes an estimate by comparing the carrying amount of the assets to the remaining amount of consideration that the Company expects to receive, less the costs that relate to providing services under the relevant contract.

Leases

The Company considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'.

To apply this definition, the Company assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Company
- the Company has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract
- the Company has the right to direct the use of the identified asset throughout the period of use. The Company assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

Measurement and recognition of leases as a lessee

At lease commencement date, the Company recognizes a right-of-use asset and a lease liability on the statement of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Company, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Company depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Company also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, the Company measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Company's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

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Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments.

When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Company has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognizing a right-of-use asset and lease liability, the payments in relation to these recognized as an expense in profit or loss on a straight-line basis over the lease term.

Company as lessee
Where the Company is a lessee, payments on operating lease agreements are recognized as an expense on a straight-line basis over the lease term. Associated costs, such as maintenance and insurance, are expensed as incurred.

As at December 31, 2021 and 2020, the Company does not have long-term non-cancellable lease contracts that require the application of the new provisions in PFRS 16.

Employee Benefits
Employee benefits are all forms of consideration given by the Company in exchange for service rendered by the employees. The Company's employee benefits include the following:

Short-term benefits
Short-term employee benefits, include wages, salaries and social security contributions, short-term compensated absences (such as paid annual leave and paid sick leave), and bonuses payable within twelve months after the end of the period in which the employees render the related service, and non-monetary benefits (such as medical care, housing, cars and free or subsidized goods or services) for current employees.

The rendered services of an employee to an entity during the accounting period is recognized using the undiscounted amount of short-term employee benefits expected to be paid in exchange for that services rendered. The accounting for these benefits is generally straightforward because assumptions are required to measure the obligation or the cost and there is no possibility of any actuarial gain or loss.

Retirement benefits

Defined benefit plan
The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method.

Defined benefit costs comprise the following:

- Service cost;
- Net interest on the net defined benefit liability or asset; and
- Remeasurements of net defined benefit liability or asset



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Service costs which include current service costs, past service costs and gains or losses on nonroutine settlements are recognized as expense in the statements of comprehensive income. Past service costs are recognized when plan amendment or curtailment occurs.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in the statements of comprehensive income.

Remeasurements comprising actuarial gains and losses, return on plan assets (excluding net interest on defined benefit asset) and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in other comprehensive income in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods. All remeasurements are recognized in other comprehensive income account. Remeasurement gains (losses) on retirement plan are not reclassified to profit or loss in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Company, nor can they be paid directly to the Company. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations).

The Company's right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain. *(Note 14)*

Termination benefits
Termination benefits are payable when employment is terminated by the Company before the normal retirement date, or whichever the employee accepts voluntary redundancy in exchange for these benefits.

Compensated absences
Compensated absences are recognized for the number of paid leaves days (including holiday entitlement) remaining at the financial reporting date.

Research and Development Costs
Research costs are expensed as incurred. Development expenditures on an individual project are recognized as an intangible asset when the Company can demonstrate:

- Technical feasibility of completing the intangible asset so that the asset will be available for use or sale
- Its intention to complete and its ability and intention to use or sell the asset
- How the asset will generate future economic benefits
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during the development

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete and asset is available for use. It is amortized over the period of expected future benefit. Amortization is recorded as expense. During the period of development, the asset is tested for impairment annually.

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The Company's research and development in both years pertains to pilot or prospect projects and are expensed as incurred.

Income Taxes

Current income tax
The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except that a change attributable to an item of income or expense recognized as other comprehensive income is also recognized directly in other comprehensive income.

The Company recognizes a current tax liability for tax payable on taxable profit for the current and past periods. If the amount paid for the current and past periods exceeds the amount payable for those periods, the Company recognizes the excess as a current tax asset. It also recognizes a current tax asset for the benefit of a tax loss that can be carried back to recover tax paid in a previous period.

Current income tax assets and liabilities for the current and the prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the financial reporting date.

Deferred income tax
Deferred income tax is provided, using the balance sheet liability method, on all temporary differences at the end of reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax liabilities are recognized for all taxable temporary differences, including asset revaluations. Deferred income tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits from the excess of minimum corporate income tax (MCIT) over the regular corporate income tax, and unused net operating loss carryover (NOLCO), to the extent that it is probable that sufficient future taxable income will be available against which the deductible temporary differences and carry forward of unused tax credits from excess MCIT and unused NOLCO can be utilized.

The carrying amount of deferred income tax assets is reviewed at each end of reporting period and reduced to the extent that it is no longer probable that sufficient future taxable profit will be available to allow all or part of the deferred income tax assets to be utilized. Unrecognized deferred income tax assets are re-assessed at each end of reporting period and are recognized to the extent that it has become probable that sufficient future taxable income will allow the deferred income tax assets to be recovered. Deferred income tax assets and deferred income tax liabilities are measured at the tax rates that are applicable to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of reporting period.

Current tax assets and current tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and current taxes related to the same taxable entity and the same taxation authority.

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Provisions

Provisions, if any, are recognized when the Company has a present obligation (legal or constructive) as a result of past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and reliable estimate can be made of the amount of the obligation.
If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pretax rate that reflects current market assessment of the time value of money and, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense. When the Company expects provisions to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain.

Contingencies

Contingent liabilities are not recognized in the financial statements. These are disclosed unless the possibility of an outflow of resources embodying economic benefit is remote. A contingent asset is not recognized in the financial statements but disclosed when an inflow of economic benefits is probable.

Related Party Transactions

Parties are considered to be related if the party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making the financial and operating the decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties can be individual or corporate entity.
Associates, key management personnel, close members of the family and of any individuals owning directly or indirectly a significant voting power of the Company that gives them significant influence in the financial and operating policy decisions of the Company are also related parties.

A related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged. Transactions between related parties are unsecured and non-interest bearing and payable in cash with no definite terms.

Earnings Per Share

Basic earnings per share (EPS) is computed by dividing net income for the year by the weighted average number of common shares outstanding during the year after giving retrospective effect to stock dividends declared and stock rights exercised during the year, if any. The Company does not have potentially dilutive common shares.

Events after the End of Reporting Period

Events after the end of reporting period are those events, favorable and unfavorable, that occur between the end of reporting period and the date when the financial statements are authorized for issue. Adjusting events are those that provide evidence of conditions that existed at the end of the reporting period and lead to adjustments of financial statements. Non-adjusting events are those that are indicative of the conditions that arose after the end of reporting period and do not lead to adjustments but only to disclosures in the financial statements.

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NOTE 4 – SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the financial statements in accordance with PFRS requires the Company to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses, other comprehensive income (loss) and disclosure of contingent assets and contingent liabilities. In preparing the Company's financial statements, management has made its best judgements and estimates relating to certain amounts, giving due consideration to materiality. The judgments and estimates used in the financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the financial statements. Actual results could differ from those estimates. Future events may occur which will cause the assumptions used in arriving at the estimates to change. The effects of any change in estimates are reflected in the financial statements as they become reasonably determinable. Judgments, estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Company believes the following represent a summary of significant judgments and estimates and related impact and associated risks in its financial statements.

Judgments

In the process of applying the Company's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on amounts recognized in the financial statements.

Determination of functional currency

Based on the economic substance of the underlying events and circumstances relevant to the Company, the Company's functional currency has been determined to be the Philippine Peso. It is the currency of the primary economic environment in which the Company operates and is consistent with the measurement of items in the financial statements in accordance with PAS 21, *The Effects of Changes in*

Revenue Recognition

The Company recognizes revenue when it satisfies an identified performance obligation by transferring a promised service to a customer. A service is considered to be transferred when the customer obtains control. The Company determines, at contract inception, whether it will transfer control of a promised service over time. If the Company does not satisfy a performance obligation over time, the performance obligation is satisfied at a point in time.

The Company's revenue from power generation is to be recognized over time since customers simultaneously receive and consume the benefits as the Company supplies power.

Significant judgments in revenue recognition are as follows:

- Identifying Performance Obligations.

  The Company identifies performance obligations by considering whether the promised goods or services in the contract are distinct goods or services. A good or service is distinct when the customer can benefit from the good or service on its own or together with other resources that are readily available to the customer and the Company's promise to transfer the good or service to the customer is separately identifiable from the other promises in the contract.

  The Company assesses performance obligations as a series of distinct goods and services that are substantially the same and have the same pattern of transfer if i) each distinct good or services in the series are transferred over time and ii) the same method of progress will be used (i.e., units of delivery) to measure the entity's progress towards complete satisfaction of the performance obligation.

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For power generation where capacity and energy dispatched are separately identified, these two obligations are to be combined as one performance obligation since these are not distinct within the context of the contract as the buyer cannot benefit from the contracted capacity alone without the corresponding energy and the buyer cannot obtain energy without contracting a capacity.

The combined performance obligation qualifies as a series of distinct goods or services that are substantially the same and have the same pattern of transfer since the delivery of energy every month are distinct services which are all recognized over time and have the same measure of progress.

- Identifying Methods for Measuring Progress of Revenue Recognized Over Time

The Company determines the appropriate method of measuring progress which is either through the use of input or output methods. Input method recognizes revenue on the basis of the entity's efforts or inputs to the satisfaction of a performance obligation while output method recognizes revenue on the basis of direct measurements of the value to the customer of the goods or services transferred to date.

For power generation, the Company determined that the output method is the best method in measuring progress since actual electricity is supplied to customers. The Company recognizes revenue based on:

- For the variable energy payment, actual kilowatt hours consumed which are billed on a monthly basis.
- For fixed capacity payments, the Company allocates the transaction price on a straight-line basis over the contract term. The allocated fixed payments are also billed on a monthly basis.

- Determining Method to Estimate Variable Consideration and Assessing the Constraint

The Company includes some or all the amounts of variable consideration estimated but only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. The Company considers both the likelihood and magnitude of the revenue reversal in evaluating the extent of variable consideration the Company will subject to constraint. Factors such as i) highly susceptibility to factors outside the Company's influence, ii) timing of resolution of the uncertainty, and iii) having a large number and broad range of possible considerations amount are considered.

Some contracts with customers provide unspecified quantity of energy (based on client needs considering that most of the contracts with customers are peak power agreements) and provisional ERC rates that give rise to variable consideration. In estimating the variable consideration, the Company applies the expected value method in estimating the variable consideration given the large number of customer contracts that have similar characteristics and the range of possible outcomes.
Before including any amount of variable consideration in the transaction price, the Company considers whether the amount of variable consideration is constrained. The Company determined that the estimates of variable consideration are to be fully constrained based on its historical experience, the range of possible outcomes (i.e., unspecified quantity of energy), and the unpredictability of other factors outside the Company's influence (i.e., provisional ERC rates).

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- Allocation of variable consideration

  Variable consideration may be attributable to the entire contract or to a specific part of the contract. For power generation revenue streams which are considered as series of distinct goods or services that are substantially the same and have the same pattern of transfer, the Company allocates the variable amount that is no longer subject to constraint to the satisfied portion (i.e., month) which forms part of the single performance obligation, and forms part of the monthly billing of the Company.

Fair Value of Financial Instruments
Where the fair value of financial instruments recorded in the statements of financial position cannot be derived from active markets, they are determined using valuation techniques including the discounted cash flows model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. The judgements include considerations of inputs such as liquidity risk, credit risk, and volatility of share prices. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

Classification of financial instruments
The Company classifies a financial instrument, or its component parts, on initial recognition either as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definition of a financial asset, a financial liability or an equity instrument and, where allowed, and appropriate re-evaluates this designation at every reporting date. The substance of a financial instrument, rather than its legal form, governs its classification in the statements of financial position.

Estimates and Assumptions
The key assumptions concerning the future and other key sources of estimation and uncertainty at the statements of financial position date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Estimating Allowance for Doubtful Accounts
The measurement of credit losses under PFRS 9 requires significant judgment, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase or improvement in credit risk (SICR). These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

The ECL calculations based on PFRS 9 are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and interdependencies. Significant elements of the models include, among others:

- segmenting the Company's credit risk exposures;
- the Company's definition of default;
- determining the method to estimate ECL;
- identifying exposures with significant deterioration in credit quality;
- determining assumptions to be used in the ECL model such as the counterparty credit risk rating;
- the expected life of the financial asset and expected recoveries from defaulted accounts; and
- incorporating forward-looking information (called overlays) in calculating ECL.

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As at December 31, 2021 and 2020, the allowance for impairment losses on trade and other receivables amounted to **P 3,563,708** and P 0, respectively. *(see Note 9)*

Determination of Net Realizable Value of Inventories
In determining the net realizable value of inventories, management takes into account the most reliable evidence available at the time the estimates are made. The Company periodically reviews its inventories for possible damaged and obsolete items. Items identified as obsolete are provided with impairment allowance.

Management has assessed that no allowance for obsolescence is required to be recognized on inventories in 2021 and 2020.

Estimation of Useful Lives of the Company's Property, Plant, and Equipment
The Company estimates the useful lives of property and equipment based on the period over which these assets are expected to be available for use. The estimated useful lives of these assets are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence, and legal or other limits on the use of the assets. In addition, the estimation of the useful lives of these assets is based on collective assessment of internal technical evaluation and experience with similar assets. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances.

There is no change in the estimated useful lives of property, plant, and equipment in 2021 and 2020. As at December 31, 2021 and 2020, the aggregate net book value of property, plant, and equipment amounted to **P3,871,181,013** and P4,164,856,134 , respectively *(see Note 5)*.

Provisions and Contingencies
The Company provides for present obligations (legal and constructive) when it is probable that there will be an outflow of resources embodying economic benefits that will be required to settle said obligations. An estimate of the provision is based on known information at the reporting date, net of any estimated amount that may be reimbursed by the Company. The Company has not recognized any provision in both years.

Impairment of Non-Financial Assets – Property, plant, and equipment
The Company assesses impairment on assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the Company considers important which could trigger an impairment review include the following:

- significant underperformance relative to expected historical or projected future operating results;
- significant changes in the manner of use of the acquired assets or the strategy for overall business; and
- significant negative industry or economic trends.

As at December 31, 2021 and 2020, no impairment loss on property and equipment was recognized in the statements of comprehensive income of the Company.

Retirement Obligation
The cost of defined benefit retirement plans and the present value of the defined benefit obligation are determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of the discount rates, future salary increases, and mortality rates. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. In determining the appropriate discount rate, management considers the interest rates of government bonds with extrapolated maturities corresponding to the expected duration of the defined benefit obligation.

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The present value of the defined benefit obligation of the Company and details about the assumptions used are disclosed in Note 14.

Recognition of Deferred Income Tax Assets
The Company reviews the carrying amounts of the deferred income tax assets at each end of reporting period and reduces deferred income tax assets to the extent that it is no longer probable that sufficient future taxable profit will be available to allow all or part of the deferred income tax assets to be utilized. Significant management judgment is required to determine the amount of deferred income tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies. However, there is no assurance that the Company will utilize all or part of the deferred income tax assets. As of December 31, 2021 and 2020, the Company recognized deferred income tax assets amounting to **P2,115,241** and P0, respectively *(see Note 21)*.

NOTE 5 – GENERATION PLANT, PROPERTY AND EQUIPMENT

The details of generation plant, property and equipment follows:

	January 1, 2021	Additions	Disposal/ Reclassification	December 31, 2021
Cost				
Land and improvements	**P 279,176,180**	P 111,739	P -	**P 279,287,919**
Generation plants	**5,401,055,836**	110,000	(3,893,525)	**5,397,272,311**
Transmission line	**47,038,732**	-	-	**47,038,732**
Buildings	**159,642,404**	-	(4,954,005)	**154,688,399**
Tools and machineries and service vehicles	**41,936,339**	16,255,366	1,939,459	**60,131,164**
Leasehold improvements, furniture and office equipment	**20,784,111**	2,489,259	(784,496)	**22,488,874**
Construction in progress	**13,917,928**	7,608,709	(2,014,518)	**19,512,119**
	5,963,551,530	**26,575,073**	**(9,707,085)**	**5,980,419,518**
Accumulated depreciation				
Land and improvements	**72,406,120**	12,684,380	-	**85,090,500**
Generation plants	**1,617,997,697**	283,611,197	(1,184,280)	**1,900,424,614**
Transmission line	**21,373,724**	4,703,873	-	**26,077,597**
Buildings	**31,933,959**	8,411,400	(1,506,843)	**38,838,516**
Tools and machineries and service vehicles	**37,391,341**	2,786,071	(57,246)	**40,120,166**
Leasehold improvements, furniture and office equipment	**17,592,555**	1,855,477	(760,920)	**18,687,112**
	1,798,695,396	314,052,398	(3,509,289)	**2,109,238,505**
Net book value	**P4,164,856,134**	**(P 287,477,325)**	**(P 6,197,796)**	**P 3,871,181,013**

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	January 31, 2020	Additions	Disposal/ Reclassification	December 31, 2020
Cost				
Land and improvements	P 278,222,333	P 953,847	-	P 279,176,180
Generation plants	5,387,589,501	13,466,335	-	5,401,055,836
Transmission line	-	47,038,732	-	47,038,732
Buildings	94,511,956	65,130,448	-	159,642,404
Tools and machineries and service vehicles	42,541,623	645,510	(1,250,794)	41,936,339
Leasehold improvements, furniture and office equipment	19,946,469	890,805	(53,163)	20,784,111
Construction in progress	104,951,401	34,996,527	(126,030,000)	13,917,928
	5,927,763,283	163,122,204	(127,333,957	5,963,551,530
Accumulated depreciation				
Land and improvements	59,742,440	12,663,680	-	72,406,120
Generation plants	1,334,784,770	283,212,927	-	1,617,997,697
Transmission line	-	21,373,724	-	21,373,724
Buildings	25,132,203	6,801,756	-	31,933,959
Tools and machineries and service vehicles	37,280,635	1,358,812	(1,248,106)	37,391,341
Leasehold improvements, furniture and office equipment	14,831,330	2,810,939	(49,714)	17,592,555
	1,471,771,378	328,221,838	(1,297,820)	1,798,695,396
Net book value	P 4,455,991,905	(P 165,099,634)	(P 126,036,137)	P 4,164,856,134

Depreciation charged to direct costs and operating expenses amounted to **P288,315,070** and **P25,737,328** in 2021, and P305,926,716 and P22,295,122 in 2020.

In 2021 and 2020, loss on disposal of assets amounted to **P24,304** and P0, respectively. Proceeds from disposal of asset amounted to **P17,086** in 2021 and P0 in 2020.

On December 2021, the Company's generation plant in Camiguin Island was damaged with fire. Moreover, the same powerplant was further damaged due to typhoon Odette which caused havoc not only in Camiguin but the whole province of Misamis Oriental. Total amount of losses caused by the aforementioned incidents amounted to **P 6,156,407**.

Fully depreciated items of property, plant, and equipment still being used in operations amounted to **P28,659,803** in 2021 and P21,288,354 in 2020.

The Company has determined that there is not indication that an impairment loss has occurred on its generation plant, property and equipment.

The Company's generation plant and equipment and land with net book value of **P3,614,020,186** in 2021 and P3,883,770,550 in 2020 were pledged as security or collateral for the Company's loans and borrowings discussed in Note 13.

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NOTE 6 – INVESTMENT IN ASSOCIATE

This pertains to investment in **Maramag Mini Hydro Power Corporation (MMHPC)**, an associate. The carrying value of the investment in MMHPC amounted to **P17,077,809** equivalent to **267,490 shares** representing **42.71%** and 42.83% interest in ordinary shares as at December 31, 2021 and 2020, respectively. MMHPC is a domestic corporation engaged primarily to make, generate, sell and supply electricity through exploration, development and utilization of hydro renewable sources of energy and technologies.

Movement of the account follows:

	2021	2020
Balance, January 1	**P 23,555,201**	P 25,699,000
Additional investment	**1,050,000**	-
Share in net loss	**(7,527,390)**	(2,143,799)
Balance, December 31	**P 17,077,809**	P 23,555,201

The Company recognized losses on investment amounting to **P 7,527,390** in 2021 and P 2,143,799 in 2020. Despite the losses, management believes that the investment and losses can be recovered once the required permits are obtained and the associate's hydro power plant is already fully operational. Thus, no impairment is recognized in both years.

Summarized financial information of MMHPC based on its financial statements follows:

Total Assets		
Current assets	**P 90,985,553**	P 100,669,620
Noncurrent assets	**456,906,106**	182,377,587
	547,891,659	283,047,207
Total Liabilities		
Current liabilities	**209,655,254**	232,894,110
Noncurrent liabilities	**300,998,672**	1,920,523
	510,653,926	234,814,633
Total Equity		
Share capital	**60,000,000**	60,000,000
Retained earnings (Deficit)	**(25,262,267)**	(11,764,426)
	P 37,237,733	P 48,235,574
Gross income for the year	**P -**	P -
Net income for the year	**P (17,575,044)**	P (5,005,367)

NOTE 7 – OTHER NONCURRENT ASSET

This pertains to refundable deposits made for the Company's IT services (VSAT connectivity services).

NOTE 8 – CASH

Cash in banks generally earn interest at rates based on daily bank deposit rates. Interest income arising from the cash in banks amounted to **P88,238** in 2021 and **P165,785** in 2020.

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NOTE 9 – TRADE AND OTHER RECEIVABLES

This account consists of:

	Note	2021	2020
Trade receivables		P **357,408,090**	P 379,610,082
Advances to related parties	*16*	**151,351,986**	135,667,328
Advances to contractors and suppliers		**32,164,124**	9,728,386
Advances to officers and employees		**13,203,449**	748,540
		554,127,649	525,754,336
Less: Allowance for impairment of receivables		**(3,563,708)**	-
		P **550,563,941**	P 525,754,336

Trade and other receivables are non-interest bearing and are generally on a 30 days - 90 days' term. The Company does not hold any collateral or other credit enhancements over these balances nor does it have a legal right of offset against any amounts owed by the Company to the counterparty.

Advances to contractors and suppliers refer to noninterest-bearing advance payments for the acquisition of materials, supplies, and services which are offset against progress billings and deliveries to be made by contractors and suppliers.

Advances to officers and employees are non-interest bearing and subject to liquidation.

The Company's trade and other receivables have been reviewed for indicators of impairment. Certain receivables were found to be impaired and allowance for doubtful accounts have been provided accordingly.

The roll forward analysis of allowance for impairment of receivables follows:

Balance, January 1	P -	P -
Provisions	**17,164,448**	14,851,979
Write-off	**(13,600,740)**	(14,851,979)
Balance, December 31	P **3,563,708**	P -

The impaired receivables are from the unpaid collectibles from completed private construction contracts and personal cash advances.

NOTE 10 – INVENTORIES

This account consists of:

Fuel	P **38,630,806**	P 30,608,911
Plant spare parts and supplies	**65,594,892**	28,646,136
	P **104,225,698**	P 59,255,047

Inventories are carried at cost used in the generation plant and repairs and maintenance of properties.

The cost of inventories recognized as part of cost of generated power in the statement of comprehensive income amounted to **P 138,623,145** in 2021 and P 81,535,701 in 2020.

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NOTE 11 – PREPAYMENTS AND OTHER CURRENT ASSETS

This account consists of:

	2021	2020
Prepayments	**P 33,673,558**	P 33,687,130
Deferred input taxes	**6,616,682**	15,943,348
	P 40,290,240	P 49,630,478

Prepayments mainly includes advance payments of taxes and insurance.

Deferred input taxes pertains to VAT credits on purchases of capital goods acquired by the Company.

NOTE 12 – CAPITAL STOCK

The components of capital stock follow:

Common Stock – Authorized 30,000,000 shares in 2021 and 7,500,000 shares in 2020 at P100 par value
Subscribed and outstanding – 25,696,000 shares and 7,500,000 shares in 2021 and 2020, respectively

Balance, January 1	**P 750,000,000**	P 750,000,000
Additional paid-up capital	**1,819,600,000**	-
Balance, December 31	**P 2,569,600,000**	P 750,000,000

On December 4, 2020, the BOD and stockholders approved the amendment of the Company's Articles of Incorporation (AOI) to increase its authorized capital stock from P750 Million divided into 7,500,000 shares with a par value of P100 per share resulting to an authorized capital stock of P3 Billion divided into 30,000,000 common shares with a part value of P100 per share. Relative to the application for stocks subscriptions, the existing stockholders have a "Deposit for future stocks subscription" amounting to P2,137,469,946 in 2020.

On January 8, 2021, the Securities and Exchange Commission approved the Company's application for increase in authorized capital stock. Relative thereto, the "Deposit for futures stocks subscriptions" were converted to capital stock equivalent to **18,000,000 shares** and a share premium of **P337,469,946** was recognized.

In 2021, there were additional stockholders who subscribed P19,600,000 of capital stock equivalent to 196,000 shares.



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NOTE 13 – LOANS AND BORROWINGS

This account consists of:

		2021		2020
Commercial banks	P	733,333,333	P	952,083,333
Financing companies		12,022,609		-
		745,355,942		952,083,333
Current portion		204,944,524		218,750,000
	P	540,411,418	P	733,333,333

This account consists of loans and borrowings from commercial banks and financing companies. The movement of the loans and borrowings during the year follows:

Balance, January 1	P	952,083,333	P	1,170,833,333
Availments during the period		12,496,364		-
Payments during the period	(	219,223,755)	(	218,750,000)
Balance, December 31		745,355,942		952,083,333
Current portion (due within 1 year)	(	204,944,524)	(	218,750,000)
Non-current portion	P	540,411,418	P	733,333,333

The proceeds of the loans were used for additional working capital and construction of the generation plant, property and equipment. These were covered by promissory notes at various dates with various interest rates ranging from 4% to 6.535% per annum, payable in various dates until 2025. Certain properties were pledged as security or collateral for loans and borrowings. *(See Note 5)*

Finance cost charged to operations amounted to **P78,901,330** and P141,968,054 in 2021 and 2020, respectively.

NOTE 14 – RETIREMENT PAYABLE

The Company provides a noncontributory defined benefit pension plan for all the qualified employees. Provisions for pension obligations are established for benefits payable in the form of retirement pensions. Benefits are dependent on years of service and the respective employee's final compensation. The present values of the defined benefit obligation, and the related current service cost and past service cost were measured using the projected unit credit actuarial method.

The net retirement liability recognized in the Statement of Financial Position as at December 31, 2021 and 2020 was determined as follows:

Present value of defined benefit obligation	P	4,897,255	P	4,897,254
Less: Fair value of plan assets		-		-
	P	4,897,255	P	4,897,254

Movement of the present value of defined benefit obligation follows:

Balance, January 1	P	4,897,254	P	3,876,745
Provision during the year		970,143		1,020,509
Payments		(1,008,574)		-
Adjustments during the year		38,432		-
Balance, December 31	P	4,897,255	P	4,897,254

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Actuarial assumptions

The following are the principal actuarial assumptions at the reporting date (expressed as weighted averages):

Discount rate	5.09%	3.96%
Future salary growth	2.00%	2.00%

The weighted-average duration of the defined benefit obligation is 11 years in 2021 and 12.7 years in 2020.

Sensitivity analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below.

Decrease in DBO if Discount Rate + 100 basis points (bps)	(485,790); (9.9%)
Increase in DBO if Discount Rate – 100 bps	598,785;12.2%
Increase in DBO if Salary Increase Rate + 100 bps	612,213; 12.5%
Decrease in DBO if Salary Increase Rate – 100 bps	(503,458) (10.3%)
Increase in DBO if No Attrition Rates	1,031,226; 21.1%

Although the analysis does not take account of the full distribution of cash flows expected under the plans, it does provide an approximation of the sensitivity of the assumptions shown.

Remeasurement loss of **P38,432** and P 0 was recognized in other comprehensive loss in the statement of changes in equity and statement of comprehensive income in 2021 and 2020, respectively.

NOTE 15 – TRADE AND OTHER PAYABLES

This account consists of:

	2021	2020
Trade payables	P **772,491,892**	P 855,648,179
Deferred output tax	**57,637,592**	43,976,906
Accrued expenses	**19,419,006**	21,667,102
Retention payable	**1,661,433**	7,551,283
Payable to government agencies	**2,336,211**	6,199,708
	853,546,134	935,043,178
Less: Noncurrent portion	**393,364,328**	493,573,292
	P **460,181,806**	P 441,469,886

Trade payables primarily consist of liabilities to suppliers. These are noninterest-bearing and are normally settled within the next financial year.

Deferred output tax pertain VAT charged on services not yet collected.

Accrued expenses pertain to cost and operating expenses which are normally settled within the next financial year.

Energy Regulation (ER) 1-94

ER 1-94 and the IRR of the EPIRA mandates generation companies to provide benefits to its host communities equivalent to 0.01/kwh of energy sales. The Company accrues the required benefits to its host community (included under "Trade and other payables" account in the statements of financial

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position) prospectively from the date of effectivity of ER 1-94. Total accrued regulatory fees amounted to **P114,011 in 2021** and P 329,063 in 2020

Retention payable pertains to construction projects.

Payables to government agencies mainly consist of vat payable, expanded withholding taxes, and SSS/PHIC/HDMF payable which is normally settled within the next financial year.

Trade and other payables are non-interest bearing.

NOTE 16 – RELATED PARTY TRANSACTIONS

In the ordinary course of trade or business, the Company has transactions with related parties. Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party, or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

The following are the transactions with related parties:

Receivables from related parties
The Company, in the ordinary course of business transacts with related parties (i.e. contractors, suppliers of materials and supplies, etc.). These receivables are unsecured, non-interest bearing and are settled in cash with no definite terms.

Movement of account follows:

		2021		2020
Balance, January 1	P	**135,667,328**	P	135,667,328
Additions during the period		**15,684,657**		-
Non-current portion	**P**	**151,351,985**	P	135,667,328

Free Use of Land
The Company was allowed free use of land (owned by related parties) where its Baloi office is situated.

Key management personnel compensation
The Company considered as key management personnel all employees holding managerial positions up to the President. Total compensation and benefits paid/accrued for key management personnel are as follows:

Short-term benefits	P	**8,354,859**	P	8,517,853
Post-employment benefits		**543,719**		612,305
	P	**8,898,578**	P	9,130,158



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NOTE 17 – REVENUE AND DIRECT COSTS

Sale of Power
This pertains to sale of power generated by the Company for customers with peak generation agreements.

Contract information
The Company has only one product of power generation and has a few and similar customers within the geographical area of Mindanao, Philippines. Revenue is recognized at the point in time when power generated is transferred to the customer and is measured using the preapproved rates based on the respective Power Supply Agreement (PSA).

Power Supply Agreements
On September 11, 2019, the Company and National Grid Corporation of the Philippines (NGCP) entered an Ancillary Services Procurement Agreement ("ASPA") wherein the company will supply electricity at a maximum dependable capacity of 15.5 MW installed in Misamis Occidental Power Plant 3 and 15.0 MW installed in Misamis Occidental Power Plant 2. The contract will run a term of five (5) years upon the receipt of a provisional approval or final approval by ERC.

On July 01, 2016, the Company entered a Power Supply Agreement (PSA) with SUKELCO to supply 6.0 MW at any given time during the duration of the contract. The contract is valid for five (5) years from the date when the Company commences delivery of contracted capacity. The power supply is generated from Misamis Occidental Power Plant 3.

On October 28, 2015, the Company and SUKELCO entered a Power Supply Agreement (PSA) of 2.65 MW at any given time during the duration of the contract. The contract is valid for five (5) years from the date when the Company commences delivery of contracted capacity. The power supply is generated from Misamis Occidental Power Plant 3.

On May 29,2015, the Company has Power Supply Agreement (PSA) with ZAMSURECO for 2.0 MW supply at any given time during the duration of the contract. The contract is valid for five (5) years from the date when the Company commences delivery of contracted capacity.

On December 03, 2014, the Company and LANECO has an approved Power Supply Agreement (PSA) for 3.0 MW supply at any given time during the duration of the contract. The contract is valid for five (5) years from the date when the Company commences delivery of contracted capacity.

On June 08, 2013, the company entered a Power Supply Agreement (PSA) at 6.0 MW with FIBECO at any given time during the duration of the contract. The power supply is generated from Bukidnon Power Plant 2 with a dependable capacity of 7.5 MW. The contract is valid for ten (10) years from the date when the Company commences delivery of contracted capacity.

On April 10, 2013, the Company entered into a Power Supply Agreement (PSA) with Surigao del Sur Electric Cooperative II wherein the company agreed to supply the power needs of SURSECO II. The Company agrees to supply electricity generated by the power station to SURSECO II at a maximum of 5.461 MW at any given time during the cooperation period. The contract is valid for ten (10) years from the date when the Company commences delivery of contracted capacity.

On March 15, 2013, the company and Camiguin Electric Cooperative, Inc. (CAMELCO) entered a Power Supply Agreement (PSA) wherein the company will supply electricity at a maximum of 4.0 MW. The contract will run a term of ten (10) years from the date when the Company commences delivery of contracted capacity.

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The Company and Misamis Occidental II Electric Cooperative, Inc. (MOELCI II) and Misamis Occidental I Electric Cooperative. Inc. (MOELCI I) agreed on the Power Supply Agreement (PSA) issued on July 31, 2012 and August 02, 2012, respectively. MOELCI II has a contracted capacity of 10.0 MW, and MOELCI I have a contracted capacity of 3.760 MW. The power supply for both MOELCI I and MOELCI II is generated from Misamis Occidental Power Plant 2 with a total dependable capacity of 15.0 MW. The agreement has a term of ten (10) years from the date when the Company commences delivery of contracted capacity.

On February 08, 2011, the Company entered into a Power Supply Agreement (PSA) with MORESCO II with a contracted capacity of 9.4 MW. The power supply is generated from Misamis Oriental Power Plant 1 with a dependable capacity of 10.0MW. The agreement has a term of ten (10) years from the date when the Company commences delivery of contracted capacity.
On January 20, 2011, the company and FIBECO entered a Power Supply Agreement (PSA) wherein the company will supply electricity at a contracted capacity of 3.0 MW. The power supply is generated from Bukidnon Power Plant 1 with a dependable capacity of 3.0 MW. The agreement has a term of ten (10) years from the date when the Company commences delivery of contracted capacity.

Fuel Supply and Management Agreement
Pursuant to the Power Supply Agreement, the Company also entered into a FSMA with Chemfour Inc. to ensure the continued and timely supply of fuel and lube oil to the power plant in the needed quantities and qualities and to put in place a transparent process in order to ensure at all times the lowest cost thereof. The Company shall own the storage tanks and dispensing pumps that will be installed at the power plant and all the structures, fixtures and equipment used in connection with the supply of fuel and lube oil.

Power Plant Operating and Maintenance Agreement
The Company has entered into a fixed and variable agreement with Galaxy Power Solutions, Inc. for monthly maintenance of power plant. The fixed contract relates to manpower services while the variable contract refers to additional cost for the plant to operate effectively and efficiently.

Cost of Service
This account consists of:

	Notes	2021	2020
Depreciation	*5*	P **288,315,070**	P 305,926,716
Operating and maintenance cost		**280,146,856**	205,137,820
Fuel costs		**130,290,122**	81,535,701
Taxes and licenses		**35,380,359**	35,305,361
Light and water		**10,826,632**	11,675,232
Insurance		**11,177,946**	11,011,290
Personnel	*18*	**8,439,328**	7,984,397
NGCP domestic lease line		**3,136,754**	4,937,142
Transmission cost		**3,294,773**	1,959,276
Others		**15,735**	228,685
		P **771,023,575**	P 665,701,620



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NOTE 18 – EMPLOYEES' SALARIES, WAGES AND OTHER BENEFITS

This account consists of:

		2021	2020
Salaries and wages		P 17,178,924	P 17,932,612
Employee benefits		4,788,524	6,263,607
SSS, PhilHealth and HDMF contributions		1,896,870	1,596,376
Provision for retirement	*14*	970,143	1,020,509
		P 24,834,461	P 26,813,104

Employees, salaries, and wages and other benefits are charged as follows:

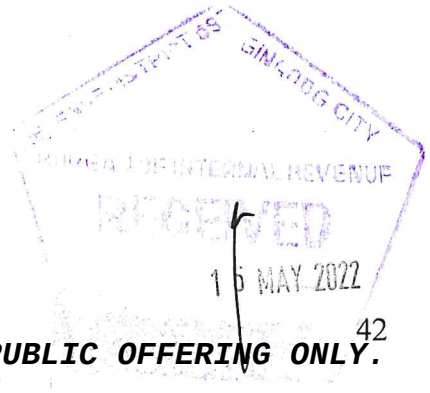
Cost of service	P 8,439,328	P 7,984,397
Operating expenses	16,395,133	18,828,707
	P 24,834,461	P 26,813,104

NOTE 19 – OTHER OPERATING EXPENSES

This account consists of:

	Notes		
Entertainment, amusement and recreation		P 10,022,731	P 2,037,963
Repairs and maintenance		8,160,601	3,914,204
Consulting services		7,221,373	-
Research and development		6,275,997	3,948,827
Loss on disposal and property damages	*5*	6,180,711	6,138
Gas, oil and lubricants		4,897,115	916,372
Trainings and seminars		1,761,891	1,204,411
Professional and legal fees		1,740,400	5,721,709
Postage and communication		1,695,843	1,392,930
Transportation and travel		618,601	4,305,753
Corporate social responsibilities		587,749	4,044,276
Rentals	*20*	458,225	491,479
Insurance		373,620	379,677
Light, power and water		296,384	48,933
Others		1,759,424	37,983
		P 52,050,665	P 28,450,655

Others pertains to penalties and surcharges, bank charges, meals and other incidental expenses.



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NOTE 20 – LEASES

The Company as a Lessee

The Company is a lessee under short term and cancellable operating leases for one of its office and parking space. The total amount of rental expense on short term lease amounted to **P458,225** in 2021 and P491,479 in 2020.

The Company do not have long term and noncancellable lease contracts requiring the application of PFRS 16 as at December 31, 2021 and 2020.

NOTE 21 – TAX EXPENSE

The component of deferred tax follow:

	2021	2020
Retirement benefit obligation	P **1,224,314**	P -
Allowance for impairment of receivables	**890,927**	-
	P **2,115,241**	P -

A reconciliation of tax on pretax income computed at the applicable statutory rates to tax expense reported in the statements of comprehensive income is as follows:

Statutory tax rate at 25%	P **22,009,490**	P 24,186,524
Add (deduct) the tax effect of the following:		
Nondeductible items	**6,608,901**	6,717,048
Nontaxable items	**(3,674,388)**	(3,754,441)
	24,944,003	27,149,131
Tax expense – deferred	**(2,115,241)**	
	P **22,828,762**	P 27,149,131

NOTE 22 – EARNINGS PER SHARE

The following table presents information necessary to calculate the earnings per share:

Net income	P **65,209,201**	P 69,596,967
Weighted average number of shares	**15,891,333**	7,500,000
Earnings per share	P **4.10**	P 9.28

There are no potential dilutive ordinary shares for the years ended December 31, 2021 and 2020.

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The weighted average number of ordinary shares used as the denominator in calculating the basic EPS as at December 31, 2021 and 2020 follows:

2021			
Date	**Number of shares issued**	**Number of shares outstanding**	**Weighted average no. of shares**
January 1, 2021	**7,500,000**	**7,500,000**	**7,500,000**
January 2021	**7,500,000**	**15,000,000**	**7,500,000**
December 2021	**10,696,000**	**25,696,000**	**891,333**
December 31, 2021	**25,696,000**		**15,891,333**

2020			
Date	Number of shares issued	Number of shares outstanding	Weighted average no. of shares
January 1, 2020	7,500,000	7,500,000	7,500,000
December 31, 2020	7,500,000	7,500,000	7,500,000

NOTE 23 – RESTATEMENTS AND RECLASSIFICATIONS

- Balance of some accounts in 2020 has been restated from amounts previously reported to give retroactive effect concerning certain transactions in prior years as follows:

Statement of Financial Position (extract)	2020	Adjustments	**2020 *(As restated)***
Generation plant, property and equipment	P 4,162,806,134	P 2,050,000	**P 4,164,856,134**
Trade and other receivables	705,754,336	(180,000,000)	**525,754,336**
Loans and borrowings - current	-	218,750,000	**218,750,000**
Loans and borrowings - noncurrent	1,222,083,333	(488,750,000)	**733,333,333**
Trade and other payables - current	842,993,177	(401,523,292)	**441,469,885**
Trade and other payables – noncurrent	-	493,573,292	**493,573,292**
Income tax payable	6,724,699	(2,468,103)	**4,256,596**

Statement of Comprehensive Income (extract)	2020	Adjustments	**2020 *(As restated)***
Tax expense – current	P 29,617,234	(P 2,644,311)	**P 26,972,923**

- Certain accounts in the 2020 financial statements were reclassified and rearranged to conform to the 2021 presentation of accounts. These reclassifications had no effect on previously reported statement of comprehensive income.



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NOTE 24 – FINANCIAL RISK AND CAPITAL MANAGEMENT

Financial Risk Management

The Company has exposure to the following risks from its use of financial instruments: credit risk and liquidity risk. The Board of Directors reviews and approves policies for managing each of these risks.

Credit Risk
Credit risk is the risk that a third party will fail to discharge its obligation to the Company and cause the Company to incur financial losses.

The Company's exposure to credit risk is inherent in the nature of its business as well as the laws and regulations governing the industry. The Company's policy is to evaluate the financial capabilities of its customers in order to determine whether the Company will be exposed to a high credit risk. The credit risk is mitigated through periodic progress billings and collections while the debtors are still enrolled in the Company. This practice also helps the Company identify accounts which will possibly be problem accounts.

The Company reviews, on as regular basis, the aging of its receivables and identifies possible uncollectible accounts based on the profile of the receivables. An analysis of the profile of debtors is also performed monthly to evaluate the significance of the credit risk that the Company is facing.

With respect to credit risk arising from the other financial assets of the Company, which comprise mainly of cash and short-term investments, the Company's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. However, the company's customers are mainly government offices which risk for non-collection is likely to be low.

The table below shows the credit quality of financial assets as of December 31, 2021 and 2020.

	2021			
	Neither past due	**Past Due**		
	nor impaired	**Not impaired**	**Impaired**	**Total**
Financial assets:				
Cash	**P 155,295,077**	**P -**	**P -**	**P 155,295,077**
Trade and other receivables	**554,127,649**	**-**	**3,563,708**	**550,563,941**
	P 709,422,726	**P -**	**P 3,563,708**	**P 705,859,018**

	2020			
	Neither past due	Past Due		
	nor impaired	Not impaired	Impaired	Total
Financial assets:				
Cash	P 124,056,712	P -	P -	P 124,056,712
Trade and other receivables	525,754,336	-	-	525,754,336
	P 649,811,048	P -	P -	P 649,811,048



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Credit Risk Exposure
The table below shows the maximum exposure to credit risk of the Company as at December 31, without considering the effects of collaterals and other credit risk mitigation techniques:

As at December 31, 2021

	Gross Maximum Exposure (a)	Fair Value and financial effect of collateral or credit enhancement (b)	Net Exposure (c) = (a) – (b)
Financial assets:			
Cash	**P 155,295,077**	**P -**	**P 155,295,077**
Trade and other receivables	**554,127,649**	**-**	**554,127,649**
	P 709,422,726	**P -**	**P 709,422,726**

As at December 31, 2020

	Gross Maximum Exposure (a)	Fair Value and financial effect of collateral or credit enhancement (b)	Net Exposure (c) = (a) – (b)
Financial assets:			
Cash	P 124,056,712	P -	P 124,056,712
Trade and other receivables	525,754,336	-	525,754,336
	P 649,811,048	P -	P 649,811,048

Liquidity Risk
Liquidity risk is the risk that the Company will encounter difficulty in raising liquid funds to meet commitments as they fall due.

The Company's policy is to continue to fund its working capital requirements as well as capital projects through external sources. Treasury controls and procedures are in place to ensure that sufficient cash is maintained to cover daily operational and working capital requirements.

The Company manages liquidity risk by forecasting projected cash flows and maintaining a balance between continuity of funding and flexibility of its funds availability to meet expected maturing liabilities.

The outstanding unpaid loan availment from local banks as at December 31, 2021 and 2020 amounted to **P745,355,942** and P952,083,333, respectively. *(See Note 13)*

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The table below summarizes the maturity profile of financial instruments based on its contractual undiscounted cash flows. The maturity grouping of financial assets and financial liabilities is based on the remaining period from the end of the reporting period to be contractual maturity date. When counterparty has a choice of when the amount is paid, the liability is allocated to the earliest period in which the Company can be required to pay.

December 31, 2021

	Total	On Demand	<3 months	3-12 months	1-5 years	>5 years
Financial assets						
Cash *(Note 8)*	**P 155,295,077**	**P 155,295,077**	**P -**	**P -**	**P -**	**P -**
Trade and other receivables *(Note 9)*	**554,127,649**	**554,127,649**	**-**	**-**	**-**	**-**
	P 709,422,726	**P 709,422,726**	**P -**	**P -**	**P -**	**P -**
Financial liabilities						
Trade and other payables *(Note 15)*	**P 853,546,134**	**P 460,181,806**	**P -**	**P -**	**P 393,364,328**	**P -**
Loans and borrowings *(Note 13)*	**745,355,942**	**17,078,710**	**34,157,420**	**153,708,394**	**540,411,418**	
	P 1,598,902,076	**P 477,260,516**	**P 34,157,420**	**P153,708,394**	**P 933,775,746**	**P -**
Net asset (liability)	**(P 889,479,350)**	**P 232,162,210**	**(P34,157,420)**	**(P153,708,394)**	**(P 933,775,746)**	**P -**

December 31, 2020

	Total	On Demand	<3 months	3-12 months	1-5 years	>5 years
Financial assets						
Cash *(Note 8)*	P 124,056,712	P 124,056,712	P -	P -	P -	P -
Trade and other receivables *(Note 9)*	525,754,336	525,754,336	-	-	-	-
	P 649,811,048	P 649,811,048	P -	P -	P -	P -
Financial liabilities						
Trade and other payables *(Note 15)*	P 935,043,178	P 441,469,886	P -	P -	P 493,573,292	P -
Loans and borrowings *(Note 13)*	952,083,333	35,828,710	34,157,420	148,763,870	733,333,333	-
	P 1,887,126,511	P 477,298,596	P 34,157,420	P 148,763,870	P 1,226,906,625	P -
Net asset (liability)	(P 1,237,315,463)	P 172,512,452	(P34,157,420)	(P148,763,870)	P 1,226,906,625	P -

Capital Management

The Company's objective when managing capital are to increase the value of fund available for the Company's operations and maintain growth by applying free cash flow to selective investments.

The Company's source of capital is mainly from external borrowings. The Chief Finance Officer of the Company has the overall responsibility for monitoring of capital requirements and its availability for Company operational and capital expenditures. The above capital management objective and policy did not change during the current period. The Company is not subject to externally imposed capital requirements unless required by regulatory agencies (i.e. ERC, NEA, etc.).

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As at December 31, 2021 and 2020, the Company's debt ratio and net debt ratio are as follows:

Debt Ratio

	2021	2020
Total debt (a)	P 1,605,366,703	P 1,896,280,361
Total equity	3,135,598,316	3,050,827,547
Total debt and equity (b)	P 4,740,965,019	P 4,947,107,908
Debt ratio (a/b)	34%	38%

Net Debt Ratio

Total debt	P 1,605,366,703	P 1,896,280,361
Less: Cash	155,295,077	124,056,712
Net debt (a)	1,450,071,626	1,772,223,649
Total equity	3,135,598,316	3,050,827,547
Total debt and equity (b)	P 4,585,669,942	P 4,823,051,196
Debt ratio (a/b)	32%	37%

NOTE 25 – FAIR VALUE MEASUREMENT

Set out below is a comparison of carrying value and fair value of the Company's financial instruments as of December 31, 2021 and 2020:

	2021			
	Carrying value		Fair value	
Financial assets				
Cash	P	155,295,077	P	155,295,077
Trade and other receivables		550,563,941		550,563,941
	P	705,859,018	P	705,859,018
Financial liabilities				
Trade and other payables	P	853,546,134	P	853,546,134
Loans and borrowings		745,355,942		745,355,942
	P	1,598,902,076	P	1,598,902,076

	2020			
	Carrying value		Fair value	
Financial assets				
Cash	P	124,056,712	P	124,056,712
Trade and other receivables		525,754,336		525,754,336
	P	649,808,048	P	649,808,048

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	Carrying value	Fair value
Financial liabilities		
Trade and other payables	P 935,043,178	P 935,043,178
Loans and borrowings	952,083,333	952,083,333
	P 1,887,126,511	P 1,887,126,511

Fair value is defined as the amount at which the financial instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in a forced liquidation or sale. Fair values are obtained from quoted market prices, discounted cash flow models, recent arm's length market transaction, option pricing models and other relevant valuation models, as appropriate.

The carrying value of cash, trade and other receivables, trade and other payables, current portion of long-term debt approximate their fair values due to the relatively short-term maturities of the financial instruments or short-term nature of transactions.

Noncurrent portion of the loans payable are carried at the outstanding principal amounts of the loan which approximates their fair values.

NOTE 26 – OTHER MATTERS AND SUBSEQUENT EVENTS

- In December 2019, COVID-19 was reported to have surfaced in China. The World Health Organization has declared the outbreak as a 'public health emergency of international concern'. COVID-19 started to become widespread in the Philippines in early March 2020 causing the government to declare the country in a state of public health emergency followed by the implementation of enhanced quarantine and social distancing measures and restrictions within the Luzon area with other cities and provinces in the country enacting similar measures thereafter. This resulted in a wide-ranging business interruption such as disrupting supply chains and affecting production and sales across a range of industries.

  On April 30, 2020, President Rodrigo R. Duterte, through Executive Order No. 112, has approved Resolution No. 30 of the Inter-Agency Task Force IATF for the Management of Emerging Infectious Disease containing the omnibus guidelines for the implementation of ECQ and general community quarantine (GCQ) for the period May 1 to May 15, 2020 that will apply to all regions, provinces, cities or areas placed under ECQ or GCQ to prevent the spread of COVID-19. As of December 31, 2021, Gingoog City, and the whole of Misamis Oriental is still under Alert Level 2.

  The COVID-19 pandemic affected the Company's operations as follows:

  - Slowdown of ongoing construction projects due to work stoppage;
  - Slow collection of receivables caused by the slow collection rate of the customers from end users; and
  - Delays in the delivery of goods and supplies due to strict travel protocols.

  In order for the Company to fully adapt the new normal, it has implemented the following measures:

  - Strict observance of the social distancing requirements;
  - Requiring clients and employees to always wear face mask and face shields;
  - Plans to pursue digitalization initiatives and maximizing digital transactions;
  - Streamline and/or restructure business operations (i.e., minimize face to face interactions);
  - Skeletal workforce and shortened office hours.

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The Company's assessment will further depend on certain developments, including the duration and spread of the outbreak, impact on Company's customers, employees, and the accessibility and effectiveness of government support programs.

- On October 21, 2021, the Company filed a motion for a partial reconsideration with the Energy Regulatory Commission (ERC) per ERC Case No. 2014-119 RC entitled " In the Matter of Application for the Approval of the Power Supply Agreement (PSA) between Camiguin Electric Cooperative, Inc. (CAMELCO) and King Energy Generation, Inc. (KEGI) with prayer for the issuance of provisional authority". The partial reconsideration was filed as it seek reconsideration of the ERC's decision which would have an impact to the financial flow of KEGI in its Camiguin Power Plant. The motion is still pending as at December 31, 2021.

- Under section 43 (t) of the EPIRA law and Rule 3 section 4(m) of its implementing rules and regulations, the generation companies as well as distribution utilities are mandated "to offer or sell to the public a portion of not less 15% of their common stock. As at December 31, 2021, the Company is still in the process of complying with the requirements.

- The Company's financial statements as at December 31, 2021 were approved and authorized for issue by the board of directors on May 10, 2022 and were signed on its behalf by Engr. Gilbert Rodriguez, General Manager.

NOTE 27 – SUPPLEMENTARY INFORMATION REQUIRED BY THE BUREAU OF INTERNAL REVENUE

The President of the Philippines signed into law on March 26, 2021 the CREATE Act to attract more investments and maintain fiscal prudence and stability in the Philippines. Republic Act (RA) 11534 or the CREATE Act introduces reforms to the corporate income tax and incentives systems. It took effect on April 11, 2021 (15 days after its complete publication in the Office Gazette or in a newspaper of the general circulation).

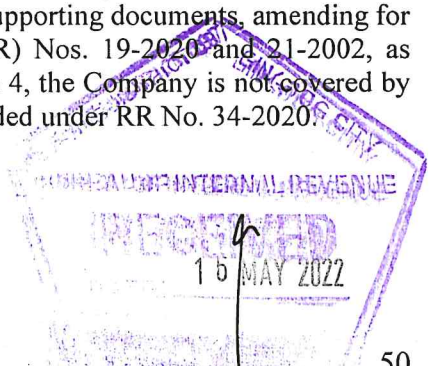
The following are the key changes to the Philippine tax law pursuant to the CREATE Act:

- Effective July 1, 2020, regular corporate income tax (RCIT) rate is reduced from 30% to 25% or 20% as applicable for domestic and resident foreign corporations. For domestic corporations with net taxable income not exceeding P5 Million and with total assets not exceeding P100 Million (Excluding land on which the business entity's office, plant and equipment are situated) during the taxable year, the RCIT rate is to 25% or 20% as applicable.

- Minimum corporate income tax (MCIT) rate reduced from 2% to 1% of gross income effective July 1, 2020 to June 30, 2023.

The CREATE Act do not have a significant impact on the Company's financial statements.

On December 18, 2020, the BIR issued RR No. 34-2020, to prescribe the guidelines and procedures for the submission of BIR Form No. 1709 (Information Return on Related Party Transactions (Domestic and/or Foreign), Transfer Pricing Documentation (TPD) and other supporting documents, amending for this purpose the pertinent provisions of Revenue Regulations (RR) Nos. 19-2020 and 21-2002, as amended by RR No. 15-2010. Pursuant to Section 2(D) and Section 4, the Company is not covered by the requirements and procedures for related party transactions provided under RR No. 34-2020.



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Revenue Regulations (RR) No. 15-2010 (issued on December 10, 2010), an act amending certain provisions of RR No. 21-2002, provides that effective December 10, 2010, the disclosures on the Notes to Financial Statements as mandated under PFRS and such other standards and/or conventions as may heretofore be adopted, shall include information on taxes paid or accrued during the taxable year. The amounts relating to such information may not necessarily be the same with those amounts disclosed in the financial statements which were prepared in accordance with PFRS.

In compliance to the foregoing RR, the following taxes were paid/accrued by the Company as at December 31, 2021:

Output VAT
The Company is VAT registered with output tax declaration of **P113,752,880** for the year based on the amount of collected services.

Input VAT
The amounts of VAT input taxes claimed are broken down as follow:

Beginning of the year	**P 15,943,348**
Current year's domestic purchases:	
Goods other than capital goods	**44,530,001**
Services	**11,945,210**
Claims for tax credit/ refund and other adjustments	**(65,801,877)**
Balance at the end of the year	**P 6,616,682**

Withholding Taxes
The total amount of tax withheld and remitted to the BIR are as follows:

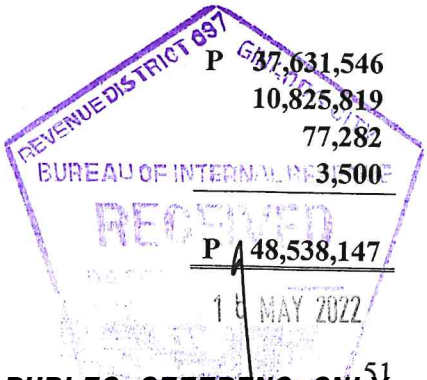
Expanded	**P 4,787,850**
Compensation	**1,160,187**
	P 5,948,037

Documentary stamp tax (DST)
The DST paid/accrued in 2021 follows:

	Gross Amount	DST
On original issuance of shares	**P 1,069,600,000**	**P 10,696,000**
On financing loans	**8,757,422**	**113,282**
On insurance	**130,211**	**16,537**
	P 1,078,487,633	**P 10,825,819**

Local and National Taxes
Other local and national taxes paid and accrued in 2021 reported under cost of services and taxes and licenses account follows:

Permits, accreditation, business permit and local taxes	**P 37,631,546**
Documentary stamp tax	**10,825,819**
LTO registration	**77,282**
BIR annual registration	**3,500**
	P 48,538,147



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COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

C	S	2	0	1	0	1	9	6	9	3

Tax Identfication Number

0	0	7	[redacted]	9	3	5	[redacted]	6	2	9

Company Name

KING ENERGY GENERATION, INC.

Principal Office (No./Street/Barangay/City/Town)Province)

MISAMIS ORIENTAL POWER PLANT 1

(MOPP1) BRGY. SAN LUIS, GINGOOG

CITY

Form Type	Department requiring the report	Secondary License Type, If Applicable
AFS	SEC	NA

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number/s	Mobile Number
kegi@kingenergy.info	227-7104	09178024216

No. of Stockholders	Annual Meeting Month/Day	Fiscal Year Month/Day
26	March 11	December 31

CONTACT PERSON INFORMATION

The designated contact person ***MUST*** be an Officer of the Corporation

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
ENGR. GILBERT J. RODRIGUEZ	grj033@yahoo.com	227-7104	NA

Contact Person's Address

B10L5 PROMISE LAND SUBD. TAGOLOAN MIS OR

Note: In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

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Large Taxpayers Service
Date MAY 0 2 2023
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KING ENERGY GENERATION, INC.

Brgy. San Luis, Gingoog City, Misamis Oriental

CONTENTS

- **CERTIFICATION ISSUED IN COMPLIANCE WITH SRC RULE 68 (STOCKHOLDERS AND STOCKHOLDINGS)**
- **STATEMENT OF MANAGEMENT'S RESPONSIBILITY**
- **INDEPENDENT AUDITORS' REPORT**
- **FINANCIAL STATEMENTS**
  December 31, 2021
  (With comparative figures for 2020)
  - Statement of Financial Position
  - Statement of Income
  - Statement of Changes in Equity
  - Statement of Cash Flows
  - Notes to Financial Statements

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Large Taxpayers Division-Davao
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Baconga Patriana & Co.
Certified Public Accountants

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EXHIBIT 12

BP&Co.
BACONGA PATRIANA & Co.
Certified Public Accountants

PRC/BOA Accreditation No. 2431
SEC Accreditation No. 0393-F
NEA Accreditation No. 2013-10
Bangko Sentral ng Pilipinas (BSP) Accredited
CDA CEA No. 0027-AF

6th Floor TTK Tower
Imperial Appliance Plaza Bldg.
Don Apolinar Velez Street.
9000 Cagayan de Oro City
Telefax No. +63 (08822) 714729 or 8566498
Email Address: cpas_bprcdo@yahoo.com.ph
Website: www.bpandcompany.com

The Board of Directors and Stockholders
KING ENERGY GENERATION, INC.
Brgy. San Luis, Gingoog City, Misamis Oriental

We have examined the financial statements of **KING ENERGY GENERATION, INC.** for the year then ended December 31, 2022, on which we have rendered the attached report dated April 17, 2023.

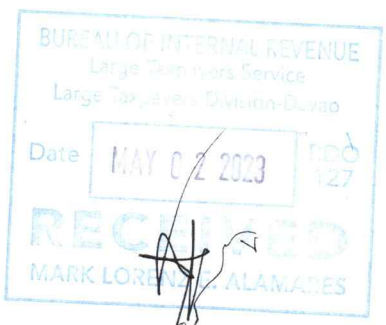
In compliance with SRC rule 68, we are stating that the said Company has a total number of 26 stockholder owning 100 or more shares each.

BACONGA PATRIANA & CO.
By:

JESERIO C. LONON, JR.
Partner
CPA Certificate No. 0123245
TIN No. 948-861-793
PTR No. 5573552 A - January 3, 2023, Cagayan de Oro City
Partner's SEC Accreditation No. 1810-A, July 7, 2020 to July 7, 2023
BIR AN 16-005517-003-2022, June 29, 2022 to June 29, 2025

Firm BOA/PRC Cert. of Reg. No. 2431, September 15, 2020 to October 8, 2023
Firm SEC Accreditation No. 0393-F, July 7, 2020 to July 7, 2023
Firm NEA Accreditation No. 2022-08-00091, October 30, 2022 to October 29, 2025
Firm BSP Selected External Auditors for Institutions under Category B
valid for 2021, 2022, 2023, 2024 and 2025 audit periods and AFS

Cagayan de Oro City
April 17, 2023



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BP&Co.
BACONGA PATRIANA & Co.
Certified Public Accountants

PRC/BOA Accreditation No. 2431
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9000 Cagayan de Oro City
Telefax No. +63 (08822) 714729 or 8566498
Email Address: cpas_bprcdo@yahoo.com.ph
Website: www.bpandcompany.com

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders
KING ENERGY GENERATION, INC.
San Luis, Gingoog City

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **KING ENERGY GENERATION, INC.** ("the Company"), which comprise the statements of financial position as at December 31, 2022 and 2021, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of **KING ENERGY GENERATION, INC.** as at December 31, 2022 and 2021, and of its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the Philippines, the *Code of Ethics for Professional Accountants in the Philippines,* and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matter

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a hole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matters below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, included in the procedures performed to address the matter below, provide the basis of our audit opinion on the accompanying financial statement.

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Revenue Recognition from Sale of Power
The Company's revenue from the sale of power amounting to P1,045 million arises from its service contracts to the customers comprising mainly from electric cooperatives and government agencies located within its franchise areas. This matter is significant to our audit because the revenue recognized depends on the contract with the electric cooperatives and government agencies which normally includes fixed rates and variable rates. The variable component depends on the electric consumption captured based on meter readings, as obtained on various meter reading dates and is computed and applied based on the Energy Regulatory Commission (ERC)-approved formulae, which vary depending on the types of customers and reliability of the billing system in processing transactions. Disclosures related to this matter are provided in Notes 3 and 17 to the financial statements.

Audit Response
We obtained an understanding of the revenue recognition process, which includes capturing electric consumption, uploading captured electric consumption to the billing system, calculating billed amounts based on the contracts and on ERC-approved rates and uploading data from the billing system to the financial reporting system. We also evaluated and tested the design of the relevant controls over these processes. We also performed test recalculation of billed amounts using the contract and ERC-approved rates and formulae, and compared them with the amounts reflected in the billing statements.

Emphasis of Matters
We draw attention to Note 26 to the financial statements, which describes management's assessment of the impact of the COVID-19 pandemic to the Company's operations and performance as of December 31, 2021.

We draw attention to Note 25 to the financial statements, which discussed the restatements and reclassifications of certain accounts in 2020. Sufficient audit procedures have been applied as to the appropriateness of the restatements/reclassifications and the same have been communicated to the appropriate level of the management and those charged with governance and requested that the predecessor auditor is informed.

Our opinion is not modified in respect of these matters.

Other Matter
The financial statements of **KING ENERGY GENERATION, INC.** for the year ended December 31, 2020 were audited by another auditors whose report dated April 13, 2021 on those statements were unqualified. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Sheet), SEC Form 17-A and Annual report for the year ended December 31, 2022, but does not include the financial statements and our auditors' report thereon. The SEC Form 20-IS, SEC Form 17-A and Annual Report for the year ended December 31, 2022 are expected to be made available to use after the date of this auditors' report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

Date MAY 02 2023
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In connection with our audits of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with PFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



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- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and therefore the key audit matters. We described these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extreme rare circumstances, we determine that a matter should not be communicated in our report because of the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditors' report is Jeserio G. Lonon Jr.

BUREAU OF INTERNAL REVENUE
Large Taxpayers Service
Date MAY 0 2 2023
RDO 127
MARK LORENZ E. ALAMARES

Report on the Supplementary Information Required by the Bureau of Internal Revenue

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information in Note 26 to the financial statements are presented for purposes of filing with the Bureau of Internal Revenue and are not a required part of the basic financial statements. Such information is the responsibility of management. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

BACONGA PATRIANA & CO.
By:

JESERIO C. LONON, JR.
Partner
CPA Certificate No. 0123245
TIN No. 948-861-793
PTR No. 5573552 A - January 3, 2023, Cagayan de Oro City
Partner's SEC Accreditation No. 1810-A, July 7, 2020 to July 7, 2023
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valid for 2021, 2022, 2023, 2024 and 2025 audit periods and AFS

Cagayan de Oro City
April 17, 2023

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Large Taxpayers Division Davao
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KING ENERGY GENERATION, INC.

STATEMENT OF FINANCIAL POSITION
December 31, 2022 and 2021
(With Comparative Figures 2020)

	Notes		2022		2021		(As Restated) 2020
ASSETS							
Noncurrent Assets							
Generation plant, property and equipment, *net*	5	P	**3,629,912,062**	P	3,871,181,013	P	4,164,856,134
Investment in associate	6		**13,170,584**		17,077,809		23,555,201
Deferred tax asset	21		**5,912,997**		2,115,241		-
Other noncurrent asset	7		**216,000**		216,000		-
Total Noncurrent Assets			**3,649,211,643**		3,890,590,063		4,188,411,335
Current Assets							
Cash	8		**50,996,810**		155,295,077		124,056,712
Trade and other receivables	9		**691,830,999**		550,563,941		525,754,336
Inventories	10		**95,259,097**		104,225,698		59,255,047
Prepayments and other current assets	11		**49,283,528**		40,290,240		49,630,478
Total Current Assets			**887,370,434**		850,374,956		758,696,573
TOTAL ASSETS		P	**4,536,582,077**	P	4,740,965,019	P	4,947,107,908
EQUITY AND LIABILITIES							
Equity		P	**3,151,158,963**	P	3,135,598,316	P	3,050,827,547
Noncurrent Liabilities							
Loans and borrowings, *net of current portion*	13		**336,741,650**		540,411,418		733,333,333
Trade and other payables, noncurrent	15		**309,347,089**		393,364,328		493,573,292
Retirement liabilities	14		**4,810,028**		4,897,255		4,897,254
Total Noncurrent Liabilities			**650,898,767**		938,673,001		1,231,803,879
Current Liabilities							
Loans and borrowings	13		**204,944,524**		204,944,524		218,750,000
Trade and other payables	15		**529,579,823**		460,181,806		441,469,886
Income tax payable			**-**		1,567,372		4,256,596
Total Current Liabilities			**734,524,347**		666,693,702		664,476,482
Total Liabilities			**1,385,423,114**		1,605,366,703		1,896,280,361
TOTAL LIABILITIES AND EQUITY		P	**4,536,582,077**	P	4,740,965,019	P	4,947,107,908

(The notes on pages 8 to are and 53 integral parts of these financial statements)

BUREAU OF INTERNAL REVENUE
Large Taxpayers Service
Date: MAY 02 2023
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KING ENERGY GENERATION, INC.

STATEMENT OF COMPREHENSIVE INCOME
For the Year Ended December 31, 2022, and 2021
(With Comparative Figures for 2020)

	Notes		2022		2021		(As Restated) 2020
SALE OF POWER	17	P	**1,045,512,292**	P	1,078,296,268	P	1,013,735,821
COST OF SERVICE	17		**827,787,580**		771,023,575		665,701,620
GROSS INCOME			**217,724,712**		307,272,693		348,034,201
OPERATING EXPENSES							
Depreciation	5		**26,647,620**		25,737,328		22,295,122
Employees salaries, wages, and other benefits	18		**21,641,609**		16,395,133		18,828,707
Provision for impairment losses	9		**10,380,997**		17,164,448		14,851,979
Taxes and licenses			**2,526,711**		13,157,788		14,339,673
Security services			**7,548,823**		8,388,886		8,575,899
Other operating expenses	19		**63,061,502**		52,050,665		28,450,655
			131,807,262		132,894,248		107,342,035
OPERATING INCOME BEFORE FINANCE INCOME AND FINANCE COST			**85,917,450**		174,378,445		240,692,166
Interest and other income			**42,813**		88,238		165,785
Finance cost	13		**(36,466,455)**		(78,901,330)		(141,968,054)
			(36,423,642)		(78,813,092)		(141,802,269)
INCOME BEFORE OTHER EXPENSE			**49,493,808**		95,565,353		98,889,897
Share in net loss of associate	6		**(3,907,225)**		(7,527,390)		(2,143,799)
INCOME BEFORE TAX EXPENSE			**45,586,583**		88,037,963		96,746,098
TAX EXPENSE	21						
Current			**14,223,692**		24,944,003		27,149,131
Deferred			**(3,797,756)**		(2,115,241)		-
			10,425,936		22,828,762		27,149,131
NET INCOME			**35,160,647**		65,209,201		69,596,967
OTHER COMPREHENSIVE LOSS							
Actuarial loss on retirement liabilities	14		-		(38,432)		-
TOTAL COMPREHENSIVE INCOME		P	**35,160,647**	P	65,170,769	P	69,596,967
EARNINGS PER SHARE	22	P	**1.38**	P	4.10	P	9.28

(The notes on pages 8 to are and 53 integral parts of these financial statements)

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Large Taxpayers Service
Large Taxpayers Division Davao
Date MAY 02 2023
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KING ENERGY GENERATION, INC.

STATEMENT OF EQUITY
For the Year Ended December 31, 2022, and 2021
(With Comparative Figures for 2020)

	Notes	2022	2021	*(As Restated)* 2020
CAPITAL STOCK	*12*			
Authorized - 30 Million shares in 2022 and 2021				
Subscribed and issued - 25,500,000 shares in 2022 and 25,696,000 shares in 2021				
Balance, January 1		**2,569,600,000**	750,000,000	750,000,000
Additional subscriptions during the year	*12*	**2,200,000**	1,819,600,000	-
Balance, December 31		**2,571,800,000**	2,569,600,000	750,000,000
TREASURY SHARES	*12*			
218,000 shares in 2022 and 0 in 2021		**(21,800,000)**	-	-
SHARE PREMIUM				
Balance, January 1		**337,469,946**	-	-
Additions during the period		-	337,469,946	-
Balance, December 31		**337,469,946**	337,469,946	-
DEPOSIT FOR FUTURE STOCK SUBSCRIPTIONS				
Balance, January 1		-	2,137,469,946	-
Converted to shares during the period	*12*	-	(2,137,469,946)	2,137,469,946
Balance, December 31		-	-	2,137,469,946
RETAINED EARNINGS				
Balance, January 1		**228,566,802**	163,357,601	93,760,634
Net income		**35,160,647**	65,209,201	69,596,967
Balance, December 31		**263,727,449**	228,566,802	163,357,601
CUMULATIVE REMEASUREMENT LOSS ON RETIREMENT LIABILITY				
Balance, January 1		**(38,432)**	-	-
Other comprehensive loss	*14*	-	(38,432)	-
Balance, December 31		**(38,432)**	(38,432)	-
TOTAL EQUITY		**P 3,151,158,963**	P 3,135,598,316	P 3,050,827,547

(The notes on pages 8 to are and 53 integral parts of these financial statements)

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Large Taxpayers Processing Unit
Date MAY 02 2023
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KING ENERGY GENERATION, INC.

STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2022, and 2021
(With Comparative Figures for 2020)

	Notes	2022	2021	(As Restated) 2020
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before tax expense		P **45,586,583**	P 88,037,963	P 96,746,098
Adjustments for:				
Depreciation	5	**303,168,896**	314,052,398	328,221,838
Provision for impairment of receivables	9	**10,380,997**	17,164,448	14,851,979
Provision for retirement expense	18	**431,973**	970,143	1,020,509
Loss on investment with associate	6	**3,907,225**	7,527,390	2,143,799
Finance cost	13	**36,466,455**	78,901,330	141,968,054
Loss (gain) on disposal and property damages	5	**(4,003)**	6,180,711	6,138
Operating income before working capital changes		**399,938,126**	512,834,383	584,958,415
Decrease (increase) in assets				
Trade and other receivables		**(148,084,347)**	(28,373,313)	(182,575,695)
Inventories and prepayments and other current assets		**7,185,890**	(35,630,412)	47,675,148
Increase (decrease) in liabilities				
Trade and other payables		**(14,509,222)**	(81,497,044)	(15,571,520)
Cash flows from operating activities		**244,530,447**	367,333,614	434,486,348
Finance cost paid	13	**(36,466,455)**	(78,901,330)	(141,968,054)
Retirement benefits paid	14	**(519,200)**	(1,008,574)	-
Income tax paid		**(23,003,641)**	(27,633,227)	(24,001,150)
Write-off of receivables	9	**(3,563,708)**	(13,600,740)	(14,851,979)
Net cash flows from operating activities		**180,977,443**	246,189,743	253,665,165
CASH FLOWS USED IN INVESTING ACTIVITIES				
Acquisition of generation plant, property and equipment	5	**(62,038,189)**	(26,575,073)	(37,092,202)
Proceeds from disposal of asset	5	**32,247**	17,086	-
Additional investment in associate	6	-	(1,050,000)	-
Additions to other noncurrent assets	7	-	(216,000)	-
Net cash flows used in investing activities		**(62,005,942)**	(27,823,987)	(37,092,202)
CASH FLOWS FROM FINANCING ACTIVITIES				
Availment of loans and borrowings	13	-	12,496,364	-
Payment on loans and borrowings	13	**(203,669,768)**	(219,223,755)	(218,750,000)
Acquisition of treasury shares	12	**(21,800,000)**	-	-
Additional issuance of shares	12	**2,200,000**	19,600,000	-
Net cash flows from financing activities		**(223,269,768)**	(187,127,391)	(218,750,000)
NET INCREASE (DECREASE) IN CASH		**(104,298,267)**	31,238,365	(2,177,037)
CASH, January 1		**155,295,077**	124,056,712	126,233,749
CASH, December 31		P **50,996,810**	P 155,295,077	P 124,056,712

(The notes on pages 8 to are and 53 integral parts of these financial statements)

BUREAU OF INTERNAL REVENUE
Large Taxpayers Division
Date MAY 02 2023
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NOTE 1 – CORPORATE INFORMATION

King Energy Generation, Inc. (the Company) was incorporated and registered with the Philippine Securities and Exchange Commission on December 06, 2010 primarily to carry on the business of exploring, developing and utilizing renewable energy, such as but not limited to biomass, biogas, hydro-power, geothermal, wind, solar energy including operating, managing, maintaining and rehabilitating renewable energy systems. Also, the Company has a purpose to build, construct, erect, own, equip, install, operate, maintain, sell and lease power generation plants and related facilities, machineries, equipment for the generation and supply of electric power utilizing any fuel or energy source; to provide ancillary services and to supply services such as billing, collection, customer service, energy trading and electricity sales for the contestable market and/or customers, including but not limited to electric cooperatives and private distribution utilities; and to engage in any and all acts which may be necessary, or convenient, in the furtherance of such power generation services.

The Company's registered office and its principal place of business is San Luis, Gingoog City. The Company is domiciled in the Philippines.

NOTE 2 - BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

Basis of Preparation

The principal accounting policies applied in the preparation of these financial statements are summarized below. These have been consistently applied in all years presented, unless otherwise indicated.

Statement of Compliance

The financial statements of the Company have been prepared in compliance with Philippine Financial Reporting Standards (PFRSs). The term PFRS, in general, includes all applicable PFRS, Philippine Accounting Standards (PAS), and interpretations issued by former Standing Interpretations Committee, the Philippine Interpretations Committee and the International Financial Reporting Interpretations Committee (IFRIC) which have been approved by the Philippine Financial Reporting Standards Council and adopted by the Philippine SEC.

Basis of measurement and presentation

The financial statements of the Company have been prepared using the historical cost basis, except for agricultural produce which is measured at fair value less cost to sell at the point of harvest. These financial statements are presented in Philippine Peso, which is the Company's functional and reporting currency. All values are rounded to the nearest peso, except when otherwise indicated. These have been consistently applied in all periods presented, unless otherwise indicated.

Use of Judgments and Estimates

The preparation of financial statements in compliance with PFRS requires the use of certain critical accounting estimates. It also requires the Company's management to exercise judgment in applying the Company's accounting policies. The areas where significant judgments and estimates have been made preparing the financial statements and their effects are disclosed in Note 4.

Large Taxpayers Division-Davao
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Changes in accounting policies and disclosures

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new standards effective in 2022. The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Unless otherwise indicated, adoption of these new standards did not have an impact on the Company's financial statements.

- Amendments to PFRS 3, Reference to the Conceptual Framework

  The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements. The amendments added an exception to the recognition principle of PFRS 3, Business Combinations to avoid the issue of potential 'day 2'gains or losses arising for liabilities and contingent liabilities that would be within the scope of PAS 37, Provisions, Contingent Liabilities and Contingent Assets or Philippine-IFRIC 21, Levies, if incurred separately.

  At the same time, the amendments add a new paragraph to PFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

- Amendments to PAS 16, Property, Plant and Equipment: Proceeds before Intended Use

  The amendments prohibit entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

- Amendments to PAS 37, Onerous Contracts – Costs of Fulfilling a Contract

  The amendments specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a "directly related cost approach".

  The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

- Annual Improvements to PFRSs 2018-2020 Cycle

  - Amendments to PFRS 1, First-time Adoption of Philippines Financial Reporting Standards, Subsidiary as a first-time adopter

    The amendment permits a subsidiary that elects to apply paragraph D16(a) of PFRS 1 to measure cumulative translation differences using the amounts reported in the parent's consolidated financial statements, based on the parent's date of transition to PFRS, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of PFRS 1.

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- Amendments to PFRS 9, Financial Instruments, Fees in the '10 per cent' test for derecognition of financial liabilities

  The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.

- Amendments to PAS 41, Agriculture, Taxation in fair value measurements

  The amendment removes the requirement in paragraph 22 of PAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of PAS 41.

Effective in 2023

Amendments to PAS 12, Deferred Tax related to Assets and Liabilities arising from a Single Transaction
The amendments narrow the scope of the initial recognition exception under PAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

The amendments also clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognized in the financial statements (and interest expense) or to the related asset component (and interest expense).

Amendments to PAS 8, Definition of Accounting Estimates
The amendments introduce a new definition of accounting estimates and clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, the amendments clarify that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors.

An entity applies the amendments to changes in accounting policies and changes in accounting estimates that occur on or after January 1, 2023 with earlier adoption permitted. The amendments are not expected to have a material impact on the Company.

Amendments to PAS 1 and PFRS Practice Statement 2, Disclosure of Accounting Policies
The amendments provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by:

- Replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies, and
- Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures

The amendments to the Practice Statement provide non-mandatory guidance. Meanwhile, the amendments to PAS 1 are effective for annual periods beginning on or after January 1, 2023. Early application is permitted as long as this fact is disclosed. The amendments are not expected to have a material impact on the Company.

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Effective in 2024

Amendments to PAS 1, Classification of Liabilities as Current or Non-current
The amendments clarify paragraphs 69 to 76 of PAS 1, Presentation of Financial Statements, to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- *What is meant by a right to defer settlement*
- *That a right to defer must exist at the end of the reporting period*
- *That classification is unaffected by the likelihood that an entity will exercise its deferral right*
- *That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification*

The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and must be applied retrospectively. However, in November 2021, the International Accounting Standards Board (IASB) tentatively decided to defer the effective date to no earlier than January 1, 2024. The Company is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

Effective in 2025

PFRS 17, Insurance Contracts
PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, Insurance Contracts. This new standard on insurance contracts applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
-
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

On December 15, 2021, the FRSC amended the mandatory effective date of PFRS 17 from January 1, 2023 to January 1, 2025. This is consistent with Circular Letter No. 2020-62 issued by the Insurance Commission which deferred the implementation of PFRS 17 by two (2) years after its effective date as decided by the IASB.

PFRS 17 is effective for reporting periods beginning on or after January 1, 2025, with comparative figures required. Early application is permitted.

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Deferred effectivity

Amendments to PFRS 10, Consolidated Financial Statements, and PAS 28, Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

On January 13, 2016, the Financial Reporting Standards Council deferred the original effective date of January 1, 2016 of the said amendments until the IASB completes its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING AND FINANCIAL REPORTING POLICIES

Financial Instruments

PFRS 9, Financial Instruments
The Company adopted PFRS 9 (2014) effective January 1, 2018, the date of adoption. This new standard on financial instruments replaced PAS 39, Financial Instruments: Recognition and Measurement, and PFRS 9 (2009, 2010, and 2013 versions) – hereinafter referred to as PFRS 9. In addition to the principal classification categories for financial assets and financial liabilities and hedge accounting under PFRS 9, PFRS 9 (2014) includes the following major provisions:

- limited amendments to the classification and measurement requirements for financial assets introducing a fair value measurement through other comprehensive income for eligible debt securities; and
- an expected credit loss (ECL) model in determining impairment of all debt financial assets that are not measured at fair value through profit or loss (FVPL), which generally depends on whether there has been a significant increase in credit risk since initial recognition of a financial asset.

The adoption of PFRS 9 (2014) from January 1, 2018 resulted to changes in accounting policies but have no significant impact on the Company's financial statements. As allowed and in accordance with the transitional provisions of this new standard, comparative figures have not been restated but the Company is required to provide the related transition disclosure requirements under PFRS 7, Financial Instruments: Disclosures.

Date of recognition
Financial assets and financial liabilities are recognized in the statement of financial position when the Company becomes a party to the contractual provisions of the instruments. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulations or convention in the marketplace are recognized on the settlement date. Derivatives are recognized on trade date basis.

Initial recognition
Financial assets and financial liabilities are recognized initially at fair value, which is the fair value of the consideration given (in case of an asset) or received (in case of a liability). The fair value of the consideration given or received is determined by reference to the transaction price or other market prices. If such market prices are not reliably determinable, the fair value of the consideration is estimated as the

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sum of all future cash payments or receipts, discounted using the prevailing market rate of interest for similar instruments with similar maturities. The initial measurement of financial instruments, except for those designated at fair value through profit or loss (FVPL), includes transaction costs.

Determination of fair value
The fair value of financial instruments traded in active markets at the financial reporting date is based on their quoted market price or dealer price quotation (bid price for long positions and ask price for short positions), without any deduction for transaction costs. When current bid and asking prices are not available, the price of the most recent transaction provides evidence of the current fair values as long as there has not been a significant change in economic circumstances since the time of the transaction.

If the financial instruments are not listed in an active market, the fair value is determined using appropriate valuation techniques which include recent arm's length market transactions, net present value techniques, comparison to similar instruments for which market observable prices exist, options pricing models and other relevant valuation models.

Classification of Financial Instruments

Financial Assets
The classification and measurement of financial assets is driven by the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. From January 1, 2018, in accordance with the new provisions on classification and measurement of financial assets under PFRS 9 (2014), the Company classifies and measures financial assets as follows:

- Financial assets instruments at amortized cost

  Financial assets are measured at amortized cost if both of the following conditions are met:

  - the asset is held within the Company's business model whose objective is to hold assets in order to collect contractual cash flows; and
  - the contractual terms of the instrument give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

  Financial assets meeting these criteria are measured initially at fair value plus transaction costs. They are subsequently measured at amortized cost using the effective interest method less any impairment in value, with the interest calculated recognized as "Interest income" in the statements of income. The Company classified "Cash" *(See Note 8)* and "Trade and other receivables" *(See Note 9)* as financial assets at amortized cost.

  The Company may irrevocably elect at initial recognition to classify a financial asset that meets the amortized cost criteria above as at FVTPL if that designation eliminates or significantly reduces an accounting mismatch had the financial asset been measured at amortized cost.

- Financial assets at FVPL

  The Company classifies financial assets under FVPL when they do not meet the criteria of FVOCI or amortized cost. Financial assets at FVPL are measured at fair value with gains and losses arising from changes in fair value recognized in profit or loss.

  The Company does not have financial assets under this category as at December 31, 2022 and 2021.

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- Financial assets at FVOCI

  The Company classifies debt instruments under FVOCI when both of the following conditions are met:

  - the asset is held within the Company's business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
  - the contractual terms of the instrument give rise, on specified dates, to cash flows that are solely payment of principal and interest on the principal amount outstanding.

  Financial assets at FVOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income. Interest income and foreign exchange gains and losses are recognized in profit or loss in the same manner as for financial assets measured at amortized cost. On derecognition, cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss.

  The Company does not have financial assets under this category as at December 31, 2022 and 2021.

Financial Liabilities
Financial liabilities are classified as financial liabilities at FVPL and other financial liabilities. The classification depends on the purpose for which the investments are acquired and whether they are quoted in an active market. Management determines the classification of its financial assets and liabilities at initial recognition and, where allowed and appropriate, re-evaluates such designation at every financial reporting date.

Financial liabilities at FVPL
Financial liabilities are classified in this category if these result from trading activities or derivative transactions that are not accounted for as hedges, or when the Company elects to designate a financial liability under this category.

The Company does not have financial liabilities under this category as at December 31, 2022 and 2021.

Other financial liabilities
This classification pertains to financial liabilities that are not held for trading nor designated as at FVPL upon the inception of the liability. Included in this category are liabilities arising from operations or borrowings (e.g. payables or accruals and long-term debt).

The financial liabilities are recognized initially at fair value and are subsequently measured at amortized cost, taking into account the impact of applying the effective interest rate method of amortization (or accretion) for any related premium, discount and any directly attributable transaction costs. However, liabilities that have no stated interest and classified as current liabilities are measured at the undiscounted amount of cash or other consideration expected to be paid.

Fair value measurement hierarchy
PFRS 7 requires certain disclosure which requires the classification of financial asset and financial liabilities measured at fair value using a fair value hierarchy that reflects the significance of the inputs used in making the fair value measurement. The fair value hierarchy has the following levels:

a. quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
b. inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (Level 2); and
c. inputs for the assets or liabilities that are not based on observable market data (unobservable inputs) (Level 3).

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The level in the fair value hierarchy within which the financial asset or financial liability is categorized is determined on the basis of the lowest level input that is significant to the fair value measurement. Financial asset and financial liabilities are classified in their entirety into one of the three levels.

Financial guarantees
A financial guarantee is classified in this category if the entity must provide for payments to be made if and only if the debtor fails to make payments when due. In order for a contract to meet the definition of a guarantee it would be necessary that the guaranteed party only receives the exact amount of loss advances from the default of the debtor. Such a contract is structured in two ways: a) the guarantor purchases the defaulted loan for its nominal amount instead of making a payment for the best estimate of loss; or b) on settlement of the final loss, there is a further payment between that amount and the initial loss estimate that was paid.

Such contracts are recognized initially at fair value and subsequently carried at the higher of the initial value that would be recognized if PAS 37 or PAS 18, was applied.

Derecognition of Financial Assets and Liabilities

Financial Assets
A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when: a) the rights to receive cash flows from the asset have expired; b) the Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or c) the Company has transferred its rights to receive cash from the asset and either transferred substantially all the risks and rewards of the asset or has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Company's continuing involvement in the asset.

Continuing involvement that makes the form of guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and maximum account of consideration that the Company could be required to repay.

Financial Liabilities
A financial liability is derecognized when the obligation under the liability is discharged or cancelled or has expired.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amount is recognized in profit or loss.

Impairment of Financial Assets

Assessment of Impairment
PFRS 9 requires the Company to record expected credit loss methodology (ECL) for all loans and other debt financial assets not classified as at FVTPL, together with irrevocable loan commitments and financial guarantee contracts.

ECL represent credit losses that reflect an unbiased and probability-weighted amount which is based on reasonable and supportable information about past events, current conditions and forecasts of future economic conditions, and the time value of money. The objective of the new impairment model is to

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record lifetime losses on all financial instruments which have experienced a significant increase in credit risk (SICR) since their initial recognition. As a result, ECL allowances are now measured at amounts equal to either (i) 12-month ECL or (ii) lifetime ECL for those financial instruments which have experienced a SICR since initial recognition (General Approach). The 12month ECL is the portion of lifetime ECL that results from default events on a financial instrument that are possible within the next 12 months after the reporting date. Lifetime ECLs are credit losses that result from all possible default events over the expected life of a financial instrument.

Following the ECL approach, the Company must establish a policy to perform an assessment, at the end of each reporting period, whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

A financial asset is assessed for impairment based on the following stages:

Stage 1:	When a financial asset is first recognized, the Company recognizes credit losses based on the twelve-month ECLs. Stage 1 financial asset also include facilities where the credit risk has improved and has been reclassified from Stage 2.
Stage 2:	When a financial asset has shown a significant increase in credit risk since origination, the Company recognizes an allowance for the lifetime ECL. Stage 2 financial asset also include facilities where the credit risk has improved and has been reclassified from Stage 3.
Stage 3:	When a financial asset is considered as credit impaired, the Company recognizes an allowance for the lifetime ECL.

The key elements used in the calculation of ECL are as follows:

- Probability of Default – is an estimate of likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the instrument has not been previously derecognized and is still in the portfolio.

- Loss Given Default – is an estimate of loss arising in case where a default occurs at a given time. It is based on the difference between the contractual cash flows of a financial instrument due from a counterparty and those that the Company would expect to receive, including the realization of any collateral.

- Exposure at Default – represents the gross carrying amount of the financial instruments subject to the impairment calculation.

Evidence of Impairment
Objective evidence that financial assets are impaired can include default or delinquency by a borrower, restructuring of a receivable or an advance by the Company on terms that the Company would not otherwise consider, disappearance of an active market for a security or other observable data relating to a group of assets such as adverse changes in the payment status of borrowers, or economic conditions that correlate with defaults.

Impairment of financial assets carried at amortized cost
If there is objective evidence that an impairment loss on loans and receivables carried at amortized cost has been incurred, the amount of loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows. The carrying amount of the asset shall be reduced either directly or through the use of an allowance account. The amount of loss shall be recognized in profit or loss.

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Impairment on financial assets carried at cost
If there is an objective evidence of an impairment loss on an unquoted equity/debt instrument that is not carried at fair value because its fair value cannot be reliably measured, or of a derivative asset that is linked to and must be settled by delivery of such an unquoted equity/debt instrument, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for similar financial asset.

Reversal of impairment loss
If, in subsequent period, the amount of the impairment loss decreases, and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed either directly or by adjusting an allowance account. The reversal shall not result in a carrying amount of the financial asset that exceeds what the amortized cost would have been had the impairment not been recognized at the date the impairment is reversed. The amount of the reversal shall be recognized in profit or loss.

Classification of financial instrument between debt and equity
Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual agreement. Interest, dividend, gains and losses relating to a financial instrument or a component that is a financial liability is reported as expense or income.

A financial instrument is classified as debt if it provides a contractual obligation to:

a. deliver cash or other financial assets to another entity; or

b. exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Company; or

c. satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

If the Company does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability.

An equity instrument is any contract that evidence residual interest in the asset of an entity after deducting all of its liabilities.

Offsetting of Financial Instruments
Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented in gross in the statement of financial position.

Derivatives
Derivatives are initially recognized at fair value on the date which the derivative transaction is entered into or bifurcated, and are subsequently re-measured at fair value. Derivatives are carried as an asset when the fair value is positive and as a liability when the fair value is negative.

The Company has no derivatives as at December 31, 2022 and 2021.

Embedded derivatives
An embedded derivative is separated from the host contract and accounted for as derivative if all of the following conditions are met: (a) economic characteristics and risks of the embedded derivatives are not closely related to the economic characteristics and risks of the host contract; (b) a separate instrument

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with the same terms as the embedded derivative would meet the definition; (c) the hybrid or combined instrument is not recognized at FVPL.

The Company has no transactions with embedded derivatives as at December 31, 2022 and 2021.

Cash and Cash Equivalents
Cash and cash equivalents are valued at face value. Cash includes cash on hand and with banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of 3 months or less from the date of acquisitions and that are subject to an insignificant change in value. The Company has no cash equivalents as at December 31, 2022 and 2021.

Trade and Other Receivables
Trade and other receivables are recognized at transaction price and carried at amortized cost using effective interest method. At the end of each reporting period, the carrying amounts of trade and others receivables are reviewed to determine whether there is any objective evidence that the amounts are not recoverable. If so, an impairment loss is recognized immediately in the statements of comprehensive income.

If there is objective evidence that an impairment loss on trade and other receivables has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset or group of assets shall be reduced either directly or through the use of an allowance account. The amount of the loss shall be recognized in the statements of comprehensive income.

Inventories
Inventories are stated at the lower of cost and net realizable value. The net realizable value of inventory is the estimated selling price in the ordinary course of business less estimated costs necessary to make the sale. Cost is determined using the first in, first out (FIFO) method. At each reporting date, inventories are assessed for impairment. If inventory is impaired, the carrying amount is reduced to its selling price less costs to complete and sell; the impairment loss is recognized immediately in the statements of comprehensive income.

Prepayments
These are outflow of resources made in the current accounting period that would benefit future periods. Costs of this asset is amortized over the period benefited.

Investment in Associate
Investment in shares of stock where the Company holds 20% or more ownership, or where it has the ability to significantly influence the investee company's operating activities is accounted for in these separate financial statements under the equity method. Accordingly, dividends received are treated as income in the year these are collectible.

Property and Equipment
Property and equipment are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes the purchase price and other expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The Company adds to the carrying amount of an item of property and equipment the cost of replacing parts of such an item when that cost is incurred if the replacement part is expected to provide incremental future benefits to the Company. The carrying amount of the replaced part is derecognized. When assets are derecognized, their cost, accumulated depreciation and amortization and accumulated impairment losses are eliminated from the accounts. Gains and losses on disposals are determined by comparing the

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proceeds with the carrying amount and are recognized in the statements of comprehensive income. All other repairs and maintenance are charged to profit or loss during the period in which they are incurred. Land is not depreciated. Depreciation is charged so as to allocate the cost of property and equipment less their residual value over the estimated useful lives, using the straight-line method. The estimated useful lives range as follows:

Components	Estimated Useful Life
Generation plants	20 years
Transmission line	10 years
Building	10-20 years
Land and improvements	10 years
Tool and machineries and service vehicles	5 years
Furniture and office equipment	3-5 years

Depreciation of an item of property and equipment begins when it becomes available for use i.e., when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Depreciation ceases at the earlier of the date that the item is classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with PFRS 5, *Non-current Assets Held for Sale and Discounted Operations*, and the date the asset is derecognized.

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, if there is an indication of a significant change since the last reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Construction in progress (CIP) is stated at cost. This includes cost of construction and other direct costs. CIP is not depreciated until such time the relevant assets are completed and put into operational use.

Impairment of Non-financial Assets

The carrying amounts of the Company's non-financial assets such as the property and equipment are reviewed at each financial reporting date to determine whether there is any indication of impairment or an impairment loss previously recognized no longer exists or may have decreased. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognized in profit or loss whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount.
The recoverable amount of a non-financial asset is the greater of the asset's fair value less costs to sell and value in use. The fair value less costs to sell is the amount obtainable from the sale of the asset in an arm's length transaction. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash flows largely independent of those assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. Reversals of impairment are recognized in profit or loss.

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Trade and Other Payables
Trade and other payables are recognized initially at the transaction price and subsequently measured at amortized cost using the effective interest method. Trade and other payables are on normal credit terms and do not bear interest.

Related Party Transactions
Parties are related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties can be individual or corporate entity. Key management personnel are also considered as related parties.

Borrowings and Borrowing Costs
Borrowing costs include interest charges and other costs incurred in connection with the borrowing of funds. These are recognized as expense when incurred except when such costs relate to a qualifying asset, in which case, borrowing costs incurred will be capitalized. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale.

Equity

Capital Stock
Capital stock represents the portion of the paid in capital representing the total par value of the shares issued.

Retained Earnings
Retained earnings represent the cumulative balance of net income or loss, net of any dividend declaration.

Revenue and Cost Recognition
The Company has applied PFRS 15 where revenue is recognized when (or as) the Company satisfies a performance obligation by transferring a promised good or service to a customer (i.e. an asset). An asset is transferred when (or as) the customer obtains control of that asset.

The recognition of revenue can be either over time or at a point in time depending on when the performance obligation is satisfied.

When control of a good or service is transferred over time, that is, when the customer simultaneously receives and consumes the benefits, the Company satisfies the performance obligation and recognizes revenue over time. Otherwise, revenue is recognized at the point in time at the point of transfer control of the good or service to the customer.

Variable consideration is measured using either the expected value method or the most likely amount method depending on which method the Company expects to better predict the amount of consideration to which it will be entitled. This is the estimated amount of variable consideration, or the portion, if any, of that amount for which it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur. Where there is a single performance obligation, the transaction price is allocated in its entirety to that performance obligation. Where there are multiple performance obligations, the transaction price is allocated to the performance obligation to which it relates based on stand-alone selling prices.

The Company recognizes revenue based on the price specified in the contract, net of the estimated rebates/discounts and include variable consideration, if there is any. Accumulated experience is used to estimate and provide for the discounts and revenue is only recognized to the extent that it is highly probable that a significant reversal will not occur.

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The Company does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Company does not adjust any of the transaction prices for the time value of money.

The following specific recognition criteria must also be met before revenue and cost is recognized:

Sale of power	-	Revenue is recognized at the point in time when the services are transferred to the customers and the performance obligations are fulfilled.
Interest on bank deposits	-	Interest is recognized as interest accrues based on effective interest method of accounting.

Cost and expenses are recognized in the statement of comprehensive income: a) when a decrease in future economic benefits related in an asset or an increase of a liability has arisen that can be measured reliably; b) on the basis of a direct association the costs incurred and the earning of specific items of income; c) on the basis of systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and the association with income can only be broadly or indirectly determined; or d) immediately when an expenditure produces no future economic benefits or when, and to the extent that, future economic benefits do not qualify, or cease to qualify, for recognition in the statement of financial position as an asset. Operating expenses are costs attributable to the general and administrative activities of the Company.

The Company presents a contract asset when it transfers control of goods or performs services before the customer pays consideration or before payment is due. A contract asset is the Company's right to consideration in exchange for goods or services that the Company has transferred to a customer.

The Company presents a contract liability when a customer pays the consideration, or the Company has the right to an amount of consideration that is unconditional (i.e., a receivable), before the Company transfers goods or performs services to the customer. A contract liability is the Company's obligation to transfer goods or services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer.

Contract liability also includes cash received from customers which are applied to subsequent billings. The Company considers the effect of significant financing component in the contract which is recognized as part of Revenues and Finance Cost in the statement of comprehensive income.

The Company incurs incremental costs in obtaining customer contracts (i.e., biddings costs on construction contracts). These costs are expensed when incurred as these are incurred regardless whether the contract is obtained.

The Company also incurs costs in fulfilling contracts with customers. These costs are divided into: (i) costs that give rise to an asset; and, (ii) costs that are expensed as incurred. When determining the appropriate accounting treatment for such costs, the Company first considers any other applicable standards. If other standards preclude capitalization of a particular cost, then an asset is not recognized under PFRS 15. If other standards are not applicable to contract fulfillment costs, the Company applies the following criteria, which, if met, result in capitalization:

i. the costs directly relate to a contract or to a specifically identifiable anticipated contract;
ii. the costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and
iii. the costs are expected to be recovered.

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Contract fulfillment assets or capitalized costs are amortized using percentage of completion method consistent with construction revenue recognition policy of the Company. Furthermore, these are derecognized either upon disposal or when no further economic benefits are expected to flow from its use or disposal.

At each reporting date, the Company determines whether there is an indication that contract fulfillment assets or capitalized costs to obtain a contract may be impaired. If such indication exists, the Company makes an estimate by comparing the carrying amount of the assets to the remaining amount of consideration that the Company expects to receive, less the costs that relate to providing services under the relevant contract.

Leases

The Company considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'.

To apply this definition, the Company assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Company
- the Company has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract
- the Company has the right to direct the use of the identified asset throughout the period of use. The Company assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

Measurement and recognition of leases as a lessee

At lease commencement date, the Company recognizes a right-of-use asset and a lease liability on the statement of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Company, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Company depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Company also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, the Company measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Company's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments.

When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

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The Company has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognizing a right-of-use asset and lease liability, the payments in relation to these recognized as an expense in profit or loss on a straight-line basis over the lease term.

Company as lessee
Where the Company is a lessee, payments on operating lease agreements are recognized as an expense on a straight-line basis over the lease term. Associated costs, such as maintenance and insurance, are expensed as incurred.

As at December 31, 2022 and 2021, the Company does not have long-term non-cancellable lease contracts that require the application of the new provisions in PFRS 16.

Employee Benefits
Employee benefits are all forms of consideration given by the Company in exchange for service rendered by the employees. The Company's employee benefits include the following:

Short-term benefits
Short-term employee benefits, include wages, salaries and social security contributions, short-term compensated absences (such as paid annual leave and paid sick leave), and bonuses payable within twelve months after the end of the period in which the employees render the related service, and non-monetary benefits (such as medical care, housing, cars and free or subsidized goods or services) for current employees.

The rendered services of an employee to an entity during the accounting period is recognized using the undiscounted amount of short-term employee benefits expected to be paid in exchange for that services rendered. The accounting for these benefits is generally straightforward because assumptions are required to measure the obligation or the cost and there is no possibility of any actuarial gain or loss.

Retirement benefits
Defined benefit plan
The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method.

Defined benefit costs comprise the following:

- Service cost;
- Net interest on the net defined benefit liability or asset; and
- Remeasurements of net defined benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses on nonroutine settlements are recognized as expense in the statements of comprehensive income. Past service costs are recognized when plan amendment or curtailment occurs.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in the statements of comprehensive income.

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Remeasurements comprising actuarial gains and losses, return on plan assets (excluding net interest on defined benefit asset) and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in other comprehensive income in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods. All remeasurements are recognized in other comprehensive income account. Remeasurement gains (losses) on retirement plan are not reclassified to profit or loss in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Company, nor can they be paid directly to the Company. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations).

The Company's right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain. *(Note 14)*

Termination benefits
Termination benefits are payable when employment is terminated by the Company before the normal retirement date, or whichever the employee accepts voluntary redundancy in exchange for these benefits.

Compensated absences
Compensated absences are recognized for the number of paid leaves days (including holiday entitlement) remaining at the financial reporting date.

Research and Development Costs
Research costs are expensed as incurred. Development expenditures on an individual project are recognized as an intangible asset when the Company can demonstrate:

- Technical feasibility of completing the intangible asset so that the asset will be available for use or sale
- Its intention to complete and its ability and intention to use or sell the asset
- How the asset will generate future economic benefits
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during the development

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete and asset is available for use. It is amortized over the period of expected future benefit. Amortization is recorded as expense. During the period of development, the asset is tested for impairment annually.

The Company's research and development in both years pertains to pilot or prospect projects and are expensed as incurred.

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Income Taxes

Current income tax
The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except that a change attributable to an item of income or expense recognized as other comprehensive income is also recognized directly in other comprehensive income.

The Company recognizes a current tax liability for tax payable on taxable profit for the current and past periods. If the amount paid for the current and past periods exceeds the amount payable for those periods, the Company recognizes the excess as a current tax asset. It also recognizes a current tax asset for the benefit of a tax loss that can be carried back to recover tax paid in a previous period.

Current income tax assets and liabilities for the current and the prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the financial reporting date.

Deferred income tax
Deferred income tax is provided, using the balance sheet liability method, on all temporary differences at the end of reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax liabilities are recognized for all taxable temporary differences, including asset revaluations. Deferred income tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits from the excess of minimum corporate income tax (MCIT) over the regular corporate income tax, and unused net operating loss carryover (NOLCO), to the extent that it is probable that sufficient future taxable income will be available against which the deductible temporary differences and carry forward of unused tax credits from excess MCIT and unused NOLCO can be utilized.

The carrying amount of deferred income tax assets is reviewed at each end of reporting period and reduced to the extent that it is no longer probable that sufficient future taxable profit will be available to allow all or part of the deferred income tax assets to be utilized. Unrecognized deferred income tax assets are re-assessed at each end of reporting period and are recognized to the extent that it has become probable that sufficient future taxable income will allow the deferred income tax assets to be recovered. Deferred income tax assets and deferred income tax liabilities are measured at the tax rates that are applicable to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of reporting period.

Current tax assets and current tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and current taxes related to the same taxable entity and the same taxation authority.

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Provisions

Provisions, if any, are recognized when the Company has a present obligation (legal or constructive) as a result of past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and reliable estimate can be made of the amount of the obligation.
If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pretax rate that reflects current market assessment of the time value of money and, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense. When the Company expects provisions to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain.

Contingencies

Contingent liabilities are not recognized in the financial statements. These are disclosed unless the possibility of an outflow of resources embodying economic benefit is remote. A contingent asset is not recognized in the financial statements but disclosed when an inflow of economic benefits is probable.

Related Party Transactions

Parties are considered to be related if the party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making the financial and operating the decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties can be individual or corporate entity.
Associates, key management personnel, close members of the family and of any individuals owning directly or indirectly a significant voting power of the Company that gives them significant influence in the financial and operating policy decisions of the Company are also related parties.

A related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged. Transactions between related parties are unsecured and non-interest bearing and payable in cash with no definite terms.

Earnings Per Share

Basic earnings per share (EPS) is computed by dividing net income for the year by the weighted average number of common shares outstanding during the year after giving retrospective effect to stock dividends declared and stock rights exercised during the year, if any. The Company does not have potentially dilutive common shares.

Events after the End of Reporting Period

Events after the end of reporting period are those events, favorable and unfavorable, that occur between the end of reporting period and the date when the financial statements are authorized for issue. Adjusting events are those that provide evidence of conditions that existed at the end of the reporting period and lead to adjustments of financial statements. Non-adjusting events are those that are indicative of the conditions that arose after the end of reporting period and do not lead to adjustments but only to disclosures in the financial statements.

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NOTE 4 – SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the financial statements in accordance with PFRS requires the Company to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses, other comprehensive income (loss) and disclosure of contingent assets and contingent liabilities. In preparing the Company's financial statements, management has made its best judgements and estimates relating to certain amounts, giving due consideration to materiality. The judgments and estimates used in the financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the financial statements. Actual results could differ from those estimates. Future events may occur which will cause the assumptions used in arriving at the estimates to change. The effects of any change in estimates are reflected in the financial statements as they become reasonably determinable. Judgments, estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Company believes the following represent a summary of significant judgments and estimates and related impact and associated risks in its financial statements.

Judgments

In the process of applying the Company's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on amounts recognized in the financial statements.

Determination of functional currency

Based on the economic substance of the underlying events and circumstances relevant to the Company, the Company's functional currency has been determined to be the Philippine Peso. It is the currency of the primary economic environment in which the Company operates and is consistent with the measurement of items in the financial statements in accordance with PAS 21, *The Effects of Changes in Foreign Exchange Rates.*

Revenue Recognition

The Company recognizes revenue when it satisfies an identified performance obligation by transferring a promised service to a customer. A service is considered to be transferred when the customer obtains control. The Company determines, at contract inception, whether it will transfer control of a promised service over time. If the Company does not satisfy a performance obligation over time, the performance obligation is satisfied at a point in time.

The Company's revenue from power generation is to be recognized over time since customers simultaneously receive and consume the benefits as the Company supplies power.

Significant judgments in revenue recognition are as follows:

- Identifying Performance Obligations.

  The Company identifies performance obligations by considering whether the promised goods or services in the contract are distinct goods or services. A good or service is distinct when the customer can benefit from the good or service on its own or together with other resources that are readily available to the customer and the Company's promise to transfer the good or service to the customer is separately identifiable from the other promises in the contract.

  The Company assesses performance obligations as a series of distinct goods and services that are substantially the same and have the same pattern of transfer if i) each distinct good or services in the series are transferred over time and ii) the same method of progress will be used (i.e., units

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of delivery) to measure the entity's progress towards complete satisfaction of the performance obligation.

For power generation where capacity and energy dispatched are separately identified, these two obligations are to be combined as one performance obligation since these are not distinct within the context of the contract as the buyer cannot benefit from the contracted capacity alone without the corresponding energy and the buyer cannot obtain energy without contracting a capacity.

The combined performance obligation qualifies as a series of distinct goods or services that are substantially the same and have the same pattern of transfer since the delivery of energy every month are distinct services which are all recognized over time and have the same measure of progress.

- Identifying Methods for Measuring Progress of Revenue Recognized Over Time

The Company determines the appropriate method of measuring progress which is either through the use of input or output methods. Input method recognizes revenue on the basis of the entity's efforts or inputs to the satisfaction of a performance obligation while output method recognizes revenue on the basis of direct measurements of the value to the customer of the goods or services transferred to date.

For power generation, the Company determined that the output method is the best method in measuring progress since actual electricity is supplied to customers. The Company recognizes revenue based on:

- For the variable energy payment, actual kilowatt hours consumed which are billed on a monthly basis.
- For fixed capacity payments, the Company allocates the transaction price on a straight-line basis over the contract term. The allocated fixed payments are also billed on a monthly basis.

- Determining Method to Estimate Variable Consideration and Assessing the Constraint

The Company includes some or all the amounts of variable consideration estimated but only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. The Company considers both the likelihood and magnitude of the revenue reversal in evaluating the extent of variable consideration the Company will subject to constraint. Factors such as i) highly susceptibility to factors outside the Company's influence, ii) timing of resolution of the uncertainty, and iii) having a large number and broad range of possible considerations amount are considered.

Some contracts with customers provide unspecified quantity of energy (based on client needs considering that most of the contracts with customers are peak power agreements) and provisional ERC rates that give rise to variable consideration. In estimating the variable consideration, the Company applies the expected value method in estimating the variable consideration given the large number of customer contracts that have similar characteristics and the range of possible outcomes.
Before including any amount of variable consideration in the transaction price, the Company considers whether the amount of variable consideration is constrained. The Company determined that the estimates of variable consideration are to be fully constrained based on its historical experience, the range of possible outcomes (i.e., unspecified quantity of energy), and the unpredictability of other factors outside the Company's influence (i.e., provisional ERC rates).

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- Allocation of variable consideration

  Variable consideration may be attributable to the entire contract or to a specific part of the contract. For power generation revenue streams which are considered as series of distinct goods or services that are substantially the same and have the same pattern of transfer, the Company allocates the variable amount that is no longer subject to constraint to the satisfied portion (i.e., month) which forms part of the single performance obligation, and forms part of the monthly billing of the Company.

Fair Value of Financial Instruments
Where the fair value of financial instruments recorded in the statements of financial position cannot be derived from active markets, they are determined using valuation techniques including the discounted cash flows model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. The judgements include considerations of inputs such as liquidity risk, credit risk, and volatility of share prices. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

Classification of financial instruments
The Company classifies a financial instrument, or its component parts, on initial recognition either as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definition of a financial asset, a financial liability or an equity instrument and, where allowed, and appropriate re-evaluates this designation at every reporting date. The substance of a financial instrument, rather than its legal form, governs its classification in the statements of financial position.

Estimates and Assumptions
The key assumptions concerning the future and other key sources of estimation and uncertainty at the statements of financial position date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Estimating Allowance for Doubtful Accounts
The measurement of credit losses under PFRS 9 requires significant judgment, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase or improvement in credit risk (SICR). These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

The ECL calculations based on PFRS 9 are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and interdependencies. Significant elements of the models include, among others:

- segmenting the Company's credit risk exposures;
- the Company's definition of default;
- determining the method to estimate ECL;
- identifying exposures with significant deterioration in credit quality;
- determining assumptions to be used in the ECL model such as the counterparty credit risk rating;
- the expected life of the financial asset and expected recoveries from defaulted accounts; and
- incorporating forward-looking information (called overlays) in calculating ECL.

As at December 31, 2022 and 2021, the allowance for impairment losses on trade and other receivables amounted to **P 10,380,997** and P 3,563,708, respectively. *(see Note 9)*

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Determination of Net Realizable Value of Inventories
In determining the net realizable value of inventories, management takes into account the most reliable evidence available at the time the estimates are made. The Company periodically reviews its inventories for possible damaged and obsolete items. Items identified as obsolete are provided with impairment allowance.

Management has assessed that no allowance for obsolescence is required to be recognized on inventories in 2022 and 2021.

Estimation of Useful Lives of the Company's Property, Plant, and Equipment
The Company estimates the useful lives of property and equipment based on the period over which these assets are expected to be available for use. The estimated useful lives of these assets are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence, and legal or other limits on the use of the assets. In addition, the estimation of the useful lives of these assets is based on collective assessment of internal technical evaluation and experience with similar assets. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances.

There is no change in the estimated useful lives of property, plant, and equipment in 2022 and 2021. As at December 31, 2022 and 2021, the aggregate net book value of property, plant, and equipment amounted to **P3,629,912,062** and P3,871,181,013, respectively *(see Note 5)*.

Provisions and Contingencies
The Company provides for present obligations (legal and constructive) when it is probable that there will be an outflow of resources embodying economic benefits that will be required to settle said obligations. An estimate of the provision is based on known information at the reporting date, net of any estimated amount that may be reimbursed by the Company. The Company has not recognized any provision in both years.

Impairment of Non-Financial Assets – Property, plant, and equipment
The Company assesses impairment on assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the Company considers important which could trigger an impairment review include the following:

- significant underperformance relative to expected historical or projected future operating results;
- significant changes in the manner of use of the acquired assets or the strategy for overall business; and
- significant negative industry or economic trends.

As at December 31, 2022 and 2021, no impairment loss on property and equipment was recognized in the statements of comprehensive income of the Company.

Retirement Obligation
The cost of defined benefit retirement plans and the present value of the defined benefit obligation are determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of the discount rates, future salary increases, and mortality rates. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. In determining the appropriate discount rate, management considers the interest rates of government bonds with extrapolated maturities corresponding to the expected duration of the defined benefit obligation.

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The present value of the defined benefit obligation of the Company and details about the assumptions used are disclosed in Note 14.

Recognition of Deferred Income Tax Assets

The Company reviews the carrying amounts of the deferred income tax assets at each end of reporting period and reduces deferred income tax assets to the extent that it is no longer probable that sufficient future taxable profit will be available to allow all or part of the deferred income tax assets to be utilized. Significant management judgment is required to determine the amount of deferred income tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies. However, there is no assurance that the Company will utilize all or part of the deferred income tax assets. As of December 31, 2022 and 2021, the Company recognized deferred income tax assets amounting to **P5,912,997** in 2022 and P2,115,241 in 2021 *(see Note 21)*.

NOTE 5 – GENERATION PLANT, PROPERTY AND EQUIPMENT

The details of generation plant, property and equipment follows:

	January 1, 2022	Additions	Disposal/ Reclassification	December 31, 2022
Cost				
Land and improvements	P 279,287,919	P -	P -	**P 279,287,919**
Generation plants	5,397,272,311	38,161,414		**5,435,433,725**
Transmission line	47,038,732	-		**47,038,732**
Buildings	154,688,399	8,055,786		**162,744,185**
Tools and machineries and service vehicles	60,131,164	3,365,347	(2,387,855)	**61,108,656**
Leasehold improvements, furniture and office equipment	22,488,874	3,282,696	(448,101)	**25,323,469**
Construction in progress	19,512,119	9,172,946	(110,000)	**28,575,065**
	5,980,419,518	**62,038,189**	**(2,945,956)**	**6,039,511,751**
Accumulated depreciation				
Land and improvements	85,090,500	11,577,115	-	**96,667,615**
Generation plants	1,900,424,614	271,817,403	-	**2,172,242,017**
Transmission line	26,077,597	4,703,873	-	**30,781,470**
Buildings	38,838,516	7,929,045	-	**46,767,561**
Tools and machineries and service vehicles	40,120,166	5,064,353	(2,387,418)	**42,797,101**
Leasehold improvements, furniture and office equipment	18,687,112	2,077,107	(420,294)	**20,343,925**
	2,109,238,505	**303,168,896**	**(2,807,712)**	**2,409,599,689**
Net book value	**P 3,871,181,013**	**(P 241,130,707)**	**(P 138,244)**	**P 3,629,912,062**

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	January 31, 2021	Additions	Disposal/ Reclassification	December 31, 2021
Cost				
Land and improvements	P 279,176,180	P 111,739	-	P 279,287,919
Generation plants	5,401,055,836	110,000	(3,893,525)	5,397,272,311
Transmission line	47,038,732	-	-	47,038,732
Buildings	159,642,404	-	(4,954,005)	154,688,399
Tools and machineries and service vehicles	41,936,339	16,255,366	1,939,459	60,131,164
Leasehold improvements, furniture and office equipment	20,784,111	2,489,259	(784,496)	22,488,874
Construction in progress	13,917,928	7,608,709	(2,014,518)	19,512,119
	5,963,551,530	26,575,073	(9,707,085)	5,980,419,518
Accumulated depreciation				
Land and improvements	72,406,120	12,684,380	-	85,090,500
Generation plants	1,617,997,697	283,611,197	(1,184,280)	1,900,424,614
Transmission line	21,373,724	4,703,873	-	26,077,597
Buildings	31,933,959	8,411,400	(1,506,843)	38,838,516
Tools and machineries and service vehicles	37,391,341	2,786,071	(57,246)	40,120,166
Leasehold improvements, furniture and office equipment	17,592,555	1,855,477	(760,920)	18,687,112
	1,798,695,396	314,052,398	(3,509,289)	2,109,238,505
Net book value	P4,164,856,134	(P 287,477,325)	(P 6,197,796)	P 3,871,181,013

Depreciation charged to direct costs and operating expenses amounted **P276,521,276** and **P26,647,620** in 2022, and P288,315,070 and P25,737,328 in 2021.

Gain (loss) on disposal of assets amounted to **P4,003** in 2022 and (P24,304) in 2021. Proceeds from disposal of asset amounted to **P32,247** in 2022 and P17,086 in 2021.

On December 2021, the Company's generation plant in Camiguin Island was damaged with fire. Moreover, the same powerplant was further damaged due to typhoon Odette which caused havoc not only in Camiguin but the whole province of Misamis Oriental. Total amount of losses caused by the aforementioned incidents amounted to P6,156,407. As at December 31, 2022, the Company is still in the process of claiming the insurance from the damaged properties. However, the amount of recovery from the insurance claim is not yet determinable pending evaluation of the insurer but is expected to be immaterial.

Fully depreciated items of property, plant, and equipment still being used in operations amounted to **P31,590,593** in 2022 and P28,659,803 in 2021.

The Company has determined that there is no indication that an impairment loss has occurred on its generation plant, property and equipment.

The Company's generation plant and equipment and land with net book value of **P3,614,020,186** were pledged as security or collateral for the Company's loans and borrowings discussed in Note 13.

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NOTE 6 – INVESTMENT IN ASSOCIATE

This pertains to investment in **Maramag Mini Hydro Power Corporation (MMHPC)**, a domestic corporations engaged primarily to make, generate, sell and supply electricity through exploration, development and utilization of hydro renewable sources of energy and technologies.

The carrying value of the investment in MMHPC amounted to **P13,170,584** equivalent to **267,490 shares** representing **42.71%** and 42.83% interest in ordinary shares as at December 31, 2022 and 2021, respectively.

Movement of the account follows:

	2022	2021
Balance, January 1	**P 17,077,809**	P 23,555,199
Additional investment	**-**	1,050,000
Share in net loss	**(3,907,225)**	(7,527,390)
Balance, December 31	**P 13,170,584**	P 17,077,809

The Company recognized losses on investment amounting to **P3,907,225** in 2022 and P 7,527,390 in 2021. Despite the losses, management believes that the investment and losses can be recovered once the required permits are obtained and the associate's hydro power plant is already fully operational. Thus, no impairment is recognized in both years.

NOTE 7 – OTHER NONCURRENT ASSET

This pertains to refundable deposits made for the Company's IT services (VSAT connectivity services).

NOTE 8 – CASH

Cash in banks generally earn interest at rates based on daily bank deposit rates. Interest income arising from the cash in banks amounted to **P38,810** in 2022 P88,238 in 2021.

NOTE 9 – TRADE AND OTHER RECEIVABLES

This account consists of:

	Note		
Trade receivables		**P 506,828,076**	P 357,408,090
Advances to related parties	*16*	**162,497,515**	151,351,986
Advances to contractors and suppliers		**32,262,099**	32,164,124
Advances to officers and employees		**624,306**	13,203,449
		702,211,996	554,127,649
Less: Allowance for impairment of receivables		**(10,380,997)**	(3,563,708)
		P 691,830,999	P 550,563,941

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Trade and other receivables are non-interest bearing and are generally on 30 days - 90 days term. The Company does not hold any collateral or other credit enhancements over these balances nor does it have a legal right of offset against any amounts owed by the Company to the counterparty.

Advances to contractors and suppliers refer to noninterest-bearing advance payments for the acquisition of materials, supplies, and services which are offset against progress billings and deliveries to be made by contractors and suppliers.

Advances to officers and employees are non-interest bearing and subject to liquidation.

The Company's trade and other receivables have been reviewed for indicators of impairment. Certain receivables were found to be impaired and allowance for doubtful accounts have been provided accordingly.

The roll forward analysis of allowance for impairment of receivables follows:

		2022		2021
Balance, January 1	**P**	**3,563,708**	P	-
Provisions		**10,380,997**		17,164,448
Write-off	**(**	**3,563,708)**	(	13,600,740)
Balance, December 31	**P**	**10,380,997**	P	3,563,708

The impaired receivables are from the unpaid collectibles from trade receivables.

NOTE 10 – INVENTORIES

This account consists of:

Fuel	**P**	**29,696,604**	P	38,630,806
Plant spare parts and supplies		**65,562,493**		65,594,892
	P	**95,259,097**	P	104,225,698

Inventories are carried at cost used in the generation plant and repairs and maintenance of properties. There are no allowance for obsolescence/impairment for both years.

The cost of inventories recognized as part of cost of generated power in the statement of comprehensive income amounted to **P240,519,061** in 2022 and P130,290,122 in 2021. *(See Note 17)*

The Company's inventories have been reviewed for indicators of impairment. There were no provisions for impairment or recognized in both years.

There were no unusual purchase commitments for inventory during the year. Accordingly, there are no losses are expected from uncancellable commitments.

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NOTE 11 – PREPAYMENTS AND OTHER CURRENT ASSETS

This account consists of:

	2022	2021
Prepayments	**P 39,887,789**	P 33,673,558
Deferred input taxes	**9,395,739**	6,616,682
	P 49,283,528	P 40,290,240

Prepayments mainly includes advance payments of taxes and insurance.

Deferred input taxes pertain to VAT credits on purchases of capital goods acquired by the Company.

NOTE 12 – CAPITAL STOCK

The components of capital stock follow:

Common Stock – Authorized 30,000,000 shares in 2022 and 2021 at P100 par value
Subscribed and outstanding – 25,500,000 shares in 2022 and 25,696,000 in 2021, respectively

Balance, January 1	**P 2,569,600,000**	P 750,000,000
Additional paid-up capital	**2,200,000**	1,819,600,000
Balance, December 31	**P 2,571,800,000**	P 2,569,600,000
Less: Treasury Shares	**(21,800,000)**	-
	P 2,550,000,000	P 2,569,600,000

On December 4, 2020, the BOD and stockholders approved the amendment of the Company's Articles of Incorporation (AOI) to increase its authorized capital stock from P750 Million divided into 7,500,000 shares with a par value of P100 per share resulting to an authorized capital stock of P3 Billion divided into 30,000,000 common shares with a par value of P100 per share. Relative to the application for stocks subscriptions, the existing stockholders have a "Deposit for future stocks subscription" amounting to P2,137,469,946 in 2020.

On January 8, 2021, the Securities and Exchange Commission approved the Company's application for increase in authorized capital stock. Relative thereto, the "Deposit for futures stocks subscriptions" were converted to capital stock equivalent to **18,000,000 shares** and a share premium of **P337,469,946** was recognized.

In 2021, there were additional stockholders who subscribed P19,600,000 of capital stock equivalent to 196,000 shares.

On March 24, 2022, the Company purchased its own shares amounting to **P21,800,000** equivalent to **218,000 shares** and presented in the statements of equity as treasury shares. Consequently, the amount of retained earnings was appropriated.

On June 28, 2022, there were additional stock subscriptions amounting **P2,200,000** equivalent to **22,000 shares.**

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NOTE 13 – LOANS AND BORROWINGS

This account consists of:

		2022		2021
Commercial banks	P	**533,333,333**	P	733,333,333
Financing companies, *net of discount*		**8,352,841**		12,022,609
		541,686,174		745,355,942
Current portion		**204,944,524**		204,944,524
	P	**336,741,650**	P	540,411,418

This account consists of loans and borrowings from commercial banks and financing companies. The movement of the loans and borrowings during the year follows:

Balance, January 1	**P**	**745,355,942**	P	952,083,333
Availments during the period		**-**		12,496,364
Payments during the period	**(**	**203,669,768)**	(	219,223,755)
Balance, December 31		**541,686,174**		745,355,942
Current portion (due within 1 year)	**(**	**204,944,524)**	(	204,944,524)
Non-current portion	**P**	**336,741,650**	P	540,411,418

The proceeds of the loans were used for additional working capital and construction of the generation plant, property and equipment. These were covered by promissory notes at various dates with various interest rates ranging from 4% to 6.535% per annum, payable in various dates until 2025. Certain properties were pledged as security or collateral for loans and borrowings. *(See Note 5)*

Discount on lease liability from financing companies amounted to **P752,563** in 2022 and P1,679,338 as at December 31, 2022 and 2021, respectively.

There are no borrowing costs capitalized as part of the generation plant, property and equipment discussed in Note 5.

Finance cost charged to operations amounted to **P36,466,455** and P78,901,330 in 2022 and 2021, respectively.

NOTE 14 – RETIREMENT PAYABLE

The Company provides a noncontributory defined benefit pension plan for all the qualified employees. Provisions for pension obligations are established for benefits payable in the form of retirement pensions. Benefits are dependent on years of service and the respective employee's final compensation. The present values of the defined benefit obligation, and the related current service cost and past service cost were measured using the projected unit credit actuarial method.

The net retirement liability recognized in the Statement of Financial Position as at December 31, 2022 and 2021 was determined as follows:

Present value of defined benefit obligation	**P**	**4,810,028**	P	4,897,255
Less: Fair value of plan assets		**-**		-
	P	**4,810,028**	P	4,897,255

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Movement of the present value of defined benefit obligation follows:

	2022	2021
Balance, January 1	**P 4,897,255**	P 4,897,254
Provision during the year	**431,973**	970,143
Payments	**(519,200)**	(1,008,574)
Adjustments during the year	**-**	38,432
Balance, December 31	**P 4,810,028**	P 4,897,255

Actuarial assumptions

The following are the principal actuarial assumptions at the reporting date (expressed as weighted averages):

Discount rate	5.09%	3.96%
Future salary growth	2.00%	2.00%

The weighted-average duration of the defined benefit obligation is 10 years in 2022 and 11 years in 2021.

Sensitivity analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below.

Decrease in DBO if Discount Rate + 100 basis points (bps)	(485,790); (9.9%)
Increase in DBO if Discount Rate – 100 bps	598,785;12.2%
Increase in DBO if Salary Increase Rate + 100 bps	612,213; 12.5%
Decrease in DBO if Salary Increase Rate – 100 bps	(503,458) (10.3%)
Increase in DBO if No Attrition Rates	1,031,226; 21.1%

Although the analysis does not take account of the full distribution of cash flows expected under the plans, it does provide an approximation of the sensitivity of the assumptions shown.

No remeasurement loss was recognized in other comprehensive loss in the statement of changes in equity and statement of income for the year ended December 31, 2022 and 2021.

NOTE 15 – TRADE AND OTHER PAYABLES

This account consists of:

Trade payables	**P 756,601,281**	P 772,491,892
Deferred output tax	**68,723,253**	57,637,592
Accrued expenses	**6,732,508**	18,802,243
Payable to government agencies	**4,474,935**	2,336,211
Retention payable	**1,835,883**	1,661,433
Advances to employees	**559,052**	616,763
	838,926,912	853,546,134
Less: Noncurrent portion	**309,347,089**	393,364,328
	P 529,579,823	P 460,181,806

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Trade payables primarily consist of liabilities to suppliers. These are noninterest-bearing and current portion are normally settled within the next financial year.

Deferred output tax pertain VAT charged on services not yet collected.

Accrued expenses pertain to cost and operating expenses which are normally settled within the next financial year.

Energy Regulation (ER) 1-94
ER 1-94 and the IRR of the EPIRA mandates generation companies to provide benefits to its host communities equivalent to 0.01/kwh of energy sales. The Company accrues the required benefits to its host community (included under "Trade and other payables" account in the statements of financial position) prospectively from the date of effectivity of ER 1-94. Total accrued regulatory fees amounted to **P146,113** in 2022 and P114,011 in 2021.

Retention payable pertains to construction projects.

Payables to government agencies mainly consist of vat payable, expanded withholding taxes, and SSS/PHIC/HDMF payable which is normally settled within the next financial year.

Trade and other payables are non-interest bearing.

NOTE 16 – RELATED PARTY TRANSACTIONS

In the ordinary course of trade or business, the Company has transactions with related parties. Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party, or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

The following are the transactions with related parties:

Receivables from related parties
The Company, in the ordinary course of business transacts with related parties (i.e. contractors, suppliers of materials and supplies, etc.). These receivables are unsecured, non-interest bearing and are settled in cash with no definite terms.

Movement of account follows:

		2022		2021
Balance, January 1	**P**	**151,351,985**	P	135,667,329
Additions during the period		**11,145,530**		15,684,657
Balance, December 31	**P**	**162,497,515**	P	151,351,986

Free Use of Land
The Company was allowed free use of land (owned by related parties) where its Baloy office is situated.

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Key management personnel compensation

The Company considered as key management personnel all employees holding managerial positions up to the President. Total compensation and benefits paid/accrued for key management personnel are as follows:

Short-term benefits	**P**	**5,308,520**	P	8,354,859
Post-employment benefits		-		543,719
	P	**5,308,520**	P	8,898,578

NOTE 17 – REVENUE AND DIRECT COSTS

Sale of Power

This pertains to sale of power generated by the Company for customers with peak generation agreements.

Contract information

The Company has only one product of power generation and has a few and similar customers within the geographical area of Mindanao, Philippines. Revenue is recognized at the point in time when power generated is transferred to the customer and is measured using the preapproved rates based on the respective Power Supply Agreement (PSA).

Power Supply Agreements

On September 11, 2019, the Company and National Grid Corporation of the Philippines (NGCP) entered an Ancillary Services Procurement Agreement ("ASPA") wherein the company will supply electricity at a maximum dependable capacity of 15.5 MW installed in Misamis Occidental Power Plant 3 and 15.0 MW installed in Misamis Occidental Power Plant 2. The contract will run a term of five (5) years upon the receipt of a provisional approval or final approval by ERC.

On July 01, 2016, the Company entered a Power Supply Agreement (PSA) with SUKELCO to supply 6.0 MW at any given time during the duration of the contract. The contract is valid for five (5) years from the date when the Company commences delivery of contracted capacity. The power supply is generated from Misamis Occidental Power Plant 3.

On October 28, 2015, the Company and SUKELCO entered a Power Supply Agreement (PSA) of 2.65 MW at any given time during the duration of the contract. The contract is valid for five (5) years from the date when the Company commences delivery of contracted capacity. The power supply is generated from Misamis Occidental Power Plant 3.

On May 29,2015, the Company has Power Supply Agreement (PSA) with ZAMSURECO for 2.0 MW supply at any given time during the duration of the contract. The contract is valid for five (5) years from the date when the Company commences delivery of contracted capacity.

On December 03, 2014, the Company and LANECO has an approved Power Supply Agreement (PSA) for 3.0 MW supply at any given time during the duration of the contract. The contract is valid for five (5) years from the date when the Company commences delivery of contracted capacity.

On June 08, 2013, the company entered a Power Supply Agreement (PSA) at 6.0 MW with FIBECO at any given time during the duration of the contract. The power supply is generated from Bukidnon Power Plant 2 with a dependable capacity of 7.5 MW. The contract is valid for ten (10) years from the date when the Company commences delivery of contracted capacity.

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On April 10, 2013, the Company entered into a Power Supply Agreement (PSA) with Surigao del Sur Electric Cooperative II wherein the company agreed to supply the power needs of SURSECO II. The Company agrees to supply electricity generated by the power station to SURSECO II at a maximum of 5.461 MW at any given time during the cooperation period. The contract is valid for ten (10) years from the date when the Company commences delivery of contracted capacity.

On March 15, 2013, the company and Camiguin Electric Cooperative, Inc. (CAMELCO) entered a Power Supply Agreement (PSA) wherein the company will supply electricity at a maximum of 4.0 MW. The contract will run a term of ten (10) years from the date when the Company commences delivery of contracted capacity.

The Company and Misamis Occidental II Electric Cooperative, Inc. (MOELCI II) and Misamis Occidental I Electric Cooperative. Inc. (MOELCI I) agreed on the Power Supply Agreement (PSA) issued on July 31, 2012 and August 02, 2012, respectively. MOELCI II has a contracted capacity of 10.0 MW, and MOELCI I have a contracted capacity of 3.760 MW. The power supply for both MOELCI I and MOELCI II is generated from Misamis Occidental Power Plant 2 with a total dependable capacity of 15.0 MW. The agreement has a term of ten (10) years from the date when the Company commences delivery of contracted capacity.

On February 08, 2011, the Company entered into a Power Supply Agreement (PSA) with MORESCO II with a contracted capacity of 9.4 MW. The power supply is generated from Misamis Oriental Power Plant 1 with a dependable capacity of 10.0MW. The agreement has a term of ten (10) years from the date when the Company commences delivery of contracted capacity.

On January 20, 2011, the company and FIBECO entered a Power Supply Agreement (PSA) wherein the company will supply electricity at a contracted capacity of 3.0 MW. The power supply is generated from Bukidnon Power Plant 1 with a dependable capacity of 3.0 MW. The agreement has a term of ten (10) years from the date when the Company commences delivery of contracted capacity. In September 2022, the Company was granted an emergency power supply agreement until August 2023.

The Company is continuously monitoring near-expiring contracts and is in the process of renewing and negotiating terms of the agreements. The management believes that there will be favorable outcome on the on-going negotiations despite the challenging economic outlook.

Fuel Supply and Management Agreement
Pursuant to the Power Supply Agreement, the Company also entered into a FSMA with Chemfour Inc. to ensure the continued and timely supply of fuel and lube oil to the power plant in the needed quantities and qualities and to put in place a transparent process in order to ensure at all times the lowest cost thereof. The Company shall own the storage tanks and dispensing pumps that will be installed at the power plant and all the structures, fixtures and equipment used in connection with the supply of fuel and lube oil.

Power Plant Operating and Maintenance Agreement
The Company has entered into a fixed and variable agreement with Galaxy Power Solutions, Inc. for monthly maintenance of power plant. The fixed contract relates to manpower services while the variable contract refers to additional cost for the plant to operate effectively and efficiently.

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Other Income

Gain on disposal of properties

As at December 31, 2022 and 2021, the Company gained on disposal amounting **P4,003** and P0, respectively.

Interest Income

The Company's interest income on deposit in banks as at December 31, 2022 amounted to **P38,810** and P88,238 on December 31, 2021.

The Company's other income is not a result of a related party transaction.

Cost of Service

This account consists of:

	Notes		**2022**		2021
Depreciation	*5*	**P**	**276,521,276**	P	288,315,070
Fuel costs			**240,519,061**		130,290,122
Operating and maintenance cost			**233,797,013**		280,146,856
Taxes and licenses			**37,822,164**		35,380,359
Light and water			**11,727,747**		10,826,632
Insurance			**10,952,876**		11,177,946
Personnel	*18*		**9,035,916**		8,439,328
Transmission cost			**4,405,550**		3,294,773
NGCP domestic lease line			**2,896,509**		3,136,754
Others			**109,468**		15,735
		P	**827,787,580**	P	771,023,575

NOTE 18 – EMPLOYEES' SALARIES, WAGES AND OTHER BENEFITS

This account consists of:

Salaries and wages		**P**	**21,767,615**	P	17,178,924
Employee benefits			**6,236,637**		4,788,524
SSS, PhilHealth and HDMF contributions			**2,241,300**		1,896,870
Provision for retirement	*14*		**431,973**		970,143
		P	**30,677,525**	P	24,834,461

Employees, salaries, and wages and other benefits are charged as follows:

Operating expenses	**P**	**21,641,609**	P	16,395,133
Cost of service		**9,035,916**		8,439,328
	P	**30,677,525**	P	24,834,461

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NOTE 19 – OTHER OPERATING EXPENSES

This account consists of:

	Notes	2022	2021
Research and development		**P 17,686,965**	P 6,275,997
Repairs and maintenance		**9,238,400**	8,160,601
Consulting services		**9,061,833**	7,221,373
		8,966,304	10,022,731
Entertainment, amusement and recreation			
Gas, oil and lubricants		**6,038,621**	4,897,115
Postage and communication		**2,592,195**	1,695,843
Professional and legal fees		**1,626,801**	1,740,400
Trainings and seminars		**1,447,309**	1,761,891
Transportation and travel		**1,422,285**	618,601
Light, power and water		**872,945**	296,384
Insurance		**693,976**	373,620
Corporate social responsibilities		**692,358**	587,749
Rentals	*20*	**267,857**	458,225
Loss on disposal and property damages	*5*	**-**	6,180,711
Others		**2,431,261**	1,759,424
		P 63,061,502	P 52,050,665

Others pertains to penalties and surcharges, bank charges, meals and other incidental expenses.

NOTE 20 – LEASES

The Company as a Lessee

The Company is a lessee under short term and cancellable operating leases for one of its office and parking space. The total amount of rental expense on short term lease amounted to **P267,857** in 2022 and P458,225 in 2021.

The Company do not have long term and noncancellable lease contracts requiring the application of PFRS 16 as at December 31, 2022 and 2021.

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NOTE 21 – TAX EXPENSE

The component of deferred tax follow:

	2022	2021
Beginning balance	**P 2,115,241**	P -
Retirement benefit obligation	**1,202,507**	1,224,314
Allowance for impairment of receivables	**2,595,249**	890,927
	P 5,912,997	P 2,115,241

A reconciliation of tax on pretax income computed at the applicable statutory rates to tax expense reported in the statements of comprehensive income is as follows:

Statutory tax rate at 25%	**P**	**11,396,646**	P	22,009,490
Add (deduct) the tax effect of the following:				
Nondeductible items		**3,857,476**		6,608,901
Nontaxable items	**(**	**1,030,430)**	(	3,674,388)
		14,223,692		24,944,003
Tax expense – deferred during the year	**(**	**3,797,756)**	(	2,115,241)
	P	**10,425,936**	P	22,828,762

NOTE 22 – EARNINGS PER SHARE

The following table presents information necessary to calculate the earnings per share:

Net income	**P**	**35,160,647**	P	65,209,201
Weighted average number of shares		**25,541,700**		15,891,333
Earnings per share	**P**	**1.38**	P	4.10

There are no potential dilutive ordinary shares for the years ended December 31, 2021 and 2020.

The weighted average number of ordinary shares used as the denominator in calculating the basic EPS as at December 31, 2022 and 2021 follows:

2022

Date	**Number of shares issued**	**Number of shares outstanding**	**Weighted average no. of shares**
January 1, 2022	**25,696,000**	**25,696,000**	**25,696,000**
March 24, 2022	**(218,000)**	**25,478,000**	**(165,300)**
June 30, 2022	**22,000**	**25,500,000**	**11,000**
December 31, 2022	**25,500,000**		**25,541,700**

2021

Date	Number of shares issued	Number of shares outstanding	Weighted average no. of shares
January 1, 2021	7,500,000	7,500,000	7,500,000
January 2021	7,500,000	15,000,000	7,500,000
December 2021	10,696,000	25,696,000	891,333
December 31, 2021	25,696,000		15,891,333

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NOTE 23 – FINANCIAL RISK AND CAPITAL MANAGEMENT

Financial Risk Management

The Company has exposure to the following risks from its use of financial instruments: credit risk and liquidity risk. The Board of Directors reviews and approves policies for managing each of these risks.

Credit Risk
Credit risk is the risk that a third party will fail to discharge its obligation to the Company and cause the Company to incur financial losses.

The Company's exposure to credit risk is inherent in the nature of its business as well as the laws and regulations governing the industry. The Company's policy is to evaluate the financial capabilities of its customers in order to determine whether the Company will be exposed to a high credit risk. The credit risk is mitigated through periodic progress billings and collections while the debtors are still enrolled in the Company. This practice also helps the Company identify accounts which will possibly be problem accounts.

The Company reviews, on as regular basis, the aging of its receivables and identifies possible uncollectible accounts based on the profile of the receivables. An analysis of the profile of debtors is also performed monthly to evaluate the significance of the credit risk that the Company is facing.

With respect to credit risk arising from the other financial assets of the Company, which comprise mainly of cash and short-term investments, the Company's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. However, the company's customers are mainly government offices which risk for non-collection is likely to be low.

The table below shows the credit quality of financial assets as of December 31, 2022 and 2021.

	2022			
	Neither past due	**Past Due**		
	nor impaired	**Not impaired**	**Impaired**	**Total**
Financial assets:				
Cash	**P 50,996,810**			**P 50,996,810**
Trade and other receivables	**691,830,999**		**10,380,997**	**702,211,996**
	P 742,827,809		**P 10,380,997**	**P 753,208,806**

	2021			
	Neither past due	Past Due		
	nor impaired	Not impaired	Impaired	Total
Financial assets:				
Cash	P 155,295,077	P -	P -	P 155,295,077
Trade and other receivables	550,563,941	-	3,563,708	554,127,649
	P 705,859,018	P -	P 3,563,708	P 709,422,726

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Credit Risk Exposure
The table below shows the maximum exposure to credit risk of the Company as at December 31, without considering the effects of collaterals and other credit risk mitigation techniques:

As at December 31, 2022

	Gross Maximum Exposure (a)	Fair Value and financial effect of collateral or credit enhancement (b)	Net Exposure (c) = (a) – (b)
Financial assets:			
Cash	**P 50,996,810**		**P 50,996,810**
Trade and other receivables	**702,211,996**		**702,211,996**
	P 753,208,806		**P 753,208,806**

As at December 31, 2021

	Gross Maximum Exposure (a)	Fair Value and financial effect of collateral or credit enhancement (b)	Net Exposure (c) = (a) – (b)
Financial assets:			
Cash	P 155,295,077	P -	P 155,295,077
Trade and other receivables	554,127,649	-	554,127,649
	P 709,422,726	P -	P 709,422,726

Liquidity Risk
Liquidity risk is the risk that the Company will encounter difficulty in raising liquid funds to meet commitments as they fall due.

The Company's policy is to continue to fund its working capital requirements as well as capital projects through external sources. Treasury controls and procedures are in place to ensure that sufficient cash is maintained to cover daily operational and working capital requirements.

The Company manages liquidity risk by forecasting projected cash flows and maintaining a balance between continuity of funding and flexibility of its funds availability to meet expected maturing liabilities.

The outstanding unpaid loan availment from local banks as at December 31, 2022 and 2021 amounted to **P541,686,174** and P745,355,942, respectively. *(See Note 13)*

The table below summarizes the maturity profile of financial instruments based on its contractual undiscounted cash flows. The maturity grouping of financial assets and financial liabilities is based on the remaining period from the end of the reporting period to be contractual maturity date. When counterparty has a choice of when the amount is paid, the liability is allocated to the earliest period in which the Company can be required to pay.

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December 31, 2022

	Total	On Demand	<3 months	3-12 months	1-5 years	>5 years
Financial assets						
Cash *(Note 8)*	**P 50,996,810**	**P 50,996,810**	**P -**	**P -**	**P -**	**P -**
Trade and other receivables *(Note 9)*	**702,211,996**	**702,211,996**	**-**	**-**	**-**	**-**
	P 753,208,806	**P 753,208,806**	**P -**	**P -**	**P -**	**P -**
Financial liabilities						
Trade and other payables *(Note 15)*	**P 838,926,912**	**P 529,579,823**	**P -**	**P -**	**P 309,347,089**	**P -**
Loans and borrowings *(Note 13)*	**541,686,174**	**24,323,544**	**33,333,333**	**150,000,000**	**333,333,333**	**-**
	P 1,380,613,086	**P 553,903,367**	**P 33,333,333**	**P 150,000,000**	**P 642,680,422**	**P -**
Net asset (liability)	**(P 626,708,316)**	**P 199,305,439**	**(P33,333,333)**	**(P150,000,000)**	**(P 642,680,422)**	**P -**

December 31, 2021

	Total	On Demand	<3 months	3-12 months	1-5 years	>5 years
Financial assets						
Cash *(Note 8)*	P 155,295,077	P 155,295,077	P -	P -	P -	P -
Trade and other receivables *(Note 9)*	554,127,649	554,127,649	-	-	-	-
	P 709,422,726	P 709,422,726	P -	P -	P -	P -
Financial liabilities						
Trade and other payables *(Note 15)*	P 853,546,134	P 460,181,806	P -	P -	P 393,364,328	P -
Loans and borrowings *(Note 13)*	745,355,942	17,078,710	34,157,420	153,708,394	540,411,418	
	P 1,598,902,076	P 477,260,516	P 34,157,420	P153,708,394	P 933,775,746	P -
Net asset (liability)	(P 889,479,350)	P 232,162,210	(P34,157,420)	(P153,708,394)	(P 933,775,746)	P -

Capital Management

The Company's objective when managing capital are to increase the value of fund available for the Company's operations and maintain growth by applying free cash flow to selective investments.

The Company's source of capital is mainly from external borrowings. The Chief Finance Officer of the Company has the overall responsibility for monitoring of capital requirements and its availability for Company operational and capital expenditures. The above capital management objective and policy did not change during the current period. The Company is not subject to externally imposed capital requirements unless required by regulatory agencies (i.e. ERC, NEA, etc.).

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As at December 31, 2022 and 2021, the Company's debt ratio and net debt ratio are as follows:

Debt Ratio

	2022	2021
Total debt (a)	**P 1,385,423,114**	P 1,605,366,703
Total equity	**3,151,158,963**	3,135,598,316
Total debt and equity (b)	**P 4,536,582,077**	P 4,740,965,019
Debt ratio (a/b)	**31%**	34%

Net Debt Ratio

Total debt	**P 1,385,423,115**	P 1,605,366,703
Less: Cash	**50,996,810**	155,295,077
Net debt (a)	**1,334,426,305**	1,450,071,626
Total equity	**3,155,174,181**	3,135,598,316
Total debt and equity (b)	**P 4,489,600,486**	P 4,585,669,942
Debt ratio (a/b)	**30%**	32%

NOTE 24 – FAIR VALUE MEASUREMENT

Set out below is a comparison of carrying value and fair value of the Company's financial instruments as of December 31, 2022 and 2021:

	2022	
	Carrying value	**Fair value**
Financial assets		
Cash	**P 50,996,810**	**P 50,996,810**
Trade and other receivables	**691,830,999**	**691,830,999**
	P 742,827,809	**P 742,827,809**
Financial liabilities		
Trade and other payables	**P 839,274,894**	**P 839,274,894**
Loans and borrowings	**541,338,192**	**541,338,192**
	P 1,380,613,086	**P 1,380,613,086**

	2021	
	Carrying value	**Fair value**
Financial assets		
Cash	P 155,295,077	P 155,295,077
Trade and other receivables	550,563,941	550,563,941
	P 705,859,018	P 705,859,018

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	2021	
Financial liabilities		
Trade and other payables	P 853,546,134	P 853,546,134
Loans and borrowings	745,355,942	745,355,942
	P 1,598,902,076	P 1,598,902,076

Fair value is defined as the amount at which the financial instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in a forced liquidation or sale. Fair values are obtained from quoted market prices, discounted cash flow models, recent arm's length market transaction, option pricing models and other relevant valuation models, as appropriate.

The carrying value of cash, trade and other receivables, trade and other payables, current portion of long-term debt approximate their fair values due to the relatively short-term maturities of the financial instruments or short-term nature of transactions.

Noncurrent portion of the loans payable are carried at the outstanding principal amounts of the loan which approximates their fair values.

NOTE 25 – OTHER MATTERS AND SUBSEQUENT EVENTS

- In December 2019, COVID-19 was reported to have surfaced in China. The World Health Organization has declared the outbreak as a 'public health emergency of international concern'. COVID-19 started to become widespread in the Philippines in early March 2020 causing the government to declare the country in a state of public health emergency followed by the implementation of enhanced quarantine and social distancing measures and restrictions within the Luzon area with other cities and provinces in the country enacting similar measures thereafter. This resulted in a wide-ranging business interruption such as disrupting supply chains and affecting production and sales across a range of industries.

  On April 30, 2020, President Rodrigo R. Duterte, through Executive Order No. 112, has approved Resolution No. 30 of the Inter-Agency Task Force IATF for the Management of Emerging Infectious Disease containing the omnibus guidelines for the implementation of ECQ and general community quarantine (GCQ) for the period May 1 to May 15, 2020 that will apply to all regions, provinces, cities or areas placed under ECQ or GCQ to prevent the spread of COVID-19. As of December 31, 2021, Gingoog City, and the whole of Misamis Oriental is still under Alert Level 2.

  The COVID-19 pandemic affected the Company's operations as follows:

  - Slowdown of ongoing construction projects due to work stoppage;
  - Slow collection of receivables caused by the slow collection rate of the customers from end users; and
  - Delays in the delivery of goods and supplies due to strict travel protocols.

  In order for the Company to fully adapt the new normal, it has implemented the following measures:

  - Strict observance of the social distancing requirements;
  - Requiring clients and employees to always wear face mask and face shields;
  - Plans to pursue digitalization initiatives and maximizing digital transactions;
  - Streamline and/or restructure business operations (i.e., minimize face to face interactions);
  - Skeletal workforce and shortened office hours.

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The Company's assessment will further depend on certain developments, including the duration and spread of the outbreak, impact on Company's customers, employees, and the accessibility and effectiveness of government support programs.

- Balance of some accounts in 2020 has been restated from amounts previously reported to give retroactive effect concerning certain transactions in prior years as follows:

Statement of Financial Position (extract)	2020	Adjustments	**2020 *(As restated)***
Generation plant, property and equipment	P 4,162,806,134	P 2,050,000	**P 4,164,856,134**
Trade and other receivables	705,754,336	(180,000,000)	**525,754,336**
Loans and borrowings - current	-	218,750,000	**218,750,000**
Loans and borrowings - noncurrent	1,222,083,333	(488,750,000)	**733,333,333**
Trade and other payables - current	842,993,177	(401,523,292)	**441,469,885**
Trade and other payables – noncurrent	-	493,573,292	**493,573,292**
Income tax payable	6,724,699	(2,468,103)	**4,256,596**

Statement of Comprehensive Income (extract)	2020	Adjustments	**2020 *(As restated)***
Tax expense – current	P 29,617,234	(P 2,468,103)	**P 27,149,131**

- On October 21, 2021, the Company filed a motion for a partial reconsideration with the Energy Regulatory Commission (ERC) per ERC Case No. 2014-119 RC entitled " In the Matter of Application for the Approval of the Power Supply Agreement (PSA) between Camiguin Electric Cooperative, Inc. (CAMELCO) and King Energy Generation, Inc. (KEGI) with prayer for the issuance of provisional authority". The partial reconsideration was filed as it seek reconsideration of the ERC's decision which would have an impact to the financial flow of KEGI in its Camiguin Power Plant. In 2022, the Energy Regulatory Commission (ERC) denied its pending motion with regards to the case with CAMELCO. The Company has an on-going amicable settlement with CAMELCO regarding its payment schedule plans for the year 2023. Provision for doubtful accounts amounting to **P10,380,997** was recognized in 2022 *(See Note 9)*. The Management will continue to assess the collectability of the account and consider writing-off the amounts in the future.

- Under section 43 (t) of the EPIRA law and Rule 3 section 4(m) of its implementing rules and regulations, the generation companies as well as distribution utilities are mandated "to offer or sell to the public a portion of not less 15% of their common stock. As at December 31, 2021, the Company is still in the process of complying with the requirements.

- As at December 31, 2022, the Company is in the process of filing their financial statements for purpose of issuing a class of instrument in the public market.

- The Company's financial statements as at December 31, 2022 were approved and authorized for issue by the board of directors on April___, 2023 and were signed on its behalf by Engr. Gilbert Rodriguez, the General Manager.

NOTE 26 – SUPPLEMENTARY INFORMATION REQUIRED BY THE BUREAU OF INTERNAL REVENUE

The President of the Philippines signed into law on March 26, 2021 the CREATE Act to attract more investments and maintain fiscal prudence and stability in the Philippines. Republic Act (RA) 11534 or the CREATE Act introduces reforms to the corporate income tax and incentives systems. It took effect on April 11, 2021 (15 days after its complete publication in the Office Gazette or in a newspaper of the general circulation).

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The following are the key changes to the Philippine tax law pursuant to the CREATE Act:

- Effective July 1, 2020, regular corporate income tax (RCIT) rate is reduced from 30% to 25% or 20% as applicable for domestic and resident foreign corporations. For domestic corporations with net taxable income not exceeding P5 Million and with total assets not exceeding P100 Million (Excluding land on which the business entity's office, plant and equipment are situated) during the taxable year, the RCIT rate is to 25% or 20% as applicable.

- Minimum corporate income tax (MCIT) rate reduced from 2% to 1% of gross income effective July 1, 2020 to June 30, 2023.

The CREATE Act do not have a significant impact on the Company's financial statements.

On December 18, 2020, the BIR issued RR No. 34-2020, to prescribe the guidelines and procedures for the submission of BIR Form No. 1709 (Information Return on Related Party Transactions (Domestic and/or Foreign), Transfer Pricing Documentation (TPD) and other supporting documents, amending for this purpose the pertinent provisions of Revenue Regulations (RR) Nos. 19-2020 and 21-2002, as amended by RR No. 15-2010.

Revenue Regulations (RR) No. 15-2010 (issued on December 10, 2010), an act amending certain provisions of RR No. 21-2002, provides that effective December 10, 2010, the disclosures on the Notes to Financial Statements as mandated under PFRS and such other standards and/or conventions as may heretofore be adopted, shall include information on taxes paid or accrued during the taxable year. The amounts relating to such information may not necessarily be the same with those amounts disclosed in the financial statements which were prepared in accordance with PFRS.

In compliance to the foregoing RR, the following taxes were paid/accrued by the Company as at December 31, 2022:

Output VAT
The Company is VAT registered with output tax declaration of **P114,375,813** for the year based on the amount of collected services.

Input VAT
The amounts of VAT input taxes claimed are broken down as follow:

Beginning of the year	**P**	**6,616,682**
Current year's domestic purchases:		
Goods other than capital goods		**50,309,021**
Services		**17,026,478**
Claims for tax credit/ refund and other adjustments		**(72,349,589)**
Balance at the end of the year	**P**	**1,602,592**

Withholding Taxes
The total amount of tax withheld and remitted to the BIR are as follows:

Expanded	**P**	**2,413,290**
Compensation		**1,211,252**
	P	**3,624,542**

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Documentary stamp tax (DST)
The DST paid/accrued in 2022 follows:

	Gross Amount	DST
On issuance of shares	P 2,200,000	P 22,000

Local and National Taxes
Other local and national taxes paid and accrued in 2022 reported under cost of services and taxes and licenses account follows:

Permits, accreditation, business permit and local taxes	P 40,223,678
Documentary stamp tax	22,000
LTO registration	99,697
BIR annual registration	3,500
	P 40,348,875

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BP&Co.
BACONGA PATRIANA & Co.
Certified Public Accountants

PRC/BOA Accreditation No. 2431
SEC Accreditation No. 0393-F
NEA Accreditation No. 2013-10
Bangko Sentral ng Pilipinas (BSP) Accredited
CDA CEA No. 0027-AF

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Website: www.bpandcompany.com

INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTARY SCHEDULES

The Board of Directors and Stockholders
KING ENERGY GENERATION, INC.
Brgy. San Luis, Gingoog City, Misamis Oriental

We have audited in accordance with Philippine Standards on Auditing, the financial statements of **KING ENERGY GENERATION, INC.** (the Company) as at December 31, 2022 and 2021, and for each of the three years in the period ended December 31, 2022, included in this Form 17-A, and have issued our report thereon dated April 17, 2023. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to the Supplementary Schedules are the responsibility of the Company's management. These schedules are presented for purposes of complying with the Revised Securities Regulation Code Rule 68, and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the basic financial statements taken as a whole.

BACONGA PATRIANA & CO.
By:

JESERIO C. LONON, JR.
Partner
CPA Certificate No. 0123245
TIN No. 948-861-793
PTR No. 5573552 A - January 3, 2023, Cagayan de Oro City
Partner's SEC Accreditation No. 1810-A, July 7, 2020 to July 7, 2023
BIR AN 16-005517-003-2022, June 29, 2022 to June 29, 2025

Firm BOA/PRC Cert. of Reg. No. 2431, September 15, 2020 to October 8, 2023
Firm SEC Accreditation No. 0393-F, July 7, 2020 to July 7, 2023
Firm NEA Accreditation No. 2022-08-00091, October 30, 2022 to October 29, 2025
Firm BSP Selected External Auditors for Institutions under Category B
valid for 2021, 2022, 2023, 2024 and 2025 audit periods and AFS

Cagayan de Oro City
April 17, 2023

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KING ENERGY GENERATION, INC.
SCHEDULE A - FINANCIAL ASSETS
CASH, RECEIVABLES, FINANCIAL ASSETS AND OTHER SHORT-TERM INVESTMENTS
December 31, 2022

Name of Issuing Entity and Description of Each Issue	Number of Shares or Principal Amount of Bonds and Notes	Amount Shown in the Statement of Financial Position/Notes	Value Baed on Market Quotations at End of reporting Period	Income Received and Accrued
At amortized cost:				
Cash and cash equivalents	-	50,996,810	50,996,810	38,810.00
Trade and other receivables:				
Receivable from customers	-	506,828,076	506,828,076	-
Due from related parties	-	162,497,515	162,497,515	-
Advances to contractors and suppliers	-	32,262,099	32,262,099	-
Advances to officers and employees	-	624,306	624,306	-
		753,208,806	753,208,806	38,810
Total Financial assets		**753,208,806**	**753,208,806**	**38,810**

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KING ENERGY GENERATION, INC.

SCHEDULE B - AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES AND PRINCIPAL STOCKHOLDERS (OTHER THAN RELATED PARTIES)

December 31, 2022

Name of Issuing Entity and Description of Each Issue	Balance at Beginning of Period	Additions	Collections	Write Offs	Balance at the End of Period		
					Current	Noncurrent	Total
- Not applicable -							-

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KING ENERGY GENERATION, INC.

SCHEDULE C - AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS

December 31, 2022

Name and Designation of Debtor	Balance at Beginning of Period	Additions	Collections	Write Offs	Balance at the End of Period		
					Current	Noncurrent	Total
Maramag Mini Hydro Power Corporation	141,865,662	21,281,050	649,196	-	162,497,515	-	162,497,515
							162,497,515

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KING ENERGY GENERATION, INC.

SCHEDULE D - INTANGIBLE ASSETS - OTHER ASSETS

December 31, 2022

Description	Beginning Balance	Additions at cost	Collections	Charged to Cost and Expenses	Charged to Other Accounts	Other Changes - Additions	Ending Balance
- Not applicable -							

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KING ENERGY GENERATION, INC.
SCHEDULE E - LONG-TERM DEBT
December 31, 2022

Title of Issue and Type of Obligation	Amount Authorized by Indenture	Current Portion pf Long-Term Debt	Long-Term Debt
Loans Payable		200,000,000	333,333,333
Lease Liability		4,596,543	4,160,879.89
		204,596,543	**337,494,213**

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KING ENERGY GENERATION, INC.

SCHEDULE F - INDEBTEDNESS TO RELATED PARTIES (LONG-TERM LOANS FROM RELATED COMPANIES)

December 31, 2022

Name of Related Party	Balance at Beginning of Period	Balance at End of Period
- Not applicable -		

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KING ENERGY GENERATION, INC.

SCHEDULE G - GUARANTEES OF SECURITIES OF OTHER ISSUERS

December 31, 2022

Name of Issuing Entity of Securities Guaranteed by the Company for which the Statement is Filed	Title of Issue of Each Class of Securities Guaranteed	Total Amount Guaranteed and Outstanding	Amount Owned by Person for which Statement is Filed	Nature of Guarantee
- Not applicable -				

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KING ENERGY GENERATION, INC.
SCHEDULE H - CAPITAL STOCK
December 31, 2022

Title of Issue	Number of Shares Authorized	Number of Shares Issued and Outstanding as Shown under Related Consolidated Statement of Financial Position Caption	Number of Shares Reserved for Options, Warrants, Conversion and Other Rights	Affiliates	Directors and Officers	Others
Capital Stock	30,000,000	25,500,000	218,000	-	25,282,000	218,000
	30,000,000	25,500,000	218,000	-	25,282,000	218,000

KING ENGERY GENERATION, INC.
San Luis, Gingoog City

RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION AS OF DECEMBER 31, 2022

		AMOUNTS
Unappropriated Retained Earnings, as of December 31, 2022 *(as reflected in the audited financial statements)*		228,566,802.00
Prior year adjustments		-
Unappropriated Retained Earnings, *as adjusted to available for dividend distribution, beginning*		**228,566,802.00**
Add: Net income actually earned/realized during the period	35,160,647.00	
Less: Non-actual/unrealized income net of tax	-	
Unrealized foreign exchange gain (loss) - net *(except those attributable to cash and cash equivalents)*	-	
Deferred income tax assets	-	
Equity in net income of assoiate/joint venture	-	
Unrealized actuarial gain	-	
Fair value adjustment (mark-to-market gains)	-	
Fair value adjustment of investment property resulting to gain	-	
Adjustment due to deviation from PFRS/GAAP - gain	-	
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accountited for under PFRS	-	
Subtotal	35,160,647.00	
Add: Non-actual losses	-	
Depreciation on revaluation increment (after tax)	-	
Adjustment due to deviation from PFRS/GAAP - loss	-	
Loss on fair value adjustment of investment property (after tax)	-	
Subtotal	-	
Net income actually incurred during the period	35,160,647.00	
Add (less):		
Dividend declaration during the period	-	
Additional paid-in capital	-	
Appropriations of retained earnings	21,800,000.00	
Reversals of appropriations	-	
Effects of change in accounting policy	-	
Treasury shares	-	
Equity restructuring	-	
Deferred tax assets in prior years	-	
Subtotal	**21,800,000.00**	**56,960,647.00**
TOTAL RETAINED EARNINGS, END AVAILABLE FOR DIVIDEND		**285,527,449.00**

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INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTARY SCHEDULES

The Board of Directors and Stockholders
KING ENERGY GENERATION, INC.
Brgy. San Luis, Gingoog City, Misamis Oriental

We have audited in accordance with Philippine Standards on Auditing, the financial statements of **KING ENERGY GENERATION, INC.** (the Company) as at December 31, 2022 and 2021, and for each of the three years in the period ended December 31, 2022, included in this Form 17-A, and have issued our report thereon dated April 17, 2023. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to the Supplementary Schedules are the responsibility of the Company's management. These schedules are presented for purposes of complying with the Revised Securities Regulation Code Rule 68, and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the basic financial statements taken as a whole.

BACONGA PATRIANA & CO.
By:

JESERIO G. LONON, JR.
Partner
CPA Certificate No. 0123245
TIN No. 948-861-793
PTR No. 5573552 A - January 3, 2023, Cagayan de Oro City
Partner's SEC Accreditation No. 1810-A, July 7, 2020 to July 7, 2023
BIR AN 16-005517-003-2022, June 29, 2022 to June 29, 2025

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valid for 2021, 2022, 2023, 2024 and 2025 audit periods and AFS

Cagayan de Oro City
April 17, 2023

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KING ENERGY GENERATION, INC.

SCHEDULE A - FINANCIAL ASSETS

CASH, RECEIVABLES, FINANCIAL ASSETS AND OTHER SHORT-TERM INVESTMENTS

December 31, 2022

Name of Issuing Entity and Description of Each Issue	Number of Shares or Principal Amount of Bonds and Notes	Amount Shown in the Statement of Financial Position/Notes	Value Baed on Market Quotations at End of reporting Period	Income Received and Accrued
At amortized cost:				
Cash and cash equivalents	-	50,996,810	50,996,810	38,810.00
Trade and other receivables:				
Receivable from customers	-	506,828,076	506,828,076	-
Due from related parties	-	162,497,515	162,497,515	-
Advances to contractors and suppliers	-	32,262,099	32,262,099	-
Advances to officers and employees	-	624,306	624,306	-
		753,208,806	753,208,806	38,810
Total Financial assets		**753,208,806**	**753,208,806**	**38,810**

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KING ENERGY GENERATION, INC.

SCHEDULE B - AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES AND PRINCIPAL STOCKHOLDERS (OTHER THAN RELATED PARTIES)

December 31, 2022

Name of Issuing Entity and Description of Each Issue	Balance at Beginning of Period	Additions	Collections	Write Offs	Balance at the End of Period		
					Current	Noncurrent	Total
- Not applicable -							
							-

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KING ENERGY GENERATION, INC.

SCHEDULE C - AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS

December 31, 2022

Name and Designation of Debtor	Balance at Beginning of Period	Additions	Collections	Write Offs	Balance at the End of Period		
					Current	Noncurrent	Total
Maramag Mini Hydro Power Corporation	141,865,662	21,281,050	649,196	-	162,497,515	-	162,497,515
							162,497,515

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KING ENERGY GENERATION, INC.

SCHEDULE D - INTANGIBLE ASSETS - OTHER ASSETS

December 31, 2022

Description	Beginning Balance	Additions at cost	Collections	Charged to Cost and Expenses	Charged to Other Accounts	Other Changes - Additions	Ending Balance
- Not applicable -							

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KING ENERGY GENERATION, INC.

SCHEDULE E - LONG-TERM DEBT

December 31, 2022

Title of Issue and Type of Obligation	Amount Authorized by Indenture	Current Portion pf Long-Term Debt	Long-Term Debt
Loans Payable		200,000,000	333,333,333
Lease Liability		4,596,543	4,160,879.89
		204,596,543	**337,494,213**

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KING ENERGY GENERATION, INC.

SCHEDULE G - GUARANTEES OF SECURITIES OF OTHER ISSUERS

December 31, 2022

Name of Issuing Entity of Securities Guaranteed by the Company for which the Statement is Filed	Title of Issue of Each Class of Securities Guaranteed	Total Amount Guaranteed and Outstanding	Amount Owned by Person for which Statement is Filed	Nature of Guarantee
- Not applicable -				

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KING ENERGY GENERATION, INC.

SCHEDULE F - INDEBTEDNESS TO RELATED PARTIES (LONG-TERM LOANS FROM RELATED COMPANIES)

December 31, 2022

Name of Related Party	Balance at Beginning of Period	Balance at End of Period
- Not applicable -		

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KING ENERGY GENERATION, INC.

SCHEDULE H - CAPITAL STOCK

December 31, 2022

Title of Issue	Number of Shares Authorized	Number of Shares Issued and Outstanding as Shown under Related Consolidated Statement of Financial Position Caption	Number of Shares Reserved for Options, Warrants, Conversion and Other Rights	Affiliates	Directors and Officers	Others
Capital Stock	30,000,000	25,500,000	218,000	-	25,282,000	218,000
	30,000,000	25,500,000	218,000	-	25,282,000	218,000

KING ENGERY GENERATION, INC.
San Luis, Gingoog City

RECONCILIATION OF RETAINED EARNINGS
AVAILABLE FOR DIVIDEND DECLARATION
AS OF DECEMBER 31, 2022

			AMOUNTS
Unappropriated Retained Earnings, as of December 31, 2022			
(as reflected in the audited financial statements)			₱ 228,566,802.00
Prior year adjustments			-
Unappropriated Retained Earnings, *as adjusted to available for dividend distribution, beginning*			**₱ 228,566,802.00**
Add: Net income actually earned/realized during the period	₱ 35,160,647.00		
Less: Non-actual/unrealized income net of tax		-	
Unrealized foreign exchange gain (loss) - net *(except those attributable to cash and cash equivalents)*		-	
Deferred income tax assets		-	
Equity in net income of assoiate/joint venture		-	
Unrealized actuarial gain		-	
Fair value adjustment (mark-to-market gains)		-	
Fair value adjustment of investment property resulting to gain		-	
Adjustment due to deviation from PFRS/GAAP - gain		-	
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accountited for under PFRS		-	
Subtotal	₱ 35,160,647.00		
Add: Non-actual losses		-	
Depreciation on revaluation increment (after tax)		-	
Adjustment due to deviation from PFRS/GAAP - loss		-	
Loss on fair value adjustment of investment property (after tax)		-	
Subtotal		-	
Net income actually incurred during the period	₱ 35,160,647.00		
Add (less):			
Dividend declaration during the period		-	
Additional paid-in capital		-	
Appropriations of retained earnings		21,800,000.00	
Reversals of appropriations		-	
Effects of change in accounting policy		-	
Treasury shares		-	
Equity restructuring		-	
Deferred tax assets in prior years		-	
Subtotal	**₱ 21,800,000.00**		**56,960,647.00**
TOTAL RETAINED EARNINGS, END AVAILABLE FOR DIVIDEND			**₱ 285,527,449.00**

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BP&Co.
BACONGA PATRIANA & Co.
Certified Public Accountants

PRC/BOA Accreditation No. 2431
SEC Accreditation No. 0393-F
NEA Accreditation No. 2013-10
Bangko Sentral ng Pilipinas (BSP) Accredited
CDA CEA No. 0027-AF

6th Floor TTK Tower
Imperial Appliance Plaza Bldg.
Don Apolinar Velez Street.
9000 Cagayan de Oro City
Telefax No. +63 (08822) 714729 or 8566498
Email Address: cpas_bprcdo@yahoo.com.ph
Website: www.bpandcompany.com

INDEPENDENT AUDITOR'S REPORT ON COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

The Board of Directors and Stockholders
KING ENERGY GENERATION, INC.
Brgy. San Luis, Gingoog City, Misamis Oriental

We have examined the financial statements of **KING ENERGY GENERATION, INC.** for the year then ended December 31, 2022, on which we have rendered the attached report dated April 17, 2023.

We have audited in accordance with Philippine Standards on Auditing, the financial statements of **KING ENERGY GENERATION, INC.** (the Company) as at December 31, 2022 and 2021, and for each of the three years in the period ended December 31, 2022, and have issued our report thereon dated April 17, 2023. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Company's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) and may not be comparable to similarly titled measures presented by other companies.

This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic financial statements prepared in accordance with PFRSs. The components of these financial soundness indicators have been traced to the Company's financial statements as at December 31, 2022 and 2021 and for each of the three years in the period ended December 31, 2022 and no material exceptions were noted. In compliance with SRC rule 68, we are stating that the said Company has a total number of 26 stockholder owning 100 or more shares each.

BACONGA PATRIANA & CO.
By:

JESERIO C. LONON, JR.
Partner
CPA Certificate No. 0123245
TIN No. 948-861-793
PTR No. 5573552 A - January 3, 2023, Cagayan de Oro City
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Cagayan de Oro City
April 17, 2023

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KING ENERGY GENERATION, INC.
FINANCIAL SOUNDNESS INDICATORS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2022

Ratio	Formula			2022	2021
Current Ratio	Total Current Assets divided by Total Current Liabilities				
	Total Current Assets	P	**887,370,434**		
	Divide by: Total Current Liabilities		**734,524,347**		
	Current Ratio		**1.21**	**121%**	128%
Acid Test Ratio	Quick Assets *(Total Current Assets less Materials and Supplies and Prepayments and ther Current Assets)* divided by Total Current Liabilities				
	Total Current Asesets	P	**887,370,434**		
	Less: Materials and Supplies		**(95,259,097)**		
	Prepayments and Other Current Assets		**(49,283,528)**		
	Quick Assets		**742,827,809**		
	Divide by: Total Current Liabilities		**734,524,347**		
	Acid Test Ratio		1.01	**101%**	106%
Solvency Ratio	Total Comprehensive Income before Depreciation and Amortization divided by Total Liabilities				
	Total Comprehensive income	P	**35,160,647**		
	Add: Depreciation and Amortization		**26,647,620**		
			61,808,267		
	Divide by: Total Liabilities		**1,385,423,114**		
	Solvency Ratio		0.04	**4%**	6%
Debt-to-Equity Ratio	Total Liabilities divided by Total Equity				
	Total Liabilities	P	**1,385,423,114**		
	Divide by: Total Equity		**3,151,158,963**		
	Debt-toEquity Ratio		0.44	**44%**	51%
Asset-to-Equity Ratio	Total Assets divided by Equity Attributable to Parent				
	Total Assets	P	**4,536,582,077**		
	Divide by: Equity Attributable to Parent		**3,151,158,963**		
			1.44	144%	151%

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KING ENERGY GENERATION, INC.
FINANCIAL SOUNDNESS INDICATORS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2022

Ratio	Formula			**2022**	2021
Interest Rate Coverage Ratio	Earnings before Income Tax, Depreciation and Amortization *(Net Income plus Provision for Income Tax, Interest Expense, Depreciation and Amortization less Interest Income)* divided by Interest Expense				
	Net Income	P	**35,160,647**		
	Add: Provision for Income Tax		**14,223,692**		
	Interest Expense		**36,466,455**		
			85,850,794		
	Less: Interest Income		**(38,810.37)**		
	EBIT		**85,811,984**		
	Add: Depreiation and Amortization		**26,647,620**		
	EBITDA		**112,459,604**		
	Divide by: Interest Expense		**36,466,455**		
	Interest Expense Coverage Ratio		**3.08**	**308%**	247%
Return on Equity	Total Comprehensive Income divided by Average Total Equity *(Total Equity PY + Total Equity CY divided by 2)*				
	Total Comprehensive Income	P	**35,160,647**		
	Total Equity CY		**3,155,076,456**		
	Total Equity PY		**3,135,598,316**		
	Average Total Equity		**3,145,337,386**		
	Return on Equity		0.01	**1%**	2%
Return on Assets	Total Comprehensive Income divided by Average Total Assets *(Total Assets PY + Total Assets CY divided by 2)*				
	Total comprehensive Income	P	**35,160,647**		
	Total Assets CY		**4,585,794,225**		
	Total Assets PY		4,740,965,019		
	Average Total Assets		4,663,379,622		
	Return on Assets		0.01	**1%**	1%
Net Profit Margin	Net Income Attribiutable to Parent divided by Revenue				
	Net Income Attributable to Parent	P	**35,160,647**		
	Divide by: Revenue		**1,045,512,292**		
	Net Income Margin		0.03	**3%**	6%

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EXHIBIT 12

BP&Co.

BACONGA PATRIANA & Co.
Certified Public Accountants

PRC/BOA Accreditation No. 2431
NEA Accreditation No. 2022-08
Bangko Sentral ng Pilipinas (BSP) Accredited
CDA CEA No. 0027-AF

6th Floor TTK Tower
Imperial Appliance Plaza Bldg.
Don Apolinar Velez Street.
9000 Cagayan de Oro City
Telefax No. +63 (08822) 714729 or 8566498
Email Address: cpas_bprcdo@yahoo.com.ph
Website: www.bpandcompany.com

Report of Independent Auditors
To Accompany Income Tax Return

The Board of Directors and Stockholders
KING ENERGY GENERATION, INC.
Brgy. San Luis, Gingoog City, Misamis Oriental

We have audited the financial statements of the Company for the year ended December 31, 2023, on which we have rendered the attached report dated April 5, 2024.

In compliance with Revenue Regulation V-20, we are stating the following:

1. The taxes paid or accrued by the above Company for the year ended December 31, 2023 are shown in Note 27 to the financial statements.

2. No partner of our Firm is related by consanguinity or affinity to the president, manager or members of the Board of the Company.

BACONGA PATRIANA & CO.
By:

JESERIO C. LONON, JR.
Partner
CPA Certificate No. 0123245
TIN No. 948-861-793
PTR No. 5832116 A - January 2, 2024, Cagayan de Oro City
BIR AN 16-005517-003-2022, June 29, 2022 to June 29, 2025
Partner's CDA CEA No. 1846, November 8, 2023 to November 7, 2028

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Cagayan de Oro City
April 5, 2024

BP&Co.
BACONGA PATRIANA & Co.
Certified Public Accountants

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Telefax No. +63 (08822) 714729 or 8566498
Email Address: cpas_bprcdo@yahoo.com.ph
Website: www.bpandcompany.com

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders
KING ENERGY GENERATION, INC.
San Luis, Gingoog City

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **KING ENERGY GENERATION, INC.** ("the Parent Company"), which comprise the statements of financial position as at December 31, 2023 and 2022, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of **KING ENERGY GENERATION, INC.** as at December 31, 2023 and 2022, and of its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the Philippines, the *Code of Ethics for Professional Accountants in the Philippines,* and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matter

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a hole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matters below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, included in the procedures performed to address the matter below, provide the basis of our audit opinion on the accompanying financial statement.

Revenue Recognition from Sale of Power
The Parent Company's revenue from the sale of power amounting to P779 million arises from its service contracts to the customers comprising mainly from electric cooperatives and government agencies located within its franchise areas. This matter is significant to our audit because the revenue recognized depends on the contract with the electric cooperatives and government agencies which normally includes fixed rates and variable rates. The variable component depends on the electric consumption captured based on meter readings, as obtained on various meter reading dates and is computed and applied based on the Energy Regulatory Commission (ERC)-approved formulae, which vary depending on the types of customers and reliability of the billing system in processing transactions. Disclosures related to this matter are provided in Notes 3 and 18 to the financial statements.

Audit Response
We obtained an understanding of the revenue recognition process, which includes capturing electric consumption, uploading captured electric consumption to the billing system, calculating billed amounts based on the contracts and on ERC-approved rates and uploading data from the billing system to the financial reporting system. We also evaluated and tested the design of the relevant controls over these processes. We also performed test recalculation of billed amounts using the contract and ERC-approved rates and formulae, and compared them with the amounts reflected in the billing statements.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Sheet), SEC Form 17-A and Annual report for the year ended December 31, 2023, but does not include the financial statements and our auditors' report thereon. The SEC Form 20-IS, SEC Form 17-A and Annual Report for the year ended December 31, 2023 are expected to be made available to use after the date of this auditors' report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audits of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated.

Responsibilities of Management and Those Charged with Governance for the Financial Statements
Management is responsible for the preparation and fair presentation of the financial statements in accordance with PFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Parent Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Parent Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Parent Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Parent Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and therefore the key audit matters. We described these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extreme rare circumstances, we determine that a matter should not be communicated in our report because of the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditors' report is Jeserio G. Lonon Jr.

Report on the Supplementary Information Required by the Bureau of Internal Revenue

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information in Note 27 to the financial statements are presented for purposes of filing with the Bureau of Internal Revenue and are not a required part of the basic financial statements. Such information is the responsibility of management. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

BACONGA PATRIANA & CO.
By:

JESERIO G. LONON, JR.
Partner
CPA Certificate No. 0123245
TIN No. 948-861-793
PTR No. 5832116 A - January 2, 2024, Cagayan de Oro City
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Cagayan de Oro City
April 5, 2024

KING ENERGY GENERATION, INC.

STATEMENT OF FINANCIAL POSITION
December 31, 2023, and 2022
(With Comparative Figures 2021)

	Notes	**2023**	2022	2021
ASSETS				
Noncurrent Assets				
Generation plant, property and equipment, *net*	*5*	**P 3,342,966,100**	P 3,629,912,062	P 3,871,181,013
Investment in associate	*6*	**-**	13,170,584	17,077,809
Investment in subsidiary	*6*	**15,206,600**	-	-
Deferred tax asset	*22*	**12,717,826**	5,912,997	2,115,241
Other noncurrent asset	*8*	**-**	216,000	216,000
Total Noncurrent Assets		**3,370,890,526**	3,649,211,643	3,890,590,063
Current Assets				
Cash	*9*	**46,687,841**	50,996,810	155,295,077
Trade and other receivables	*10*	**685,416,981**	691,830,999	550,563,941
Inventories	*11*	**170,022,882**	95,259,097	104,225,698
Prepayments and other current assets	*12*	**56,286,968**	49,283,528	40,290,240
Total Current Assets		**958,414,672**	887,370,434	850,374,956
TOTAL ASSETS		**P 4,329,305,198**	P 4,536,582,077	P 4,740,965,019
EQUITY AND LIABILITIES				
Equity		**P 3,161,449,949**	P 3,151,158,963	P 3,135,598,316
Noncurrent Liabilities				
Loans and borrowings, *net of current portion*	*14*	**133,155,761**	336,741,650	540,411,418
Trade and other payables, noncurrent	*16*	**403,950,747**	309,347,089	393,364,328
Retirement liabilities	*15*	**6,457,322**	4,810,028	4,897,255
Total Noncurrent Liabilities		**543,563,830**	650,898,767	938,673,001
Current Liabilities				
Loans and borrowings	*14*	**204,327,397**	204,944,524	204,944,524
Trade and other payables	*16*	**419,964,022**	529,579,823	460,181,806
Income tax payable		**-**	-	1,567,372
Total Current Liabilities		**624,291,419**	734,524,347	666,693,702
Total Liabilities		**1,167,855,249**	1,385,423,114	1,605,366,703
TOTAL LIABILITIES AND EQUITY		**P 4,329,305,198**	P 4,536,582,077	P 4,740,965,019

(The notes on pages 8 to 53 are integral parts of these financial statements)

KING ENERGY GENERATION, INC.

STATEMENT OF COMPREHENSIVE INCOME
For the Year Ended December 31, 2023, and 2022
(With Comparative Figures 2021)

	Notes	2023	2022	2021
SALE OF POWER	*18*	**P 779,621,152**	P 1,045,512,292	P 1,078,296,268
COST OF SERVICE	*18*	**603,158,632**	827,787,580	771,023,575
GROSS INCOME		**176,462,520**	217,724,712	307,272,693
OPERATING EXPENSES				
Depreciation	*5*	**25,747,474**	26,647,620	25,737,328
Employees salaries, wages, and other benefits	*19*	**26,047,760**	21,641,609	16,395,133
Provision for impairment losses	*10*	**10,380,997**	10,380,997	17,164,448
Taxes and licenses		**4,277,996**	2,526,711	13,157,788
Security services		**7,647,012**	7,548,823	8,388,886
Other operating expenses	*20*	**60,280,592**	63,061,502	52,050,665
		134,381,831	131,807,262	132,894,248
OPERATING INCOME BEFORE FINANCE INCOME AND FINANCE COST		**42,080,689**	85,917,450	174,378,445
Interest and other income		**91,080**	42,813	88,238
Finance cost	*14*	**(27,332,297)**	(36,466,455)	(78,901,330)
		(27,241,217)	(36,423,642)	(78,813,092)
INCOME BEFORE OTHER EXPENSE		**14,839,472**	49,493,808	95,565,353
Share in net loss of associate	*6*	**(4,150,684)**	(3,907,225)	(7,527,390)
INCOME BEFORE TAX EXPENSE		**10,688,788**	45,586,583	88,037,963
TAX EXPENSE	*22*			
Current		**6,548,186**	14,223,692	24,944,003
Deferred		**(6,804,829)**	(3,797,756)	(2,115,241)
		(256,643)	10,425,936	22,828,762
NET INCOME		**10,945,431**	35,160,647	65,209,201
OTHER COMPREHENSIVE LOSS				
Actuarial loss on retirement liabilities	*15*	**(654,445)**	-	(38,432)
TOTAL COMPREHENSIVE INCOME		**P 10,290,986**	P 35,160,647	P 65,170,769
EARNINGS PER SHARE	*23*	**P 0.43**	P 1.38	P 4.10

(The notes on pages 8 to 53 are integral parts of these financial statements)

KING ENERGY GENERATION, INC.

STATEMENT OF EQUITY
For the Year Ended December 31, 2023, and 2022
(With Comparative Figures 2021)

	Notes	2023	2022	2021
CAPITAL STOCK	*13*			
Authorized - 30 Million shares in 2023 and 2022				
Subscribed and issued - 25,500,000 shares in 2023 and 2022				
Balance, January 1		**2,571,800,000**	2,569,600,000	750,000,000
Additional subscriptions during the year	*13*	**-**	2,200,000	1,819,600,000
Balance, December 31		**2,571,800,000**	2,571,800,000	2,569,600,000
TREASURY SHARES	*13*			
218,000 shares in 2023 and 2022		**(21,800,000)**	(21,800,000)	-
SHARE PREMIUM				
Balance, January 1		**337,469,946**	337,469,946	-
Additions during the period		**-**	-	337,469,946
Balance, December 31		**337,469,946**	337,469,946	337,469,946
DEPOSIT FOR FUTURE STOCK SUBSCRIPTIONS				
Balance, January 1		**-**	-	2,137,469,946
Converted to shares during the period	*13*	**-**	-	(2,137,469,946)
Balance, December 31		**-**	-	-
RETAINED EARNINGS				
Balance, January 1		**263,727,449**	228,566,802	163,357,601
Net income		**10,945,431**	35,160,647	65,209,201
Balance, December 31		**274,672,880**	263,727,449	228,566,802
CUMULATIVE REMEASUREMENT LOSS ON RETIREMENT LIABILITY				
Balance, January 1		**(38,432)**	(38,432)	-
Other comprehensive loss	*15*	**(654,445)**	-	(38,432)
Balance, December 31		**(692,877)**	(38,432)	(38,432)
TOTAL EQUITY		**P 3,161,449,949**	P 3,151,158,963	P 3,135,598,316

(The notes on pages 8 to 53 are integral parts of these financial statements)

KING ENERGY GENERATION, INC.

STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2023, and 2022
(With Comparative Figures 2021)

	Notes	2023	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before tax expense		**P 10,688,788**	P 45,586,583	P 88,037,963
Adjustments for:				
Depreciation	5	**292,765,630**	303,168,896	314,052,398
Provision for impairment of receivables	10	**10,380,997**	10,380,997	17,164,448
Provision for retirement expense	19	**1,015,328**	431,973	970,143
Loss on investment with associate	6	**4,150,684**	3,907,225	7,527,390
Finance cost	14	**27,332,297**	36,466,455	78,901,330
Loss (gain) on disposal and property damages	5	**(32,107)**	(4,003)	6,180,711
Operating income before working capital changes		**346,301,617**	399,938,126	512,834,383
Decrease (increase) in assets				
Trade and other receivables		**6,415,511**	(148,084,347)	(28,373,313)
Inventories and prepayments and other current assets		**(82,526,450)**	7,185,890	(35,630,412)
Increase (decrease) in liabilities				
Trade and other payables		**(18,171,143)**	(14,509,222)	(81,497,044)
Cash flows from operating activities		**252,019,535**	244,530,447	367,333,614
Finance cost paid	14	**(27,332,297)**	(36,466,455)	(78,901,330)
Retirement benefits paid	15	**(22,479)**	(519,200)	(1,008,574)
Income tax paid		**(12,811,241)**	(23,003,641)	(27,633,227)
Write-off of receivables	10	**-**	(3,563,708)	(13,600,740)
Net cash flows from operating activities		**211,853,518**	180,977,443	246,189,743
CASH FLOWS USED IN INVESTING ACTIVITIES				
Acquisition of generation plant, property and equipment	5	**(5,826,791)**	(62,038,189)	(26,575,073)
Proceeds from disposal of asset	5	**54,020**	32,247	17,086
Additional investment in associate	6	**-**	-	(1,050,000)
Additional investment in subsidiary	7	**(6,186,700)**	-	
Additions to other noncurrent assets	8	**-**	-	(216,000)
Net cash flows used in investing activities		**(11,959,471)**	(62,005,942)	(27,823,987)
CASH FLOWS FROM FINANCING ACTIVITIES				
Availment of loans and borrowings	14	**-**	-	12,496,364
Payment on loans and borrowings	14	**(204,203,016)**	(203,669,768)	(219,223,755)
Acquisition of treasury shares	13	**-**	(21,800,000)	-
Additional issuance of shares	13	**-**	2,200,000	19,600,000
Net cash flows from financing activities		**(204,203,016)**	(223,269,768)	(187,127,391)
NET INCREASE (DECREASE) IN CASH		**(4,308,969)**	(104,298,267)	31,238,365
CASH, January 1		**50,996,810**	155,295,077	124,056,712
CASH, December 31		**P 46,687,841**	P 50,996,810	P 155,295,077

(The notes on pages 8 to 53 are integral parts of these financial statements)

NOTE 1 – CORPORATE INFORMATION

King Energy Generation, Inc. (the Parent Company) was incorporated and registered with the Philippine Securities and Exchange Commission on December 06, 2010 primarily to carry on the business of exploring, developing and utilizing renewable energy, such as but not limited to biomass, biogas, hydro-power, geothermal, wind, solar energy including operating, managing, maintaining and rehabilitating renewable energy systems. Also, the Company has a purpose to build, construct, erect, own, equip, install, operate, maintain, sell and lease power generation plants and related facilities, machineries, equipment for the generation and supply of electric power utilizing any fuel or energy source; to provide ancillary services and to supply services such as billing, collection, customer service, energy trading and electricity sales for the contestable market and/or customers, including but not limited to electric cooperatives and private distribution utilities; and to engage in any and all acts which may be necessary, or convenient, in the furtherance of such power generation services.

The Parent Company's registered office and its principal place of business is San Luis, Gingoog City. The Parent Company is domiciled in the Philippines.

The Parent Company has the following subsidiaries as at December 31, 2023 and 2022:

	2023		
	Percentage of Ownership		
Name of Subsidiary	Direct	Indirect	Total
Maramag Mini Hydro Power Corporation [a]	42.70%	37.30%	80%
Sulipat Hydro Power Corporation [b]	85%	-	85%
Calatngan Hydro Power Corporation [b]	80%	-	80%

[a] Have just started its commercial operation on May 2023. Common stockholders between the parent and subsidiary were present, but control was established only in 2023.

[b] Have not yet started its commercial operations.

All of the above subsidiaries are incorporated in the Philippines.

Subsidiaries

Maramag Mini Hydro Power Corporation (MMHPC)
MMHPC was incorporated and registered with the SEC on June 07, 2013, primarily to make, generate, sell, and supply electricity through the exploration, development, and utilization of Hydro Renewable Sources of energy and technologies, among others. The Subsidiary have just started its commercial operations on May 2023. The Parent's control of MMHPC was established only in 2023 when MMHPC started its commercial operation.

Sulipat Hydro Power Corporation (SHPC)
SHPC was incorporated and registered with the SEC on September 3, 2022, with a primary purpose to undertake the exploration, development, and utilization of renewable energy and technologies. Also, the Subsidiary has a purpose to build and construct electric generating plants, among others, in the furtherance of such power generation services. SHPC has not yet started its commercial operations.

Calatngan Hydro Power Corporation (CHPC)
CHPC was incorporated and registered with the SEC on December 13, 2022, primarily to carry on the business of exploration, development, and utilization of renewable energy and technologies. CHPC also has a purpose to construct, maintain, operate, and to sell, among others, electric plants, lands, building structures and equipment, and any other real property. SHPC has not yet started its commercial operations.

NOTE 2 - BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

Basis of Preparation
The principal accounting policies applied in the preparation of these financial statements are summarized below. These have been consistently applied in all years presented, unless otherwise indicated.

Statement of Compliance
The financial statements of the Parent Company have been prepared in compliance with Philippine Financial Reporting Standards (PFRSs). The term PFRS, in general, includes all applicable PFRS, Philippine Accounting Standards (PAS), and interpretations issued by former Standing Interpretations Committee, the Philippine Interpretations Committee and the International Financial Reporting Interpretations Committee (IFRIC) which have been approved by the Philippine Financial Reporting Standards Council and adopted by the Philippine SEC.

Basis of measurement and presentation
The financial statements of the Parent Company have been prepared using the historical cost basis, except for agricultural produce which is measured at fair value less cost to sell at the point of harvest. These financial statements are presented in Philippine Peso, which is the Parent Company's functional and reporting currency. All values are rounded to the nearest peso, except when otherwise indicated. These have been consistently applied in all periods presented, unless otherwise indicated.

Use of Judgments and Estimates
The preparation of financial statements in compliance with PFRS requires the use of certain critical accounting estimates. It also requires the Parent Company's management to exercise judgment in applying the Parent Company's accounting policies. The areas where significant judgments and estimates have been made preparing the financial statements and their effects are disclosed in Note 4.

Changes in accounting policies and disclosures
The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new standards effective in 2023. The Parent Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Unless otherwise indicated, adoption of these new standards did not have an impact on the Parent Company's financial statements.

- Amendments *to PAS 12, Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
  The amendments narrow the scope of the initial recognition exception under PAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

  The amendments also clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognized in the financial statements (and interest expense) or to the related asset component (and interest expense).

- *Amendments to PAS 8, Definition of Accounting Estimates*
  The amendments introduce a new definition of accounting estimates and clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, the amendments clarify that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors.

  An entity applies the amendments to changes in accounting policies and changes in accounting estimates that occur on or after January 1, 2023 with earlier adoption permitted. The amendments are not expected to have a material impact on the Parent Company.

- *Amendments to PAS 1 and PFRS Practice Statement 2, Disclosure of Accounting Policies*
  The amendments provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by:

  - Replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies, and
  - Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures

  The amendments to the Practice Statement provide non-mandatory guidance. Meanwhile, the amendments to PAS 1 are effective for annual periods beginning on or after January 1, 2023.

Effective in 2024

Amendments to PAS 1, Classification of Liabilities as Current or Non-current
The amendments clarify paragraphs 69 to 76 of PAS 1, Presentation of Financial Statements, to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- *What is meant by a right to defer settlement*
- *That a right to defer must exist at the end of the reporting period*
- *That classification is unaffected by the likelihood that an entity will exercise its deferral right*
- *That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification*

The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and must be applied retrospectively. However, in November 2021, the International Accounting Standards Board (IASB) tentatively decided to defer the effective date to no earlier than January 1, 2024. The Parent Company is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

Effective in 2025

PFRS 17, Insurance Contracts
PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, Insurance Contracts. This new standard on insurance contracts applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

On December 15, 2021, the FRSC amended the mandatory effective date of PFRS 17 from January 1, 2023 to January 1, 2025. This is consistent with Circular Letter No. 2020-62 issued by the Insurance Commission which deferred the implementation of PFRS 17 by two (2) years after its effective date as decided by the IASB.

PFRS 17 is effective for reporting periods beginning on or after January 1, 2025, with comparative figures required. Early application is permitted.

Deferred effectivity

Amendments to PFRS 10, Consolidated Financial Statements, and PAS 28, Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

On January 13, 2016, the Financial Reporting Standards Council deferred the original effective date of January 1, 2016 of the said amendments until the IASB completes its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

Separate Financial Statements and Investments in Subsidiaries
These financial statements are prepared as the Parent Company's separate financial statements. The Parent Company also prepares consolidated financial statements as required under PFRS.

Subsidiaries are entities (including structured entities) over which the Parent Company has control. The Parent Company controls an entity when: (i) it has power over the entity; (ii) it is exposed, or has rights to, variable returns from its involvement with the entity; and, (iii) it has the ability to affect those returns through its power over the entity.

The Parent Company reassesses whether or not it controls an entity if facts and circumstances indicate that there are changes to one or more of the three elements of controls indicated above.

The Parent Company's investments in subsidiaries are accounted for in these separate financial statements at cost, less any impairment loss.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING AND FINANCIAL REPORTING POLICIES

Financial Instruments

PFRS 9, Financial Instruments
The Parent Company adopted PFRS 9 (2014) effective January 1, 2018, the date of adoption. This new standard on financial instruments replaced PAS 39, Financial Instruments: Recognition and Measurement, and PFRS 9 (2009, 2010, and 2013 versions) – hereinafter referred to as PFRS 9. In addition to the principal classification categories for financial assets and financial liabilities and hedge accounting under PFRS 9, PFRS 9 (2014) includes the following major provisions:

- limited amendments to the classification and measurement requirements for financial assets introducing a fair value measurement through other comprehensive income for eligible debt securities; and
- an expected credit loss (ECL) model in determining impairment of all debt financial assets that are not measured at fair value through profit or loss (FVPL), which generally depends on whether there has been a significant increase in credit risk since initial recognition of a financial asset.

The adoption of PFRS 9 (2014) from January 1, 2018 resulted to changes in accounting policies but have no significant impact on the Parent Company's financial statements. As allowed and in accordance with the transitional provisions of this new standard, comparative figures have not been restated but the Parent Company is required to provide the related transition disclosure requirements under PFRS 7, Financial Instruments: Disclosures.

Date of recognition
Financial assets and financial liabilities are recognized in the statement of financial position when the Parent Company becomes a party to the contractual provisions of the instruments. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulations or convention in the marketplace are recognized on the settlement date. Derivatives are recognized on trade date basis.

Initial recognition
All financial instruments are initially measured at fair value. Except for financial assets and financial liabilities valued at FVPL, the initial measurement of financial instruments includes transaction costs.

Determination of fair value
The fair value of financial instruments traded in active markets at the financial reporting date is based on their quoted market price or dealer price quotation (bid price for long positions and ask price for short positions), without any deduction for transaction costs. When current bid and asking prices are not available, the price of the most recent transaction provides evidence of the current fair values as long as there has not been a significant change in economic circumstances since the time of the transaction.

If the financial instruments are not listed in an active market, the fair value is determined using appropriate valuation techniques which include recent arm's length market transactions, net present value techniques, comparison to similar instruments for which market observable prices exist, options pricing models and other relevant valuation models.

Classification of Financial Instruments

Financial Assets
The classification and measurement of financial assets is driven by the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. From January 1, 2018, in accordance with the new provisions on classification and measurement of financial assets under PFRS 9 (2014), the Parent Company classifies and measures financial assets as follows:

- Financial assets instruments at amortized cost

  Financial assets are measured at amortized cost if both of the following conditions are met:

  - the asset is held within the Parent Company's business model whose objective is to hold assets in order to collect contractual cash flows; and
  - the contractual terms of the instrument give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

  Financial assets meeting these criteria are measured initially at fair value plus transaction costs. They are subsequently measured at amortized cost using the effective interest method less any impairment in value, with the interest calculated recognized as "Interest income" in the statements of income. The Parent Company classified "Cash" *(See Note 8)* and "Trade and other receivables" *(See Note 9)* as financial assets at amortized cost.

  The Parent Company may irrevocably elect at initial recognition to classify a financial asset that meets the amortized cost criteria above as at FVTPL if that designation eliminates or significantly reduces an accounting mismatch had the financial asset been measured at amortized cost.

- Financial assets at FVPL

  The Parent Company classifies financial assets under FVPL when they do not meet the criteria of FVOCI or amortized cost. Financial assets at FVPL are measured at fair value with gains and losses arising from changes in fair value recognized in profit or loss.

  The Parent Company does not have financial assets under this category as at December 31, 2023 and 2022.

- Financial assets at FVOCI

  The Parent Company classifies debt instruments under FVOCI when both of the following conditions are met:

  - the asset is held within the Parent Company's business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
  - the contractual terms of the instrument give rise, on specified dates, to cash flows that are solely payment of principal and interest on the principal amount outstanding.

  Financial assets at FVOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income. Interest income and foreign exchange gains and losses are recognized in profit or loss in the same manner as for financial assets measured at amortized cost. On derecognition, cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss.

The Parent Company does not have financial assets under this category as at December 31, 2023 and 2022.

Financial Liabilities
Financial liabilities are classified as financial liabilities at FVPL and other financial liabilities. The classification depends on the purpose for which the investments are acquired and whether they are quoted in an active market. Management determines the classification of its financial assets and liabilities at initial recognition and, where allowed and appropriate, re-evaluates such designation at every financial reporting date.

Financial liabilities at FVPL
Financial liabilities are classified in this category if these result from trading activities or derivative transactions that are not accounted for as hedges, or when the Parent Company elects to designate a financial liability under this category.

The Parent Company does not have financial liabilities under this category as at December 31, 2023 and 2022.

Other financial liabilities
This classification pertains to financial liabilities that are not held for trading nor designated as at FVPL upon the inception of the liability. Included in this category are liabilities arising from operations or borrowings (e.g. payables or accruals and long-term debt).

The financial liabilities are recognized initially at fair value and are subsequently measured at amortized cost, taking into account the impact of applying the effective interest rate method of amortization (or accretion) for any related premium, discount and any directly attributable transaction costs. However, liabilities that have no stated interest and classified as current liabilities are measured at the undiscounted amount of cash or other consideration expected to be paid.

Fair value measurement hierarchy
PFRS 7 requires certain disclosure which requires the classification of financial asset and financial liabilities measured at fair value using a fair value hierarchy that reflects the significance of the inputs used in making the fair value measurement. The fair value hierarchy has the following levels:

a. quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
b. inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (Level 2); and
c. inputs for the assets or liabilities that are not based on observable market data (unobservable inputs) (Level 3).

The level in the fair value hierarchy within which the financial asset or financial liability is categorized is determined on the basis of the lowest level input that is significant to the fair value measurement. Financial asset and financial liabilities are classified in their entirety into one of the three levels.

Financial guarantees
A financial guarantee is classified in this category if the entity must provide for payments to be made if and only if the debtor fails to make payments when due. In order for a contract to meet the definition of a guarantee it would be necessary that the guaranteed party only receives the exact amount of loss advances from the default of the debtor. Such a contract is structured in two ways: a) the guarantor purchases the defaulted loan for its nominal amount instead of making a payment for the best estimate of loss; or b) on settlement of the final loss, there is a further payment between that amount and the initial loss estimate that was paid.

Such contracts are recognized initially at fair value and subsequently carried at the higher of the initial value that would be recognized if PAS 37 or PAS 18, was applied.

Derecognition of Financial Assets and Liabilities

Financial Assets
A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when: a) the rights to receive cash flows from the asset have expired; b) the Parent Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or c) the Parent Company has transferred its rights to receive cash from the asset and either transferred substantially all the risks and rewards of the asset or has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Parent Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Parent Company's continuing involvement in the asset.

Continuing involvement that makes the form of guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and maximum account of consideration that the Parent Company could be required to repay.

Financial Liabilities
A financial liability is derecognized when the obligation under the liability is discharged or cancelled or has expired.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amount is recognized in profit or loss.

Impairment of Financial Assets

Assessment of Impairment
PFRS 9 requires the Parent Company to record expected credit loss methodology (ECL) for all loans and other debt financial assets not classified as at FVTPL, together with irrevocable loan commitments and financial guarantee contracts.

ECL represent credit losses that reflect an unbiased and probability-weighted amount which is based on reasonable and supportable information about past events, current conditions and forecasts of future economic conditions, and the time value of money. The objective of the new impairment model is to record lifetime losses on all financial instruments which have experienced a significant increase in credit risk (SICR) since their initial recognition. As a result, ECL allowances are now measured at amounts equal to either (i) 12-month ECL or (ii) lifetime ECL for those financial instruments which have experienced a SICR since initial recognition (General Approach). The 12month ECL is the portion of lifetime ECL that results from default events on a financial instrument that are possible within the next 12 months after the reporting date. Lifetime ECLs are credit losses that result from all possible default events over the expected life of a financial instrument.

Following the ECL approach, the Parent Company must establish a policy to perform an assessment, at the end of each reporting period, whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

A financial asset is assessed for impairment based on the following stages:

Stage 1: When a financial asset is first recognized, the Parent Company recognizes credit losses based on the twelve-month ECLs. Stage 1 financial asset also include facilities where the credit risk has improved and has been reclassified from Stage 2.

Stage 2: When a financial asset has shown a significant increase in credit risk since origination, the Parent Company recognizes an allowance for the lifetime ECL. Stage 2 financial asset also include facilities where the credit risk has improved and has been reclassified from Stage 3.

Stage 3: When a financial asset is considered as credit impaired, the Parent Company recognizes an allowance for the lifetime ECL.

The key elements used in the calculation of ECL are as follows:

- Probability of Default – is an estimate of likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the instrument has not been previously derecognized and is still in the portfolio.

- Loss Given Default – is an estimate of loss arising in case where a default occurs at a given time. It is based on the difference between the contractual cash flows of a financial instrument due from a counterparty and those that the Parent Company would expect to receive, including the realization of any collateral.

- Exposure at Default – represents the gross carrying amount of the financial instruments subject to the impairment calculation.

Evidence of Impairment
Objective evidence that financial assets are impaired can include default or delinquency by a borrower, restructuring of a receivable or an advance by the Parent Company on terms that the Parent Company would not otherwise consider, disappearance of an active market for a security or other observable data relating to a group of assets such as adverse changes in the payment status of borrowers, or economic conditions that correlate with defaults.

Impairment of financial assets carried at amortized cost
If there is objective evidence that an impairment loss on loans and receivables carried at amortized cost has been incurred, the amount of loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows. The carrying amount of the asset shall be reduced either directly or through the use of an allowance account. The amount of loss shall be recognized in profit or loss.

Impairment on financial assets carried at cost
If there is an objective evidence of an impairment loss on an unquoted equity/debt instrument that is not carried at fair value because its fair value cannot be reliably measured, or of a derivative asset that is linked to and must be settled by delivery of such an unquoted equity/debt instrument, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for similar financial asset.

Reversal of impairment loss
If, in subsequent period, the amount of the impairment loss decreases, and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed either directly or by adjusting an allowance account. The reversal shall not result in a carrying amount of the financial asset that exceeds what the amortized cost would have been had the impairment not been recognized at the date the impairment is reversed. The amount of the reversal shall be recognized in profit or loss.

Classification of financial instrument between debt and equity
Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual agreement. Interest, dividend, gains and losses relating to a financial instrument or a component that is a financial liability is reported as expense or income.

A financial instrument is classified as debt if it provides a contractual obligation to:

a. deliver cash or other financial assets to another entity; or

b. exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Parent Company; or

c. satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

If the Parent Company does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability.

An equity instrument is any contract that evidence residual interest in the asset of an entity after deducting all of its liabilities.

Offsetting of Financial Instruments
Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented in gross in the statement of financial position.

Derivatives
Derivatives are initially recognized at fair value on the date which the derivative transaction is entered into or bifurcated, and are subsequently re-measured at fair value. Derivatives are carried as an asset when the fair value is positive and as a liability when the fair value is negative.

The Parent Company has no derivatives as at December 31, 2023 and 2022.

Embedded derivatives
An embedded derivative is separated from the host contract and accounted for as derivative if all of the following conditions are met: (a) economic characteristics and risks of the embedded derivatives are not closely related to the economic characteristics and risks of the host contract; (b) a separate instrument with the same terms as the embedded derivative would meet the definition; (c) the hybrid or combined instrument is not recognized at FVPL.

The Parent Company has no transactions with embedded derivatives as at December 31, 2023 and 2022.

Cash and Cash Equivalents
Cash and cash equivalents are valued at face value. Cash includes cash on hand and with banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of 3 months or less from the date of acquisitions and that are subject to an insignificant change in value. The Parent Company has no cash equivalents as at December 31, 2023 and 2022.

Trade and Other Receivables
Trade and other receivables are recognized at transaction price and carried at amortized cost using effective interest method. At the end of each reporting period, the carrying amounts of trade and others receivables are reviewed to determine whether there is any objective evidence that the amounts are not recoverable. If so, an impairment loss is recognized immediately in the statements of comprehensive income.

If there is objective evidence that an impairment loss on trade and other receivables has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset or group of assets shall be reduced either directly or through the use of an allowance account. The amount of the loss shall be recognized in the statements of comprehensive income.

Inventories

Inventories are stated at the lower of cost and net realizable value. The net realizable value of inventory is the estimated selling price in the ordinary course of business less estimated costs necessary to make the sale. Cost is determined using the first in, first out (FIFO) method. At each reporting date, inventories are assessed for impairment. If inventory is impaired, the carrying amount is reduced to its selling price less costs to complete and sell; the impairment loss is recognized immediately in the statements of comprehensive income.

Prepayments

These are outflow of resources made in the current accounting period that would benefit future periods. Costs of this asset is amortized over the period benefited.

Investment in Associate

Investment in shares of stock where the Parent Company holds 20% or more ownership, or where it has the ability to significantly influence the investee Parent Company's operating activities is accounted for in these separate financial statements under the equity method. Accordingly, dividends received are treated as income in the year these are collectible.

Investments in Subsidiaries

Subsidiaries are entities over which the Parent Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over investee. Specifically, the Parent Company controls an investee if and only if the Parent Company has:

- power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- exposure or rights to variable returns from its involved with the investee; and
- the ability to use its power over the investee to affect its returns.

When the Parent Company has less than a majority of the voting or similar rights of an investee, the Parent Company considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- the contractual arrangement with the other vote holders of the investee;
- rights arising from other contractual arrangements; and
- the Parent Company's voting rights and potential voting rights.

The Parent Company re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

The Parent Company assessed that it has control over the following companies since it has the power to govern its relevant activities and derive returns form such activities:

- Maramag Mini Hydro Power Corporation (MMHPC)
- Sulipat Hydro Power Corporation (SHPC)
- Calatngan Hydro Power Corporation (CHPC)

The Parent Company is required to present consolidated financial statements under PFRS 10.

Property and Equipment

Property and equipment are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes the purchase price and other expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The Parent Company adds to the carrying amount of an item of property and equipment the cost of replacing parts of such an item when that cost is incurred if the replacement part is expected to provide incremental future benefits to the Parent Company. The carrying amount of the replaced part is derecognized. When assets are derecognized, their cost, accumulated depreciation and amortization and accumulated impairment losses are eliminated from the accounts. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized in the statements of comprehensive income. All other repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Land is not depreciated. Depreciation is charged so as to allocate the cost of property and equipment less their residual value over the estimated useful lives, using the straight-line method.

The estimated useful lives range as follows:

Components	Estimated Useful Life
Generation plants	20 years
Transmission line	10 years
Building	10-20 years
Land and improvements	10 years
Tool and machineries and service vehicles	5 years
Furniture and office equipment	3-5 years

Depreciation of an item of property and equipment begins when it becomes available for use i.e., when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Depreciation ceases at the earlier of the date that the item is classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with PFRS 5, *Non-current Assets Held for Sale and Discounted Operations*, and the date the asset is derecognized.

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, if there is an indication of a significant change since the last reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Construction in progress (CIP) is stated at cost. This includes cost of construction and other direct costs. CIP is not depreciated until such time the relevant assets are completed and put into operational use.

Impairment of Non-financial Assets

The carrying amounts of the Parent Company's non-financial assets such as the property and equipment are reviewed at each financial reporting date to determine whether there is any indication of impairment or an impairment loss previously recognized no longer exists or may have decreased. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognized in profit or loss whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount.

The recoverable amount of a non-financial asset is the greater of the asset's fair value less costs to sell and value in use. The fair value less costs to sell is the amount obtainable from the sale of the asset in an arm's length transaction. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash flows largely independent of those assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. Reversals of impairment are recognized in profit or loss.

Trade and Other Payables
Trade and other payables are recognized initially at the transaction price and subsequently measured at amortized cost using the effective interest method. Trade and other payables are on normal credit terms and do not bear interest.

Related Party Transactions
Parties are related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties can be individual or corporate entity. Key management personnel are also considered as related parties.

Borrowings and Borrowing Costs
Borrowing costs include interest charges and other costs incurred in connection with the borrowing of funds. These are recognized as expense when incurred except when such costs relate to a qualifying asset, in which case, borrowing costs incurred will be capitalized. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale.

Equity

Capital Stock
Capital stock represents the portion of the paid in capital representing the total par value of the shares issued.

Retained Earnings
Retained earnings represent the cumulative balance of net income or loss, net of any dividend declaration.

Revenue and Cost Recognition
The Parent Company has applied PFRS 15 where revenue is recognized when (or as) the Parent Company satisfies a performance obligation by transferring a promised good or service to a customer (i.e. an asset). An asset is transferred when (or as) the customer obtains control of that asset.

The recognition of revenue can be either over time or at a point in time depending on when the performance obligation is satisfied.

When control of a good or service is transferred over time, that is, when the customer simultaneously receives and consumes the benefits, the Parent Company satisfies the performance obligation and recognizes revenue over time. Otherwise, revenue is recognized at the point in time at the point of transfer control of the good or service to the customer.

Variable consideration is measured using either the expected value method or the most likely amount method depending on which method the Parent Company expects to better predict the amount of consideration to which it will be entitled. This is the estimated amount of variable consideration, or the portion, if any, of that amount for which it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur. Where there is a single performance obligation, the transaction price is allocated in its entirety to that performance obligation. Where there are multiple performance obligations, the transaction price is allocated to the performance obligation to which it relates based on stand-alone selling prices.

The Parent Company recognizes revenue based on the price specified in the contract, net of the estimated rebates/discounts and include variable consideration, if there is any. Accumulated experience is used to estimate and provide for the discounts and revenue is only recognized to the extent that it is highly probable that a significant reversal will not occur.

The Parent Company does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Parent Company does not adjust any of the transaction prices for the time value of money.

The following specific recognition criteria must also be met before revenue and cost is recognized:

Sale of power	-	Revenue is recognized at the point in time when the services are transferred to the customers and the performance obligations are fulfilled.
Interest on bank deposits	-	Interest is recognized as interest accrues based on effective interest method of accounting.

Cost and expenses are recognized in the statement of comprehensive income: a) when a decrease in future economic benefits related in an asset or an increase of a liability has arisen that can be measured reliably; b) on the basis of a direct association the costs incurred and the earning of specific items of income; c) on the basis of systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and the association with income can only be broadly or indirectly determined; or d) immediately when an expenditure produces no future economic benefits or when, and to the extent that, future economic benefits do not qualify, or cease to qualify, for recognition in the statement of financial position as an asset. Operating expenses are costs attributable to the general and administrative activities of the Parent Company.

The Parent Company presents a contract asset when it transfers control of goods or performs services before the customer pays consideration or before payment is due. A contract asset is the Parent Company's right to consideration in exchange for goods or services that the Parent Company has transferred to a customer.

The Parent Company presents a contract liability when a customer pays the consideration, or the Parent Company has the right to an amount of consideration that is unconditional (i.e., a receivable), before the Parent Company transfers goods or performs services to the customer. A contract liability is the Parent Company's obligation to transfer goods or services to a customer for which the Parent Company has received consideration (or an amount of consideration is due) from the customer.

Contract liability also includes cash received from customers which are applied to subsequent billings. The Parent Company considers the effect of significant financing component in the contract which is recognized as part of Revenues and Finance Cost in the statement of comprehensive income.

The Parent Company incurs incremental costs in obtaining customer contracts (i.e., biddings costs on construction contracts). These costs are expensed when incurred as these are incurred regardless whether the contract is obtained.

The Parent Company also incurs costs in fulfilling contracts with customers. These costs are divided into: (i) costs that give rise to an asset; and, (ii) costs that are expensed as incurred. When determining the appropriate accounting treatment for such costs, the Parent Company first considers any other applicable standards. If other standards preclude capitalization of a particular cost, then an asset is not recognized under PFRS 15. If other standards are not applicable to contract fulfillment costs, the Parent Company applies the following criteria, which, if met, result in capitalization:

i. the costs directly relate to a contract or to a specifically identifiable anticipated contract;
ii. the costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and
iii. the costs are expected to be recovered.

Contract fulfillment assets or capitalized costs are amortized using percentage of completion method consistent with construction revenue recognition policy of the Parent Company. Furthermore, these are derecognized either upon disposal or when no further economic benefits are expected to flow from its use or disposal.

At each reporting date, the Parent Company determines whether there is an indication that contract fulfillment assets or capitalized costs to obtain a contract may be impaired. If such indication exists, the Parent Company makes an estimate by comparing the carrying amount of the assets to the remaining amount of consideration that the Parent Company expects to receive, less the costs that relate to providing services under the relevant contract.

Leases

The Parent Company considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'.

To apply this definition, the Parent Company assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Parent Company
- the Parent Company has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract
- the Parent Company has the right to direct the use of the identified asset throughout the period of use. The Parent Company assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

Measurement and recognition of leases as a lessee

At lease commencement date, the Parent Company recognizes a right-of-use asset and a lease liability on the statement of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Parent Company, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Parent Company depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Parent Company also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, the Parent Company measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Parent Company's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments.

When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Parent Company has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognizing a right-of-use asset and lease liability, the payments in relation to these recognized as an expense in profit or loss on a straight-line basis over the lease term.

Parent Company as lessee

Where the Parent Company is a lessee, payments on operating lease agreements are recognized as an expense on a straight-line basis over the lease term. Associated costs, such as maintenance and insurance, are expensed as incurred.

As at December 31, 2023 and 2022, the Parent Company does not have long-term non-cancellable lease contracts that require the application of the new provisions in PFRS 16.

Employee Benefits

Employee benefits are all forms of consideration given by the Parent Company in exchange for service rendered by the employees. The Parent Company's employee benefits include the following:

Short-term benefits

Short-term employee benefits, include wages, salaries and social security contributions, short-term compensated absences (such as paid annual leave and paid sick leave), and bonuses payable within twelve months after the end of the period in which the employees render the related service, and non-monetary benefits (such as medical care, housing, cars and free or subsidized goods or services) for current employees.

The rendered services of an employee to an entity during the accounting period is recognized using the undiscounted amount of short-term employee benefits expected to be paid in exchange for that services rendered. The accounting for these benefits is generally straightforward because assumptions are required to measure the obligation or the cost and there is no possibility of any actuarial gain or loss.

Retirement benefits

Defined benefit plan

The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method.

Defined benefit costs comprise the following:

- Service cost;
- Net interest on the net defined benefit liability or asset; and
- Remeasurements of net defined benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses on nonroutine settlements are recognized as expense in the statements of comprehensive income. Past service costs are recognized when plan amendment or curtailment occurs.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in the statements of comprehensive income.

Remeasurements comprising actuarial gains and losses, return on plan assets (excluding net interest on defined benefit asset) and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in other comprehensive income in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

All remeasurements are recognized in other comprehensive income account. Remeasurement gains (losses) on retirement plan are not reclassified to profit or loss in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Parent Company, nor can they be paid directly to the Parent Company. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations).

The Parent Company's right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain. *(Note 15)*

Termination benefits
Termination benefits are payable when employment is terminated by the Parent Company before the normal retirement date, or whichever the employee accepts voluntary redundancy in exchange for these benefits.

Compensated absences
Compensated absences are recognized for the number of paid leaves days (including holiday entitlement) remaining at the financial reporting date.

Research and Development Costs
Research costs are expensed as incurred. Development expenditures on an individual project are recognized as an intangible asset when the Parent Company can demonstrate:

- Technical feasibility of completing the intangible asset so that the asset will be available for use or sale
- Its intention to complete and its ability and intention to use or sell the asset
- How the asset will generate future economic benefits
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during the development

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete and asset is available for use. It is amortized over the period of expected future benefit. Amortization is recorded as expense. During the period of development, the asset is tested for impairment annually.

The Parent Company's research and development in both years pertains to pilot or prospect projects and are expensed as incurred.

Income Taxes

Current income tax
The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except that a change attributable to an item of income or expense recognized as other comprehensive income is also recognized directly in other comprehensive income.

The Parent Company recognizes a current tax liability for tax payable on taxable profit for the current and past periods. If the amount paid for the current and past periods exceeds the amount payable for those periods, the Parent Company recognizes the excess as a current tax asset. It also recognizes a current tax asset for the benefit of a tax loss that can be carried back to recover tax paid in a previous period.

Current income tax assets and liabilities for the current and the prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the financial reporting date.

Deferred income tax
Deferred income tax is provided, using the balance sheet liability method, on all temporary differences at the end of reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax liabilities are recognized for all taxable temporary differences, including asset revaluations. Deferred income tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits from the excess of minimum corporate income tax (MCIT) over the regular corporate income tax, and unused net operating loss carryover (NOLCO), to the extent that it is probable that sufficient future taxable income will be available against which the deductible temporary differences and carry forward of unused tax credits from excess MCIT and unused NOLCO can be utilized.

The carrying amount of deferred income tax assets is reviewed at each end of reporting period and reduced to the extent that it is no longer probable that sufficient future taxable profit will be available to allow all or part of the deferred income tax assets to be utilized. Unrecognized deferred income tax assets are re-assessed at each end of reporting period and are recognized to the extent that it has become probable that sufficient future taxable income will allow the deferred income tax assets to be recovered.

Deferred income tax assets and deferred income tax liabilities are measured at the tax rates that are applicable to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of reporting period.

Current tax assets and current tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and current taxes related to the same taxable entity and the same taxation authority.

Provisions

Provisions, if any, are recognized when the Parent Company has a present obligation (legal or constructive) as a result of past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and reliable estimate can be made of the amount of the obligation.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pretax rate that reflects current market assessment of the time value of money and, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense.

When the Parent Company expects provisions to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain.

Contingencies

Contingent liabilities are not recognized in the financial statements. These are disclosed unless the possibility of an outflow of resources embodying economic benefit is remote. A contingent asset is not recognized in the financial statements but disclosed when an inflow of economic benefits is probable.

Related Party Transactions

Parties are considered to be related if the party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making the financial and operating the decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties can be individual or corporate entity.

Associates, key management personnel, close members of the family and of any individuals owning directly or indirectly a significant voting power of the Parent Company that gives them significant influence in the financial and operating policy decisions of the Parent Company are also related parties.

A related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged. Transactions between related parties are unsecured and non-interest bearing and payable in cash with no definite terms.

Earnings Per Share

Basic earnings per share (EPS) is computed by dividing net income for the year by the weighted average number of common shares outstanding during the year after giving retrospective effect to stock dividends declared and stock rights exercised during the year, if any. The Parent Company does not have potentially dilutive common shares.

Events after the End of Reporting Period

Events after the end of reporting period are those events, favorable and unfavorable, that occur between the end of reporting period and the date when the financial statements are authorized for issue. Adjusting events are those that provide evidence of conditions that existed at the end of the reporting period and lead to adjustments of financial statements. Non-adjusting events are those that are indicative of the conditions that arose after the end of reporting period and do not lead to adjustments but only to disclosures in the financial statements.

NOTE 4 – SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the financial statements in accordance with PFRS requires the Parent Company to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses, other comprehensive income (loss) and disclosure of contingent assets and contingent liabilities. In preparing the Parent Company's financial statements, management has made its best judgements and estimates relating to certain amounts, giving due consideration to materiality. The judgments and estimates used in the financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the financial statements. Actual results could differ from those estimates. Future events may occur which will cause the assumptions used in arriving at the estimates to change. The effects of any change in estimates are reflected in the financial statements as they become reasonably determinable. Judgments, estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Parent Company believes the following represent a summary of significant judgments and estimates and related impact and associated risks in its financial statements.

Judgments

In the process of applying the Parent Company's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on amounts recognized in the financial statements.

Determination of functional currency

Based on the economic substance of the underlying events and circumstances relevant to the Parent Company, the Parent Company's functional currency has been determined to be the Philippine Peso. It is the currency of the primary economic environment in which the Parent Company operates and is consistent with the measurement of items in the financial statements in accordance with PAS 21, *The Effects of Changes in Foreign Exchange Rates.*

Revenue Recognition
The Parent Company recognizes revenue when it satisfies an identified performance obligation by transferring a promised service to a customer. A service is considered to be transferred when the customer obtains control. The Parent Company determines, at contract inception, whether it will transfer control of a promised service over time. If the Parent Company does not satisfy a performance obligation over time, the performance obligation is satisfied at a point in time.

The Parent Company's revenue from power generation is to be recognized over time since customers simultaneously receive and consume the benefits as the Parent Company supplies power.

Significant judgments in revenue recognition are as follows:

- Identifying Performance Obligations.

  The Parent Company identifies performance obligations by considering whether the promised goods or services in the contract are distinct goods or services. A good or service is distinct when the customer can benefit from the good or service on its own or together with other resources that are readily available to the customer and the Parent Company's promise to transfer the good or service to the customer is separately identifiable from the other promises in the contract.

  The Parent Company assesses performance obligations as a series of distinct goods and services that are substantially the same and have the same pattern of transfer if i) each distinct good or services in the series are transferred over time and ii) the same method of progress will be used (i.e., units of delivery) to measure the entity's progress towards complete satisfaction of the performance obligation.

  For power generation where capacity and energy dispatched are separately identified, these two obligations are to be combined as one performance obligation since these are not distinct within the context of the contract as the buyer cannot benefit from the contracted capacity alone without the corresponding energy and the buyer cannot obtain energy without contracting a capacity.

  The combined performance obligation qualifies as a series of distinct goods or services that are substantially the same and have the same pattern of transfer since the delivery of energy every month are distinct services which are all recognized over time and have the same measure of progress.

- Identifying Methods for Measuring Progress of Revenue Recognized Over Time

  The Parent Company determines the appropriate method of measuring progress which is either through the use of input or output methods. Input method recognizes revenue on the basis of the entity's efforts or inputs to the satisfaction of a performance obligation while output method recognizes revenue on the basis of direct measurements of the value to the customer of the goods or services transferred to date.

  For power generation, the Parent Company determined that the output method is the best method in measuring progress since actual electricity is supplied to customers. The Parent Company recognizes revenue based on:

  - For the variable energy payment, actual kilowatt hours consumed which are billed on a monthly basis.
  - For fixed capacity payments, the Parent Company allocates the transaction price on a straight-line basis over the contract term. The allocated fixed payments are also billed on a monthly basis.

- Determining Method to Estimate Variable Consideration and Assessing the Constraint

  The Parent Company includes some or all the amounts of variable consideration estimated but only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. The Parent Company considers both the likelihood and magnitude of the revenue reversal in evaluating the extent of variable consideration the Parent Company will subject to constraint. Factors such as i) highly susceptibility to factors outside the Parent Company's influence, ii) timing of resolution of the uncertainty, and iii) having a large number and broad range of possible considerations amount are considered.

  Some contracts with customers provide unspecified quantity of energy (based on client needs considering that most of the contracts with customers are peak power agreements) and provisional ERC rates that give rise to variable consideration. In estimating the variable consideration, the Parent Company applies the expected value method in estimating the variable consideration given the large number of customer contracts that have similar characteristics and the range of possible outcomes.

  Before including any amount of variable consideration in the transaction price, the Parent Company considers whether the amount of variable consideration is constrained. The Parent Company determined that the estimates of variable consideration are to be fully constrained based on its historical experience, the range of possible outcomes (i.e., unspecified quantity of energy), and the unpredictability of other factors outside the Parent Company's influence (i.e., provisional ERC rates).

- Allocation of variable consideration

  Variable consideration may be attributable to the entire contract or to a specific part of the contract. For power generation revenue streams which are considered as series of distinct goods or services that are substantially the same and have the same pattern of transfer, the Parent Company allocates the variable amount that is no longer subject to constraint to the satisfied portion (i.e., month) which forms part of the single performance obligation, and forms part of the monthly billing of the Parent Company.

Fair Value of Financial Instruments
Where the fair value of financial instruments recorded in the statements of financial position cannot be derived from active markets, they are determined using valuation techniques including the discounted cash flows model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. The judgements include considerations of inputs such as liquidity risk, credit risk, and volatility of share prices. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

Classification of financial instruments
The Parent Company classifies a financial instrument, or its component parts, on initial recognition either as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definition of a financial asset, a financial liability or an equity instrument and, where allowed, and appropriate re-evaluates this designation at every reporting date. The substance of a financial instrument, rather than its legal form, governs its classification in the statements of financial position.

Estimates and Assumptions
The key assumptions concerning the future and other key sources of estimation and uncertainty at the statements of financial position date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Estimating Allowance for Doubtful Accounts
The measurement of credit losses under PFRS 9 requires significant judgment, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase or improvement in credit risk (SICR). These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

The ECL calculations based on PFRS 9 are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and interdependencies. Significant elements of the models include, among others:

- segmenting the Parent Company's credit risk exposures;
- the Parent Company's definition of default;
- determining the method to estimate ECL;
- identifying exposures with significant deterioration in credit quality;
- determining assumptions to be used in the ECL model such as the counterparty credit risk rating;
- the expected life of the financial asset and expected recoveries from defaulted accounts; and
- incorporating forward-looking information (called overlays) in calculating ECL.

As at December 31, 2023 and 2022, the allowance for impairment losses on trade and other receivables amounted to **P20,761,994** and P10,380,997, respectively. *(see Note 10)*

Determination of Net Realizable Value of Inventories
In determining the net realizable value of inventories, management takes into account the most reliable evidence available at the time the estimates are made. The Parent Company periodically reviews its inventories for possible damaged and obsolete items. Items identified as obsolete are provided with impairment allowance.

Management has assessed that no allowance for obsolescence is required to be recognized on inventories in 2023 and 2022.

Estimation of Useful Lives of the Parent Company's Property, Plant, and Equipment
The Parent Company estimates the useful lives of property and equipment based on the period over which these assets are expected to be available for use. The estimated useful lives of these assets are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence, and legal or other limits on the use of the assets. In addition, the estimation of the useful lives of these assets is based on collective assessment of internal technical evaluation and experience with similar assets. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances.

There is no change in the estimated useful lives of property, plant, and equipment in 2023 and 2022. As at December 31, 2023 and 2022, the aggregate net book value of property, plant, and equipment amounted to **P3,342,966,100** and P3,629,912,062, respectively *(see Note 5)*.

Provisions and Contingencies
The Parent Company provides for present obligations (legal and constructive) when it is probable that there will be an outflow of resources embodying economic benefits that will be required to settle said obligations. An estimate of the provision is based on known information at the reporting date, net of any estimated amount that may be reimbursed by the Parent Company. The Parent Company has not recognized any provision in both years.

Impairment of Non-Financial Assets – Property, plant, and equipment
The Parent Company assesses impairment on assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the Parent Company considers important which could trigger an impairment review include the following:

- significant underperformance relative to expected historical or projected future operating results;
- significant changes in the manner of use of the acquired assets or the strategy for overall business; and
- significant negative industry or economic trends.

As at December 31, 2023 and 2022, no impairment loss on property and equipment was recognized in the statements of comprehensive income of the Parent Company.

Retirement Obligation
The cost of defined benefit retirement plans and the present value of the defined benefit obligation are determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of the discount rates, future salary increases, and mortality rates. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. In determining the appropriate discount rate, management considers the interest rates of government bonds with extrapolated maturities corresponding to the expected duration of the defined benefit obligation.

The present value of the defined benefit obligation of the Parent Company and details about the assumptions used are disclosed in Note 15.

Recognition of Deferred Income Tax Assets
The Parent Company reviews the carrying amounts of the deferred income tax assets at each end of reporting period and reduces deferred income tax assets to the extent that it is no longer probable that sufficient future taxable profit will be available to allow all or part of the deferred income tax assets to be utilized. Significant management judgment is required to determine the amount of deferred income tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies. However, there is no assurance that the Parent Company will utilize all or part of the deferred income tax assets. As of December 31, 2023 and 2022, the Parent Company recognized deferred income tax assets amounting to **P12,717,826** and P5,912,997, respectively. *(See Note 22).*

NOTE 5 – GENERATION PLANT, PROPERTY AND EQUIPMENT

The details of generation plant, property and equipment follows:

	January 1, 2023	Additions	Disposal/ Reclassification	December 31, 2023
Cost				
Land and improvements	P 279,287,919	P	P	**P 279,287,919**
Generation plants	5,435,433,725			**5,435,433,725**
Transmission line	47,038,732			**47,038,732**
Buildings	162,744,185		21,051,004	**183,795,189**
Tools and machineries and service vehicles	61,108,656	219,388	11,267,011	**72,595,055**
Leasehold improvements, furniture and office equipment	25,323,469	1,709,021	(1,082,508)	**25,949,982**
Construction in progress	28,575,065	3,898,382	(32,473,447)	**-**
	6,039,511,751	**5,826,791**	**(1,237,940)**	**6,044,100,602**
Accumulated depreciation				
Land and improvements	96,667,615	10,434,140		**107,101,755**
Generation plants	2,172,242,017	262,314,282		**2,434,556,299**
Transmission line	30,781,470	4,703,873		**35,485,343**
Buildings	46,767,561	8,291,801		**55,059,362**
Tools and machineries and service vehicles	42,797,101	4,879,551	(155,435)	**47,521,217**
Leasehold improvements, furniture and office equipment	20,343,925	2,141,983	(1,075,382)	**21,410,526**
	2,409,599,689	292,765,630	(1,230,817)	**2,701,134,502**
Net book value	**P 3,629,912,062**	**(P 286,938,839)**	**(P 7,123)**	**P 3,342,966,100**

	January 1, 2022	Additions	Disposal/ Reclassification	December 31, 2022
Cost				
Land and improvements	P 279,287,919	P -	P -	P 279,287,919
Generation plants	5,397,272,311	38,161,414		5,435,433,725
Transmission line	47,038,732	-		47,038,732
Buildings	154,688,399	8,055,786		162,744,185
Tools and machineries and service vehicles	60,131,164	3,365,347	(2,387,855)	61,108,656
Leasehold improvements, furniture and office equipment	22,488,874	3,282,696	(448,101)	25,323,469
Construction in progress	19,512,119	9,172,946	(110,000)	28,575,065
	5,980,419,518	62,038,189	(2,945,956)	6,039,511,751
Accumulated depreciation				
Land and improvements	85,090,500	11,577,115	-	96,667,615
Generation plants	1,900,424,614	271,817,403	-	2,172,242,017
Transmission line	26,077,597	4,703,873	-	30,781,470
Buildings	38,838,516	7,929,045	-	46,767,561
Tools and machineries and service vehicles	40,120,166	5,064,353	(2,387,418)	42,797,101
Leasehold improvements, furniture and office equipment	18,687,112	2,077,107	(420,294)	20,343,925
	2,109,238,505	303,168,896	(2,807,712)	2,409,599,689
Net book value	P 3,871,181,013	(P 241,130,707)	(P 138,244)	P 3,629,912,062

Depreciation charged to direct costs and operating expenses amounted **P267,018,156** and **P25,747,474** in 2023, and P276,521,276 and P26,647,620 in 2022.

Gain (loss) on disposal of assets amounted to **P32,107** in 2023 and P4,003 in 2022. Proceeds from disposal of asset amounted to **P54,020** in 2023 and P32,247 in 2022.

On December 2021, the Parent Company's generation plant in Camiguin Island was damaged with fire. Moreover, the same powerplant was further damaged due to typhoon Odette which caused havoc not only in Camiguin but the whole province of Misamis Oriental. Total amount of losses caused by the aforementioned incidents amounted to P6,156,407. As at December 31, 2022, the Parent Company is still in the process of claiming the insurance from the damaged properties. However, the amount of recovery from the insurance claim is not yet determinable pending evaluation of the insurer but is expected to be immaterial.

Fully depreciated items of property, plant, and equipment still being used in operations amounted to **P65,597,556** in 2023 and P31,590,593 in 2022.

The Parent Company has determined that there is no indication that an impairment loss has occurred on its generation plant, property and equipment.

The Parent Company's generation plant and equipment and land with net book value of **P3,101,589,838** were pledged as security or collateral for the Parent Company's loans and borrowings discussed in Note 14.

NOTE 6 – INVESTMENT IN ASSOCIATE

This pertains to investment in **Maramag Mini Hydro Power Corporation (MMHPC)**, a domestic corporations engaged primarily to make, generate, sell and supply electricity through exploration, development and utilization of hydro renewable sources of energy and technologies.

Movement of the account follows:

	2023	2022
Balance, January 1	**P 13,170,584**	P 17,077,809
Share in net loss	**(4,150,684)**	(3,907,225)
	9,019,900	13,170,584
Transfer to investment in subsidiary	**(9,019,900)**	-
Balance, December 31	**P -**	P 13,170,584

The Parent Company recognized losses on investment amounting to **P4,150,684** as of April 2023 and P3,907,225 in 2022. MMHPC received its Certificate of Commerciality in May 2023 and its Provisional Authority to Operate in October 2023, enabling it to begin commercial operations. Despite initial losses, management is confident that the investment and losses can be recovered since its associate has obtained the necessary licenses and is expected to be fully operational by 2024. Thus, no impairment is recognized in both years.

NOTE 7 – INVESTMENT IN SUBSIDIARIES

This pertains to investment in **Maramag Mini Hydro Power Corporation (MMHPC), Sulipat Hydro Power Corporation (SHPC), and Calatngan Hydro Power Corporation (CHPC)**, the Subsidiaries.

The Subsidiaries are domestic corporations engaged primarily to make, generate, sell and supply electricity through exploration, development and utilization of hydro renewable sources of energy and technologies.

Investments in the following subsidiaries are carried at cost, less any allowance for impairment losses:

Maramag Mini-Hydro Power Corporation (MMPC)	**P 9,019,900**	P -
Sulipat Hydro Power Corporation (SHPC)	**3,187,100**	-
Calatngan Hydro Power Corporation (CHPC)	**2,999,600**	-
	P 15,206,600	P -

Investment in **MMHPC** pertains to **42.70%** direct ownership in investment in shares of stocks and **37.30%** indirect ownership. The Subsidiary was incorporated on June 7, 2013 and started its commercial operations last May 2023. Common stockholders between the parent and subsidiary were present, but control was established only in May 2023.

Investment in **SHPC** pertains to **85%** direct ownership in investment in shares of stock. The Subsidiary was incorporated on September 3, 2022 and will start its commercial operations by year 2026.

Investment in **CHPC** pertains to **80%** direct ownership in investments in shares of stock. The Subsidiary was incorporated on December 13, 2022 and will start its commercial operations by year 2026.

The summarized financial information of the subsidiaries based on its financial statements is presented below. This information is based on amounts before inter-company eliminations.

Maramag Mini Hydro Power Corporation

		2023		2022
Total Assets				
Current assets	**P**	**35,861,576**	P	46,764,774
Noncurrent assets		**562,725,686**		544,432,643
		598,587,262		591,197,417
Total Liabilities				
Current liabilities		**321,053,688**		272,954,500
Noncurrent liabilities		**249,318,604**		284,375,000
		570,372,292		557,329,500
Total Equity				
Share capital		**62,520,000**		62,520,000
Retained earnings (Deficit)	**(**	**34,305,031)**		28,652,083
	P	**28,214,969**		33,867,917
Gross income for the year	**P**	**39,420,041**		-
Net income (loss) for the year	**(P**	**5,652,948)**	(P	9,148,168)

Sulipat Hydro Power Corporation

Total Assets				
Current assets	**P**	**5,002,181**	P	-
Noncurrent assets		**3,828,250**		-
		8,830,431		-
Total Liabilities				
Current liabilities		**5,391,390**		-
Noncurrent liabilities		-		-
		5,391,390		
Total Equity				
Share capital		**3,750,000**		-
Retained earnings (Deficit)	**(**	**310,959)**		-
	P	**3,439,041**		-
Gross income for the year	**P**	-		-
Net income (loss) for the year	**P**	**(310,959)**	P	-

Calatngan Hydro Power Corporation

	2023	2022
Total Assets		
Current assets	**P 20,000**	P -
Noncurrent assets	**3,952,850**	-
	3,972,850	-
Total Liabilities		
Current liabilities	**426,115**	-
Noncurrent liabilities	**- -**	-
	426,115	
Total Equity		
Share capital	**3,750,000**	-
Retained earnings (Deficit)	**(203,265)**	-
	P 3,546,735	-
Gross income for the year	**P -**	-
Net income (loss) for the year	**P (203,265)**	P -

NOTE 8 – OTHER NONCURRENT ASSET

This pertains to refundable deposits made for the Parent Company's IT services (VSAT connectivity services).

NOTE 9 – CASH

Cash in banks generally earn interest at rates based on daily bank deposit rates. Interest income arising from the cash in banks amounted to **P27,440** in 2023 and P38,810 in 2022.

NOTE 10 – TRADE AND OTHER RECEIVABLES

This account consists of:

Trade receivables		**P 512,624,557**	P 506,828,076
Advances to related parties	*17*	**179,375,408**	162,497,515
Advances to contractors and suppliers		**11,527,153**	32,262,099
Advances to officers and employees		**2,651,857**	624,306
		706,178,975	702,211,996
Less: Allowance for impairment of receivables		**(20,761,994)**	(10,380,997)
		P 685,416,981	P 691,830,999

Trade and other receivables are non-interest bearing and are generally on 30 days - 90 days term. The Parent Company does not hold any collateral or other credit enhancements over these balances nor does it have a legal right of offset against any amounts owed by the Parent Company to the counterparty.

Advances to contractors and suppliers refer to noninterest-bearing advance payments for the acquisition of materials, supplies, and services which are offset against progress billings and deliveries to be made by contractors and suppliers.

Advances to officers and employees are non-interest bearing and subject to liquidation.

The Parent Company's trade and other receivables have been reviewed for indicators of impairment. Certain receivables were found to be impaired and allowance for doubtful accounts have been provided accordingly.

The roll forward analysis of allowance for impairment of receivables follows:

	2023	2022
Balance, January 1	**P 10,380,997**	P 3,563,708
Provisions	**10,380,997**	10,380,997
Write-off	**-**	(3,563,708)
Balance, December 31	**P 20,761,994**	P 10,380,997

The impaired receivables are from the unpaid collectibles from trade receivables.

NOTE 11 – INVENTORIES

This account consists of:

Fuel	**P 82,890,168**	P 26,696,604
Plant spare parts and supplies	**87,132,714**	65,562,493
	P 170,022,882	P 95,259,097

Inventories are carried at cost used in the generation plant and repairs and maintenance of properties.

There were no allowance for obsolescence/impairment for both years.

The cost of inventories recognized as part of cost of generated power in the statement of comprehensive income amounted to **P115,749,079** in 2023 and P240,519,061 in 2022.
The Parent Company's inventories have been reviewed for indicators of impairment. There were no provisions for impairment or recognized in both years.

There were no unusual purchase commitments for inventory during the year. Accordingly, there are no losses are expected from uncancellable commitments.

NOTE 12 – PREPAYMENTS AND OTHER CURRENT ASSETS

This account consists of:

Prepayments	**P 47,070,263**	P 39,887,789
Deferred input taxes	**9,216,705**	9,395,739
	P 56,286,968	P 49,283,528

Prepayments mainly includes advance payments of taxes and insurance.

Deferred input taxes pertain to VAT credits on purchases of capital goods acquired by the Parent Company.

NOTE 13 – CAPITAL STOCK

The components of capital stock follow:

Common Stock – Authorized 30,000,000 shares in 2023 and 2022 at P100 par value
Subscribed and outstanding – 25,500,000 shares in 2023 and 2022

	2023	2022
Balance, January 1	**P 2,571,800,000**	P 2,569,600,000
Additional paid-up capital	**-**	2,200,000
Balance, December 31	**P 2,571,800,000**	P 2,571,800,000
Less: Treasury Shares	**(21,800,000)**	(21,800,000)
	P 2,550,000,000	P 2,550,000,000

On December 4, 2020, the BOD and stockholders approved the amendment of the Parent Company's Articles of Incorporation (AOI) to increase its authorized capital stock from P750 Million divided into 7,500,000 shares with a par value of P100 per share resulting to an authorized capital stock of P3 Billion divided into 30,000,000 common shares with a par value of P100 per share. Relative to the application for stocks subscriptions, the existing stockholders have a "Deposit for future stocks subscription" amounting to P2,137,469,946 in 2020.

On January 8, 2021, the Securities and Exchange Commission approved the Parent Company's application for increase in authorized capital stock. Relative thereto, the "Deposit for futures stocks subscriptions" were converted to capital stock equivalent to 18,000,000 shares and a share premium of P337,469,946 was recognized.

In 2021, there were additional stockholders who subscribed P19,600,000 of capital stock equivalent to 196,000 shares.
On March 24, 2022, the Parent Company purchased its own shares amounting to P21,800,000 equivalent to 218,000 shares and presented in the statements of equity as treasury shares. Consequently, the amount of retained earnings was appropriated.

On June 28, 2022, there were additional stock subscriptions amounting P2,200,000 equivalent to 22,000 shares.

NOTE 14 – LOANS AND BORROWINGS

This account consists of:

Commercial banks	**P 333,333,333**	P 533,333,333
Financing companies, *net of discount*	**4,149,825**	8,352,841
	337,483,158	541,686,174
Current portion	**204,327,397**	204,944,524
	P 133,155,761	P 336,741,650

This account consists of loans and borrowings from commercial banks and financing companies. The movement of the loans and borrowings during the year follows:

		2023		2022
Balance, January 1	**P**	**541,686,174**	P	745,355,942
Availments during the period		**-**		-
Payments during the period	**(**	**204,203,016)**	(	203,669,768)
Balance, December 31		**337,483,158**		541,686,174
Current portion (due within 1 year)	**(**	**204,327,397)**	(	204,944,524)
Non-current portion	**P**	**133,155,761**	P	336,741,650

The proceeds of the loans were used for additional working capital and construction of the generation plant, property and equipment. These were covered by promissory notes at various dates with various interest rates ranging from 4% to 9% per annum, payable in various dates until 2025. Certain properties were pledged as security or collateral for loans and borrowings. *(See Note 5)*

Discount on lease liability from financing companies amounted to **P177,572** and P752,563 as at December 31, 2023 and 2022, respectively.

There are no borrowing costs capitalized as part of the generation plant, property and equipment discussed in Note 5. There are no default in payments in both years.

Finance cost charged to operations amounted to **P27,332,297** and P36,466,455 in 2023 and 2022, respectively.

NOTE 15 – RETIREMENT PAYABLE

The Parent Company provides a noncontributory defined benefit pension plan for all the qualified employees. Provisions for pension obligations are established for benefits payable in the form of retirement pensions. Benefits are dependent on years of service and the respective employee's final compensation. The present values of the defined benefit obligation, and the related current service cost and past service cost were measured using the projected unit credit actuarial method.

The net retirement liability recognized in the Statement of Financial Position as at December 31, 2023 and 2022 was determined as follows:

Present value of defined benefit obligation	**P**	**6,457,322**	P	4,810,028
Less: Fair value of plan assets		**-**		-
	P	**6,457,322**	P	4,810,028

Movement of the present value of defined benefit obligation follows:

Balance, January 1	**P**	**4,810,028**	P	4,897,255
Provision during the year		**1,015,328**		431,973
Payments	**(**	**22,479)**	(	519,200)
Adjustments during the year		**654,445**		-
Balance, December 31	**P**	**6,457,322**	P	4,810,028

Actuarial assumptions

The following are the principal actuarial assumptions at the reporting date (expressed as weighted averages):

Discount rate	6.09%	5.09%
Future salary growth	2.00%	2.00%

The weighted-average duration of the defined benefit obligation is 8.9 years in 2023 and 10 years in 2022.

Sensitivity analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below.

Decrease in DBO if Discount Rate + 100 basis points (bps)	(521,089); (8.1%)
Increase in DBO if Discount Rate – 100 bps	629,629;9.8%
Increase in DBO if Salary Increase Rate + 100 bps	650,473; 10.1%
Decrease in DBO if Salary Increase Rate – 100 bps	(544,895) ; (8.4%)
Increase in DBO if No Attrition Rates	970,771; 15.0%

Although the analysis does not take account of the full distribution of cash flows expected under the plans, it does provide an approximation of the sensitivity of the assumptions shown.

The remeasurement loss recognized in other comprehensive loss in the statement of changes in equity and statement of income for the year ended December 31, 2023 amounted to **P654,445**.

NOTE 16 – TRADE AND OTHER PAYABLES

This account consists of:

	2023	2022
Current Liabilities		
Trade payables	**P 724,560,359**	P 756,601,281
Deferred output tax	**71,133,560**	68,723,253
Accrued expenses	**20,316,348**	6,732,508
Payable to government agencies	**4,850,102**	4,474,935
Retention payable	**1,741,831**	1,835,883
Advances to employees	**1,312,569**	559,052
	823,914,769	838,926,912
Noncurrent Liability		
Other liabilities	**403,950,747**	309,347,089
	P 419,964,022	P 529,579,823

Trade payables primarily consist of liabilities to suppliers. These are noninterest-bearing and current portion are normally settled within the next financial year.

Energy Regulation (ER) 1-94

ER 1-94 and the IRR of the EPIRA mandates generation companies to provide benefits to its host communities equivalent to 0.01/kwh of energy sales. The Parent Company accrues the required benefits to its host community (included under "Trade and other payables" account in the statements of financial position) prospectively from the date of effectivity of ER 1-94. Total accrued regulatory fees amounted to **P105,493** in 2023 and P146,113 in 2022.

Deferred output tax pertain VAT charged on services not yet collected.

Accrued expenses pertain to cost and operating expenses which are normally settled within the next financial year.

Retention payable pertains to construction projects.

Payables to government agencies mainly consist of vat payable, expanded withholding taxes, and SSS/PHIC/HDMF payable which is normally settled within the next financial year.

Other liabilities pertains to amounts due to transmission utilities and utilities billable beyond the next financial year.

Trade and other payables are non-interest bearing.

NOTE 17 – RELATED PARTY TRANSACTIONS

In the ordinary course of trade or business, the Parent Company has transactions with related parties. Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party, or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

The following are the transactions with related parties:

Receivables from related parties
The Parent Company, in the ordinary course of business transacts with related parties (i.e. contractors, suppliers of materials and supplies, etc.). These receivables are unsecured, non-interest bearing and are settled in cash with no definite terms.

Movement of account follows:

		2023		2022
Balance, January 1	**P**	**162,497,515**	P	151,351,985
Additions during the period		**16,877,893**		11,145,530
Balance, December 31	**P**	**179,375,408**	P	162,497,515

Free Use of Land
The Parent Company was allowed free use of land (owned by related parties) where its Baloy office is situated.

Key management personnel compensation
The Parent Company considered as key management personnel all employees holding managerial positions up to the President. Total compensation and benefits paid/accrued for key management personnel are as follows:

Short-term benefits	**P**	**5,684,199**	P	5,308,520
Post-employment benefits		**-**		-
	P	**5,684,199**	P	5,308,520

NOTE 18 – REVENUE AND DIRECT COSTS

Sale of Power

This pertains to sale of power generated by the Parent Company for customers with peak generation agreements.

Contract information

The Parent Company has only one product of power generation and has a few and similar customers within the geographical area of Mindanao, Philippines. Revenue is recognized at the point in time when power generated is transferred to the customer and is measured using the preapproved rates based on the respective Power Supply Agreement (PSA).

Power Supply Agreements

On May 2023, MMHPC and FIBECO entered into a Power Supply Agreement (PSA) for its 1.4 MW power generation plant. The contract duration is 10 years and with a contracted rate of ₱5.89 per kilowatt.

On September 11, 2019, the Parent Company and National Grid Corporation of the Philippines (NGCP) entered an Ancillary Services Procurement Agreement ("ASPA") wherein the Parent Company will supply electricity at a maximum dependable capacity of 15.5 MW installed in Misamis Occidental Power Plant 3 and 15.0 MW installed in Misamis Occidental Power Plant 2. The contract will run a term of five (5) years upon the receipt of a provisional approval or final approval by ERC.

On July 01, 2016, the Parent Company entered a Power Supply Agreement (PSA) with SUKELCO to supply 6.0 MW at any given time during the duration of the contract. The contract is valid for five (5) years from the date when the Parent Company commences delivery of contracted capacity. The power supply is generated from Misamis Occidental Power Plant 3.

On October 28, 2015, the Parent Company and SUKELCO entered a Power Supply Agreement (PSA) of 2.65 MW at any given time during the duration of the contract. The contract is valid for five (5) years from the date when the Parent Company commences delivery of contracted capacity. The power supply is generated from Misamis Occidental Power Plant 3.

On May 29,2015, the Parent Company has Power Supply Agreement (PSA) with ZAMSURECO for 2.0 MW supply at any given time during the duration of the contract. The contract is valid for five (5) years from the date when the Parent Company commences delivery of contracted capacity.

On December 03, 2014, the Parent Company and LANECO has an approved Power Supply Agreement (PSA) for 3.0 MW supply at any given time during the duration of the contract. The contract is valid for five (5) years from the date when the Parent Company commences delivery of contracted capacity.

On June 08, 2013, the Parent Company entered a Power Supply Agreement (PSA) at 6.0 MW with FIBECO at any given time during the duration of the contract. The power supply is generated from Bukidnon Power Plant 2 with a dependable capacity of 7.5 MW. The contract is valid for ten (10) years from the date when the Parent Company commences delivery of contracted capacity.

On April 10, 2013, the Parent Company entered into a Power Supply Agreement (PSA) with Surigao del Sur Electric Cooperative II wherein the Parent Company agreed to supply the power needs of SURSECO II. The Parent Company agrees to supply electricity generated by the power station to SURSECO II at a maximum of 5.461 MW at any given time during the cooperation period. The contract is valid for ten (10) years from the date when the Parent Company commences delivery of contracted capacity.

On March 15, 2013, the Parent Company and Camiguin Electric Cooperative, Inc. (CAMELCO) entered a Power Supply Agreement (PSA) wherein the Parent Company will supply electricity at a maximum of 4.0 MW. The contract will run a term of ten (10) years from the date when the Parent Company commences delivery of contracted capacity.

The Parent Company and Misamis Occidental II Electric Cooperative, Inc. (MOELCI II) and Misamis Occidental I Electric Cooperative. Inc. (MOELCI I) agreed on the Power Supply Agreement (PSA) issued on July 31, 2012 and August 02, 2012, respectively. MOELCI II has a contracted capacity of 10.0 MW, and MOELCI I have a contracted capacity of 3.760 MW. The power supply for both MOELCI I and MOELCI II is generated from Misamis Occidental Power Plant 2 with a total dependable capacity of 15.0 MW. The agreement has a term of ten (10) years from the date when the Parent Company commences delivery of contracted capacity.

On February 08, 2011, the Parent Company entered into a Power Supply Agreement (PSA) with MORESCO II with a contracted capacity of 9.4 MW. The power supply is generated from Misamis Oriental Power Plant 1 with a dependable capacity of 10.0MW. The agreement has a term of ten (10) years from the date when the Parent Company commences delivery of contracted capacity. The Power Supply Agreement expired on October 3, 2023.

On January 20, 2011, the Parent Company and FIBECO entered a Power Supply Agreement (PSA) wherein the Parent Company will supply electricity at a contracted capacity of 3.0 MW. The power supply is generated from Bukidnon Power Plant 1 with a dependable capacity of 3.0 MW. The agreement has a term of ten (10) years from the date when the Parent Company commences delivery of contracted capacity. In September 2022, the Parent Company was granted an emergency power supply agreement until August 2023. The Power Supply Agreement expired on August 25, 2023.

The Parent Company is continuously monitoring near-expiring contracts and is in the process of renewing and negotiating terms of the agreements. The management believes that there will be favorable outcome on the on-going negotiations despite the challenging economic outlook.

Fuel Supply and Management Agreement
Pursuant to the Power Supply Agreement, the Parent Company also entered into a FSMA with Chemfour Inc. to ensure the continued and timely supply of fuel and lube oil to the power plant in the needed quantities and qualities and to put in place a transparent process in order to ensure at all times the lowest cost thereof. The Parent Company shall own the storage tanks and dispensing pumps that will be installed at the power plant and all the structures, fixtures and equipment used in connection with the supply of fuel and lube oil.

Power Plant Operating and Maintenance Agreement
The Parent Company has entered into a fixed and variable agreement with Galaxy Power Solutions, Inc. for monthly maintenance of power plant. The fixed contract relates to manpower services while the variable contract refers to additional cost for the plant to operate effectively and efficiently.

Other Income
Gain on disposal of properties
As at December 31, 2023 and 2022, the Parent Company gained on disposal amounting **P32,107** and P4,003, respectively.

Interest Income
The Parent Company's interest income on deposit in banks as at December 31, 2023 amounted to **P27,440** and P38,810 on December 31, 2022.

Gain on foreign exchange
As at December 31, 2023, the Parent Company's foreign bank accounts gained from foreign exchange amounting to **P31,532.**

Cost of Service
This account consists of:

	Notes	2023	2022
Depreciation	5	**P 267,018,156**	P 276,521,276
Operating and maintenance cost		**139,571,119**	233,797,013
Fuel costs		**115,749,079**	240,519,061
Taxes and licenses		**35,325,214**	37,822,164
Light and water		**19,143,542**	11,727,747
Insurance		**11,074,753**	10,952,876
Personnel	19	**9,177,514**	9,035,916
NGCP domestic lease line		**2,998,160**	2,896,509
Transmission cost		**2,926,858**	4,405,550
Others		**174,237**	109,468
		P 603,158,632	P 827,787,580

NOTE 19 – EMPLOYEES' SALARIES, WAGES AND OTHER BENEFITS

This account consists of:

	Notes		
Salaries and wages		**P 24,638,647**	P 21,767,615
Employee benefits		**6,824,744**	6,236,637
SSS, PhilHealth and HDMF contributions		**2,746,555**	2,241,300
Provision for retirement	15	**1,015,328**	431,973
		P 35,225,274	P 30,677,525

Employees, salaries, and wages and other benefits are charged as follows:

Operating expenses	**P 26,047,760**	P 21,641,609
Cost of service	**9,177,514**	9,035,916
	P 35,225,274	P 30,677,525

NOTE 20 – OTHER OPERATING EXPENSES

This account consists of:

	Notes	2023	2022
Research and development		**P 15,097,322**	P 17,686,965
Entertainment, amusement and recreation		**7,730,526**	8,966,304
Gas, oil and lubricants		**6,594,881**	6,038,621
Repairs and maintenance		**4,038,994**	9,238,400
Postage and communication		**2,791,651**	2,592,195
Trainings and seminars		**2,646,862**	1,447,309
Professional and legal fees		**2,204,670**	1,626,801
Transportation and travel		**2,043,053**	1,422,285
Light, power and water		**1,174,150**	872,945
Insurance		**887,775**	693,976
Corporate social responsibilities		**609,027**	692,358
Rentals	*21*	**294,643**	267,857
Others		**14,167,038**	11,493,094
		P 60,280,592	P 63,061,502

Others pertains to penalties and surcharges, consulting services, bank charges, meals and other incidental expenses.

NOTE 21 – LEASES

The Parent Company as a Lessee

The Parent Company is a lessee under short term and cancellable operating leases for one of its office and parking space. The total amount of rental expense on short term lease amounted to **P294,643** in 2023 and P267,857 in 2022.

The Parent Company do not have long term and noncancellable lease contracts requiring the application of PFRS 16 as at December 31, 2023 and 2022.

NOTE 22 – TAX EXPENSE

The component of deferred tax follow:

	2023	2022
Beginning balance	**P 5,912,997**	P 2,115,241
Retirement benefit obligation	**1,614,330**	1,202,507
Allowance for impairment of receivables	**5,190,499**	2,595,249
	P 12,717,826	P 5,912,997

A reconciliation of tax on pretax income computed at the applicable statutory rates to tax expense reported in the statements of comprehensive income is as follows:

	2023	2022
Statutory tax rate at 25%	**P 2,672,197**	P 11,396,646
Add (deduct) the tax effect of the following:		
Nondeductible items	**3,888,469**	3,857,476
Nontaxable items	**(12,480)**	(1,030,430)
	6,548,186	14,223,692
Tax expense – deferred during the year	**(6,804,829)**	(3,797,756)
	(P 256,643)	P 10,425,936

NOTE 23 – EARNINGS PER SHARE

The following table presents information necessary to calculate the earnings per share:

Net income	**P**	**10,945,431**	P	35,160,647
Weighted average number of shares		**25,500,000**		25,541,700
Earnings per share	**P**	**0.43**	P	1.38

There are no potential dilutive ordinary shares for the years ended December 31, 2023 and 2022.

The weighted average number of ordinary shares used as the denominator in calculating the basic EPS as at December 31, 2023 and 2022 follows:

	2023		
Date	**Number of shares issued**	**Number of shares outstanding**	**Weighted average no. of shares**
January 1, 2023	**25,500,000**	**25,500,000**	**25,500,000**
December 31, 2023	**25,500,000**		**25,500,000**

	2022		
Date	Number of shares issued	Number of shares outstanding	Weighted average no. of shares
January 1, 2022	25,696,000	25,696,000	25,696,000
March 24, 2022	(218,000)	25,478,000	(165,300)
June 30, 2022	22,000	25,500,000	11,000
December 31, 2022	25,500,000		25,541,700

NOTE 24 – FINANCIAL RISK AND CAPITAL MANAGEMENT

Financial Risk Management

The Parent Company has exposure to the following risks from its use of financial instruments: credit risk and liquidity risk. The Board of Directors reviews and approves policies for managing each of these risks.

Credit Risk
Credit risk is the risk that a third party will fail to discharge its obligation to the Parent Company and cause the Parent Company to incur financial losses.

The Parent Company's exposure to credit risk is inherent in the nature of its business as well as the laws and regulations governing the industry. The Parent Company's policy is to evaluate the financial capabilities of its customers in order to determine whether the Parent Company will be exposed to a high credit risk. The credit risk is mitigated through periodic progress billings and collections while the debtors are still enrolled in the Parent Company. This practice also helps the Parent Company identify accounts which will possibly be problem accounts.

The Parent Company reviews, on as regular basis, the aging of its receivables and identifies possible uncollectible accounts based on the profile of the receivables. An analysis of the profile of debtors is also performed monthly to evaluate the significance of the credit risk that the Parent Company is facing.

With respect to credit risk arising from the other financial assets of the Parent Company, which comprise mainly of cash and short-term investments, the Parent Company's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. However, the Parent Company's customers are mainly government offices which risk for non-collection is likely to be low.

The table below shows the credit quality of financial assets as of December 31, 2023 and 2022.

	2023			
	Neither past due	**Past Due**		
	nor impaired	**Not impaired**	**Impaired**	**Total**
Financial assets:				
Cash	**P 46,687,841**	**P -**	**P -**	**P 46,687,841**
Trade and other receivables	**664,654,487**	**-**	**20,761,994**	**685,416,481**
	P 711,342,328	**P -**	**P 20,761,994**	**P 732,104,322**

	2022			
	Neither past due	Past Due		
	nor impaired	Not impaired	Impaired	Total
Financial assets:				
Cash	P 50,996,810			P 50,996,810
Trade and other receivables	691,830,999		10,380,997	702,211,996
	P 742,827,809		P 10,380,997	P 753,208,806

Credit Risk Exposure
The table below shows the maximum exposure to credit risk of the Parent Company as at December 31, without considering the effects of collaterals and other credit risk mitigation techniques:

As at December 31, 2023

	Gross Maximum Exposure (a)	**Fair Value and financial effect of collateral or credit enhancement (b)**	**Net Exposure (c) = (a) – (b)**
Financial assets:			
Cash	**P 46,687,841**		**P 46,687,841**
Trade and other receivables	**685,416,481**		**685,416,481**
	P 732,104,322		**P 732,104,322**

As at December 31, 2022

	Gross Maximum Exposure (a)	Fair Value and financial effect of collateral or credit enhancement (b)	Net Exposure (c) = (a) – (b)
Financial assets:			
Cash	P 50,996,810		P 50,996,810
Trade and other receivables	702,211,996		702,211,996
	P 753,208,806		P 753,208,806

Liquidity Risk

Liquidity risk is the risk that the Parent Company will encounter difficulty in raising liquid funds to meet commitments as they fall due.

The Parent Company's policy is to continue to fund its working capital requirements as well as capital projects through external sources. Treasury controls and procedures are in place to ensure that sufficient cash is maintained to cover daily operational and working capital requirements.

The Parent Company manages liquidity risk by forecasting projected cash flows and maintaining a balance between continuity of funding and flexibility of its funds availability to meet expected maturing liabilities.

The outstanding unpaid loan availment from local banks as at December 31, 2023 and 2022 amounted to **P337,483,158** and P541,686,174, respectively. *(See Note 14)*

The table below summarizes the maturity profile of financial instruments based on its contractual undiscounted cash flows. The maturity grouping of financial assets and financial liabilities is based on the remaining period from the end of the reporting period to be contractual maturity date. When counterparty has a choice of when the amount is paid, the liability is allocated to the earliest period in which the Parent Company can be required to pay.

December 31, 2023

	Total	On Demand	<3 months	3-12 months	1-5 years	>5 years
Financial assets						
Cash *(Note 9)*	**P 46,687,841**	**P 46,687,841**	**P -**	**P -**	**P -**	**P -**
Trade and other receivables *(Note 10)*	**685,416,981**	**685,416,981**	**-**	**-**	**-**	**-**
	P 732,104,822	**P 732,104,822**	**P -**	**P -**	**P -**	**P -**
Financial liabilities						
Trade and other payables *(Note 16)*	**P 823,914,769**	**P 419,962,526**	**P -**	**P -**	**P 403,950,747**	**P -**
Loans and borrowings *(Note 14)*	**337,483,158**	**20,816,492**	**33,333,333**	**150,000,000**	**133,333,333**	**-**
	P1,161,397,927	**P 440,779,018**	**P 33,333,333**	**P150,000,000**	**P 537,284,080**	**P -**
Net asset (liability)	**(P 429,293,105)**	**P 291,325,963**	**(P33,333,333)**	**(P150,000,000)**	**(P 537,284,080)**	**P -**

December 31, 2022

	Total	On Demand	<3 months	3-12 months	1-5 years	>5 years
Financial assets						
Cash *(Note 9)*	P 50,996,810	P 50,996,810	P -	P -	P -	P -
Trade and other receivables *(Note 10)*	702,211,996	702,211,996	-	-	-	-
	P 753,208,806	P 753,208,806	P -	P -	P -	P -
Financial liabilities						
Trade and other payables *(Note 16)*	P 838,926,912	P 529,579,823	P -	P -	P 309,347,089	P -
Loans and borrowings *(Note 14)*	541,686,174	24,323,544	33,333,333	150,000,000	333,333,333	-
	P 1,380,613,086	P 553,903,367	P 33,333,333	P 150,000,000	P 642,680,422	P -
Net asset (liability)	(P 626,708,316)	P 199,305,439	(P33,333,333)	(P150,000,000)	(P 642,680,422)	P -

Capital Management

The Parent Company's objective when managing capital are to increase the value of fund available for the Parent Company's operations and maintain growth by applying free cash flow to selective investments.

The Parent Company's source of capital is mainly from external borrowings. The Chief Finance Officer of the Parent Company has the overall responsibility for monitoring of capital requirements and its availability for Parent Company operational and capital expenditures. The above capital management objective and policy did not change during the current period. The Parent Company is not subject to externally imposed capital requirements unless required by regulatory agencies (i.e. ERC, NEA, etc.).

As at December 31, 2023 and 2022, the Parent Company's debt ratio and net debt ratio are as follows:

Debt Ratio

	2023	2022
Total debt (a)	**P 1,167,855,249**	P 1,385,423,114
Total equity	**3,161,449,949**	3,151,158,963
Total debt and equity (b)	**P 4,329,305,198**	P 4,536,582,077
Debt ratio (a/b)	**27%**	31%

Net Debt Ratio

Total debt	**P 1,167,855,249**	P 1,385,423,115
Less: Cash	**46,687,841**	50,996,810
Net debt (a)	**1,121,167,408**	1,334,426,305
Total equity	**3,161,449,949**	3,155,174,181
Total debt and equity (b)	**P 4,282,617,357**	P 4,489,600,486
Debt ratio (a/b)	**26%**	30%

NOTE 25 – FAIR VALUE MEASUREMENT

Set out below is a comparison of carrying value and fair value of the Parent Company's financial instruments as of December 31, 2023 and 2022:

	2023	
	Carrying value	**Fair value**
Financial assets		
Cash	**P 46,687,841**	**P 46,687,841**
Trade and other receivables	**685,416,981**	**685,416,981**
	P 732,104,822	**P 732,104,822**
Financial liabilities		
Trade and other payables	**P 823,914,769**	**P 823,914,769**
Loans and borrowings	**337,483,158**	**337,483,158**
	P 1,161,397,927	**P 1,161,397,927**

	2022	
	Carrying value	Fair value
Financial assets		
Cash	P 50,996,810	P 50,996,810
Trade and other receivables	691,830,999	691,830,999
	P 742,827,809	P 742,827,809
Financial liabilities		
Trade and other payables	P 839,274,894	P 839,274,894
Loans and borrowings	541,338,192	541,338,192
	P 1,380,613,086	P 1,380,613,086

Fair value is defined as the amount at which the financial instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in a forced liquidation or sale. Fair values are obtained from quoted market prices, discounted cash flow models, recent arm's length market transaction, option pricing models and other relevant valuation models, as appropriate.

The carrying value of cash, trade and other receivables, trade and other payables, current portion of long-term debt approximate their fair values due to the relatively short-term maturities of the financial instruments or short-term nature of transactions.

Noncurrent portion of the loans payable are carried at the outstanding principal amounts of the loan which approximates their fair values.

NOTE 26 – OTHER MATTERS AND SUBSEQUENT EVENTS

- In December 2019, COVID-19 was reported to have surfaced in China. The World Health Organization has declared the outbreak as a 'public health emergency of international concern'. COVID-19 started to become widespread in the Philippines in early March 2020 causing the government to declare the country in a state of public health emergency followed by the implementation of enhanced quarantine and social distancing measures and restrictions within the Luzon area with other cities and provinces in the country enacting similar measures thereafter. This resulted in a wide-ranging business interruption such as disrupting supply chains and affecting production and sales across a range of industries.

  On April 30, 2020, President Rodrigo R. Duterte, through Executive Order No. 112, has approved Resolution No. 30 of the Inter-Agency Task Force IATF for the Management of Emerging Infectious Disease containing the omnibus guidelines for the implementation of ECQ and general community quarantine (GCQ) for the period May 1 to May 15, 2020 that will apply to all regions, provinces, cities or areas placed under ECQ or GCQ to prevent the spread of COVID-19. As of December 31, 2021, Gingoog City, and the whole of Misamis Oriental is still under Alert Level 2.

  The COVID-19 pandemic affected the Parent Company's operations as follows:

  - Slowdown of ongoing construction projects due to work stoppage;
  - Slow collection of receivables caused by the slow collection rate of the customers from end users; and
  - Delays in the delivery of goods and supplies due to strict travel protocols.

In order for the Parent Company to fully adapt the new normal, it has implemented the following measures:

- Strict observance of the social distancing requirements;
- Requiring clients and employees to always wear face mask and face shields;
- Plans to pursue digitalization initiatives and maximizing digital transactions;
- Streamline and/or restructure business operations (i.e., minimize face to face interactions);
- Skeletal workforce and shortened office hours.

The Parent Company's assessment will further depend on certain developments, including the duration and spread of the outbreak, impact on Parent Company's customers, employees, and the accessibility and effectiveness of government support programs.

- On October 21, 2021, the Parent Company filed a motion for a partial reconsideration with the Energy Regulatory Commission (ERC) per ERC Case No. 2014-119 RC entitled " In the Matter of Application for the Approval of the Power Supply Agreement (PSA) between Camiguin Electric Cooperative, Inc. (CAMELCO) and King Energy Generation, Inc. (KEGI) with prayer for the issuance of provisional authority". The partial reconsideration was filed as it seek reconsideration of the ERC's decision which would have an impact to the financial flow of KEGI in its Camiguin Power Plant. In 2022, the Energy Regulatory Commission (ERC) denied its pending motion with regards to the case with CAMELCO. The Parent Company has an on-going amicable settlement with CAMELCO regarding its payment schedule plans for the year 2023. Provision for doubtful accounts amounting to P10,380,997 was recognized in 2023 *(See Note 10)*. The remaining outstanding balance of CAMELCO amounted to P137,161,531 as of December 31, 2023. The Management will continue to assess the collectability of the account and consider writing-off the amounts in the future.

- Under section 43 (t) of the EPIRA law and Rule 3 section 4(m) of its implementing rules and regulations, the generation companies as well as distribution utilities are mandated "to offer or sell to the public a portion of not less 15% of their common stock. As at December 31, 2023, the Parent Company is still in the process of complying with the requirements.

- As at December 31, 2023, the Parent Company is in the process of filing their financial statements for purpose of issuing a class of instrument in the public market.

- The Parent Company faces expiring contracts that will impact its cash inflows. To mitigate this, the Parent Company has actively pursued the renewal of expiring Power Supply Agreements and has also entered into new agreements. In December 2023, the Parent Company signed a firm Ancillary Service Procurement Agreement with the National Grid Corporation of the Philippines for its MOPP2 and MOPP3, expected to generate revenues of P75,888,000 and P117,626,400, respectively, over a 5-year term. Additionally, in 2023, the Parent Company participated in the Competitive Selection Process for the 15MW Supply of Power in the Municipality of El Nido, Palawan. A notice of Award was issued on January 9, 2024, by Palawan Electric Cooperative to KEGI, in accordance with the Bidding Procedures and Guidelines for the conduct of the Competitive Selection Process. The 15MW Contracted Capacity has a 15-year term and is expected to generate estimated annual revenue of P105,340,266. Finally, the Parent Company has entered into joint venture agreements with distribution utilities for the development of renewable energy projects, expected to bring positive cash flow once implemented.

- On February 20, 2024, the Parent Company filed a case through a third party counsel against Misamis Oriental II Electric Service Cooperative Inc. (MORESCO II) which was duly acknowledged by the Energy Regulatory Commission (ERC), entitled "In the Matter of the Petition to Dispute Resolution On the Interpretation of the Closing Date of the Power Supply Agreement Dated May 24, 2011 Between King Energy Generation Inc. and Misamis Oriental II Electric Service Cooperative Inc."

- The Parent Company's financial statements as at December 31, 2023 were approved and authorized for issue by the board of directors on April 5, 2024 and were signed on its behalf by Engr. Edelyn Jane A. Salvame, the President.

NOTE 27 – SUPPLEMENTARY INFORMATION REQUIRED BY THE BUREAU OF INTERNAL REVENUE

The President of the Philippines signed into law on March 26, 2021 the CREATE Act to attract more investments and maintain fiscal prudence and stability in the Philippines. Republic Act (RA) 11534 or the CREATE Act introduces reforms to the corporate income tax and incentives systems. It took effect on April 11, 2021 (15 days after its complete publication in the Office Gazette or in a newspaper of the general circulation).

The following are the key changes to the Philippine tax law pursuant to the CREATE Act:

- Effective July 1, 2020, regular corporate income tax (RCIT) rate is redueed from 30% to 25% or 20% as applicable for domestic and resident foreign corporations. For domestic corporations with net taxable income not exceeding P5 Million and with total assets not exceeding P100 Million (Excluding land on which the business entity's office, plant and equipment are situated) during the taxable year, the RCIT rate is to 25% or 20% as applicable.

- Minimum corporate income tax (MCIT) rate reduced from 2% to 1% of gross income effective July 1, 2020 to June 30, 2023.

The CREATE Act do not have a significant impact on the Parent Company's financial statements.

On December 18, 2020, the BIR issued RR No. 34-2020, to prescribe the guidelines and procedures for the submission of BIR Form No. 1709 (Information Return on Related Party Transactions (Domestic and/or Foreign), Transfer Pricing Documentation (TPD) and other supporting documents, amending for this purpose the pertinent provisions of Revenue Regulations (RR) Nos. 19-2020 and 21-2002, as amended by RR No. 15-2010.

Revenue Regulations (RR) No. 15-2010 (issued on December 10, 2010), an act amending certain provisions of RR No. 21-2002, provides that effective December 10, 2010, the disclosures on the Notes to Financial Statements as mandated under PFRS and such other standards and/or conventions as may heretofore be adopted, shall include information on taxes paid or accrued during the taxable year. The amounts relating to such information may not necessarily be the same with those amounts disclosed in the financial statements which were prepared in accordance with PFRS.

In compliance to the foregoing RR, the following taxes were paid/accrued by the Parent Company as at December 31, 2023:

Output VAT
The Parent Company is VAT registered with output tax declaration of **P89,910,009** for the year based on the amount of collected services.

Input VAT
The amounts of VAT input taxes claimed are broken down as follow:

Beginning of the year	**P**	**1,602,592**
Current year's domestic purchases:		
Goods other than capital goods		**36,860,866**
Services		**16,193,726**
Claims for tax credit/ refund and other adjustments	**(**	**53,472,433)**
Balance at the end of the year	**P**	**1,184,751**

Withholding Taxes
The total amount of tax withheld and remitted to the BIR are as follows:

Expanded	**P**	**5,686,450**
Compensation		**1,287,543**
	P	**6,973,993**

Local and National Taxes
Other local and national taxes paid and accrued in 2023 reported under cost of services and taxes and licenses account follows:

Permits, accreditation, business permit and local taxes	**P**	**39,566,752**
LTO registration		**33,958**
BIR annual registration		**2,500**
	P	**39,603,210**

Certificate of no derogatory record and/or letter of no objection from ERC (EXHIBIT 13)

EXHIBIT 13

From Tess Sangual
To Legal
Reply-To mfs@kingenergy.info
Reply-To mfs@kingenergy.info
Date 2024-04-24 04:48
Priority Highest

ERC_REQUEST L... (~613 KB)

-------- Original Message --------
Subject: Request for Certificate of No Derogatory and Letter of No Objection
Date: 12/03/2024 4:30 pm
From: Tess Sangual <mfs@kingenergy.info>
To: licensing@erc.ph, docket@erc.ph
Cc: KEGI COMPLIANCE <compliance@kingenergy.info>, "Atty. Lianne" <lbb@kingenergy.info>
Reply-To: mfs@kingenergy.info

Dear Ma'am/Sir,

Greetings!

In relation to KEGI's application for its registration of securities with the SEC (Public Offering Requirement), we extend our fervent hope for the Honorable ERC to issue a Certificate of No Derogatory Record and a Letter of No Objection in favor to KEGI. This document will be utilized as part of the exhibits for our on-going application with SEC.

Please see attached file for reference.

Thank you for your assistance and kindly acknowledge receipt of this mail.

--
ATTY. MARITES F. SANGUAL
Legal Manager

"Nota Bene: Utmost confidentiality and unauthorized disclosure of all data and information contained in this message shall be strictly observed at all times as the same was relayed solely for the information, reference and knowledge of this message's recipient/s. "

Fwd: Re: Request for Certificate of No Derogatory and Letter of No Objection

From Tess Sangual
To Legal
Reply-To mfs@kingenergy.info
Reply-To mfs@kingenergy.info
Date 2024-04-24 04:51

-------- Original Message --------
Subject: Re: Request for Certificate of No Derogatory and Letter of No Objection
Date: 23/04/2024 11:34 am
From: ERC Docket <docket@erc.ph>
To: ERC Licensing and Market Monitoring Division <licensing@erc.ph>, "mfs@kingenergy.info" <mfs@kingenergy.info>
Cc: Legal <legal@kingenergy.info>

Dear Ma'am,

Good day!

This is to acknowledge receipt of your email.

Please be informed that your concern was already forwarded to the pertinent division of the Commission for appropriate action

Thank you.

Regards,

Cherryl O. Calindog

Secretary I

OGCS-Central Records Division

Energy Regulatory Commission

12th Floor, Exquadra Tower, 1 Jade Drive,

Ortigas Center, San Antonio, Pasig City,

Metro Manila, Philippines

www.erc.gov.ph<http://www.erc.gov.ph/>

EXHIBIT 13

KING ENERGY GENERATION INC.

"Efficiently providing you the most reliable source of energy..."

KING ENERGY GENERATION INC.
Misamis Oriental Power Plant (MOPP1) Brgy. San Luis, Gingoog City, Misamis Oriental
*Cellular No.: 0917-7140-584
*Telephone No.: (088) 859-3542
*Email: kegi@kingenergy.info
*Website: www.kingenergy.info

March 11, 2024

ATTY. MONA LISA DIMALANTA
Chairperson and CEO
Energy Regulatory Commission
Exquadra Tower 1, Jade Drive
Ortigas Centre, Brgy. San Antonio
Pasig City 1605, Metro Manila

Subject: **Letter of request for Certification of No Derogatory Record and Letter of No Objection**

Dear Hon. Dimalanta:

Greetings!

Pursuant to King Energy Generation Inc.'s (KEGI) application for registration of securities as mandated by the Electric Power Industry Reform Act (EPIRA) Law, we are writing to request a Certificate of No Derogatory Record and Letter of No Objection from your good office. This is one of the mandatory requirements in accordance with Securities and Exchange Commission (SEC) Memorandum Circular No.4, Series of 2024 (SEC POWERS).

We respectfully request for your support in processing KEGI's application for the aforementioned requirements. KEGI is fully committed to complying with all regulatory obligations and ensuring transparency in our operations.

Should there be any specific documents or information required from our end to facilitate the processing of our request, please do not hesitate to inform us.

Thank you for your attention and we sincerely appreciate your positive action to this matter.

Best regards,

ENGR. GILBERT J. RODRIGUEZ
Senior Vice President

Copy of Board Resolution approving and offering and authorizing the filing of the Registration Statement.

(EXHIBIT 14)

EXHIBIT 14

KING ENERGY GENERATION INC.
"Efficiently providing you the most reliable source of energy..."
KING ENERGY GENERATION INC.
Misamis Oriental Power Plant (MOPP1) Brgy. San Luis, Gingoog City, Misamis Oriental
*Cellular No.: 0917-7140-664
*Telephone No.: (088) 856-3642
*Email: kegi@kingenergy.info
*Website: www.kingenergy.info

SPECIAL MEETING OF THE BOARD OF DIRECTORS
Held on April 3, 2024 at KEGI Bldg, Tepolo St., Baloy, Tablon, Cagayan de Oro City

RESOLUTION APPROVING AND OFFERING AND AUTHORIZING THE FILING OF REGISTRATION STATEMENT

Upon motion and seconded by the members of the Board, the following resolution was passed and approved by the BOARD OF DIRECTORS of KING ENERGY GENERATION INC., to wit:

RESOLUTION NO. 11, SERIES OF 2024

WHEREAS, King Energy Generation Inc. (KEGI) hereby approves the offering and authorizing the filing of its Registration Statement relative to its Initial Public Offering Application with the Securities and Exchange Commission (SEC), in relation to the corporation's mandatory compliance of selling at least fifteen (15%) percent of its common shares of stock to the public pursuant to Energy Regulatory Commission (ERC) Resolution No. 04, Series of 2019 entitled "A RESOLUTION AMENDING RESOLUTION NO. 9, SERIES OF 2011 REQUIRING GENERATION COMPANIES AND DISTRIBUTION UTILITIES WHICH ARE NOT PUBLICLY LISTED TO OFFER AND SELL TO THE PUBLIC A PORTION OF NOT LESS THAN FIFTEEN PERCENT (15%) OF THEIR COMMON SHARES OF STOCK PURSUANT TO SECTION 43 (T) OF REPUBLIC ACT NO. 9136 AND RULE 3, SECTION 4 (M) OF ITS IMPLEMENTING RULES AND REGULATIONS (IRR)."

WHEREAS, *this authority bestowed upon the abovenamed person is effective immediately as soon as this resolution be signed by the members of board present herein.*

NOW THEREFORE, THE CORPORATION HEREBY APPROVES THE OFFERING, AND AUTHORIZING THE FILING OF REGISTRATION STATEMENT RELATIVE TO ITS INITIAL PUBLIC OFFERING APPLICATION WITH THE SECURITIES AND EXCHANGE COMMISSION (SEC), IN RELATION TO THE CORPORATION'S MANDATORY COMPLIANCE OF SELLING AT LEAST FIFTEEN (15%) PERCENT OF ITS COMMON SHARES OF STOCK TO THE PUBLIC PURSUANT TO ENERGY REGULATORY COMMISSION (ERC) RESOLUTION NO. 04, SERIES OF 2019.

RESOLVE FURTHER, THAT ENGR. EDELYN JANE A. SALVAME AND ENGR. GILBERT J. RODRIGUEZ, AND CORPORATE OFFICERS, ARE AUTHORIZED, EMPOWERED AND DIRECTED TO DO ALL THINGS NECESSARY TO GIVE EFFECT TO THE FOREGOING RESOLUTIONS AS WELL AS TO DO/PERFORM ACT/S NECESSARY TO CARRY OUT ANY MATTER IN CONNECTION TO THE AFOREMENTIONED AUTHORITY GIVEN.

APPROVED AND SIGNED by the Members of the Board of Directors, on this 3rd day of April 2024 at KEGI Bldg, Tepolo St., Baloy, Tablon, Cagayan de Oro City.

ENGR. EDELYN JANE A. SALVAME
Board of Directors, Chairman

RAYMOND B. ANG
Board of Directors, Member

ENGR. GILBERT J. RODRIGUEZ
Board of Directors, Member

SALLY O. ANG
Board of Directors, Member

ENGR. ARIEL J. BURAGAY
Board of Directors, Member

JODETTE P. ELLO, CPA
Board of Directors, Member

MILAGROS S. CASTRO, CPA
Board of Directors, Member

ATTY. JAIRO M. LADERA
Independent Director

ATTY. ALISA TRENA R. OLANO, REA, REB, REC
Independent Director

Certified Correct:

ATTY. MARITES F. SANGUAL
Corporate Secretary

Attested by:

ENGR. EDELYN JANE A. SALVAME
President

Duly verified resolutions of the Issuer's Board of Directors approving the disclosures contained in the RS and assuming liability for the information contained therein.

(EXHIBIT 15)

EXHIBIT 15

KING ENERGY GENERATION INC.
"Efficiently providing you the most reliable source of energy..."
KING ENERGY GENERATION INC.
Misamis Oriental Power Plant (MOPP1) Brgy. San Luis, Gingoog City, Misamis Oriental
*Cellular No.: 0917-7140-584
*Telephone No.: (088) 858-3642
*Email: kegi@kingenergy.info
*Website: www.kingenergy.info

SPECIAL MEETING OF THE BOARD OF DIRECTORS
Held on April 3, 2024 at KEGI Bldg, Tepolo St., Baloy, Tablon, Cagayan de Oro City

RESOLUTION APPROVING THE DISCLOSURES CONTAINED IN THE REGISTRATION STATEMENT AND ASSUMING LIABILITY FOR THE INFORMATION CONTAINED THEREIN

Upon motion and seconded by the members of the Board, the following resolution was passed and approved by the BOARD OF DIRECTORS of KING ENERGY GENERATION INC., to wit:

RESOLUTION NO. 12, SERIES OF 2024

WHEREAS, King Energy Generation Inc. (KEGI) hereby approves the disclosures contained in the Registration Statement relative to its Initial Public Offering Application with the Securities and Exchange Commission (SEC), and assuming the liability for the information contained therein.

WHEREAS, *this authority bestowed upon the abovenamed person is effective immediately as soon as this resolution be signed by the members of board present herein.*

NOW THEREFORE, THE CORPORATION HEREBY APPROVES THE DISCLOSURES CONTAINED IN THE REGISTRATION STATEMENT RELATIVE TO ITS INITIAL PUBLIC OFFERING APPLICATION WITH THE SECURITIES AND EXCHANGE COMMISSION (SEC), AND ASSUMING THE LIABILITY FOR THE INFORMATION CONTAINED THEREIN.

RESOLVE FURTHER, THAT ENGR. EDELYN JANE A. SALVAME AND ENGR. GILBERT J. RODRIGUEZ, AND CORPORATE OFFICERS, ARE AUTHORIZED, EMPOWERED AND DIRECTED TO DO ALL THINGS NECESSARY TO GIVE EFFECT TO THE FOREGOING RESOLUTIONS AS WELL AS TO DO/PERFORM ACT/S NECESSARY TO CARRY OUT ANY MATTER IN CONNECTION TO THE AFOREMENTIONED AUTHORITY GIVEN.

APPROVED AND SIGNED by the Members of the Board of Directors, on this 3rd day of April 2024 at KEGI Bldg, Tepolo St., Baloy, Tablon, Cagayan de Oro City.

ENGR. EDELYN JANE A. SALVAME
Board of Directors, Chairman

RAYMOND B. ANG
Board of Directors, Member

ENGR. GILBERT J. RODRIGUEZ
Board of Directors, Member

SALLY O. ANG
Board of Directors, Member

ENGR. ARIEL J. BURAGAY
Board of Directors, Member

JODETTE P. ELLO, CPA
Board of Directors, Member

MILAGROS S. CASTRO, CPA
Board of Directors, Member

ATTY. JAIRO M. LADERA
Independent Director

ATTY. ALISA TRENA R. OLANO, REA, REB, REC
Independent Director

Certified Correct:

ATTY. MARITES P. SANGUAL
Corporate Secretary

Attested by:

ENGR. EDELYN JANE A. SALVAME
President

SUBSCRIBED AND SWORN TO before me on this _____ day of APR 0 4 2024 at Cagayan de Oro City, Philippines, by affiants who are personally known to me.

Doc. No. 459;
Page No. 092;
Book No. 001;
Series of 2024.

ATTY. LIANNE B. BALDON REB, REA
NOTARY PUBLIC
NC-2024-173 valid until December 31, 2025
Atty.'s Roll No. 76791, May 5, 2022
IBP O.R. No. 376318, Dec. 27, 2023, Mis. Or.
PTR No. 3054351B, Dec. 27, 2023, CDOC
MCLE Initial Compliance until April 2025-
Admitted to the Bar on May 5, 2022
TIN: 493-539-708, E-mail add: attylianne@gmail.com

Secretary's Certificate as to adoption by the Board of certain corporate governance principles and/or submission of Manual on Corporate Governance (EXHIBIT 16)

EXHIBIT 16

Republic of the Philippines)
City of Cagayan de Oro)S.S.
X----------x

SECRETARY'S CERTIFICATE

I, ATTY. MARITES F. SANGUAL, of legal age, Filipino, single, and a resident of Patag, Cagayan de Oro City, Philippines, as duly elected/appointed Corporate Secretary of ***KING ENERGY GENERATION INC.***, a domestic corporation duly organized and existing under the laws of the Republic of the Philippines with principal address at Misamis Oriental Power Plant 1 (MOPP1), Brgy. San Luis, Gingoog City, Misamis Oriental, hereby certify that at a Special Meeting of the Board of Directors of the said corporation held on January 12, 2023, in which a quorum was present and acted throughout, the following Board Resolution, by unanimous vote of members present, was approved and adopted, to wit:

"RESOLUTION NO. 3, SERIES OF 2023

WHEREAS, King Energy Generation Inc. (hereinafter referred to as "KEGI") hereby approves the corporation's proposed Manual on Corporate Governance, as well as authorizing the corporation's President Engr. Edelyn Jane A. Salvame to perform any and all acts necessary to implement the same.

WHEREAS, this Resolution approving the corporation's Manual on Corporate Governance as well as the authority of the corporation's President Engr. Edelyn Jane A. Salvame in implementing the said manual is effective immediately as soon as this resolution be signed by the members of board present herein.

NOW THEREFORE, UPON UNANIMOUS VOTE, BY ALL MEMBERS PRESENT, BE IT RESOLVED AS IT IS HEREBY RESOLVED THAT **THE CORPORATION APPROVES THE PROPOSED MANUAL ON CORPORATE GOVERNANCE OF KING ENERGY GENERATION INC AND DIRECTS THE CORPORATION'S PRESIDENT ENGR. EDELYN JANE A. SALVAME TO IMPLEMENT THE SAME.**

RESOLVED FURTHER THAT President Engr. Edelyn Jane A. Salvame is hereby authorized to do, execute and perform any and all necessary acts and functions for the implementation of the corporation's Manual on Corporate Governance.

RESOLVED FINALLY, THAT ENGR. EDELYN JANE A. SALVAME HAS THE POWERS, EXPRESS OR IMPLIED AND THOSE POWERS NECESSARY TO GIVE EFFECT TO THE FOREGOING AS WELL AS TO EXECUTE AND SIGN ANY AND ALL DOCUMENTS, AND PERFORM ACTS NECESSARY TO EFFECT HEREIN AUTHORITY GRANTED."

I hereby certify the correctness of the above stated Resolution on this ___ day of APR 0 8 2024, at Cagayan de Oro City, Philippines.

ATTY. MARITES F. SANGUAL
Corporate Secretary

SUBSCRIBED AND SWORN to before me this APR 0 8 2024 at Cagayan de Oro City, Philippines, by affiant exhibiting to me her UMID with No. CRN-021-1369-5449-9 as competent evidence of identity.

Doc. No. 463;
Page No. 093;
Book No. 001;
Series of 2024.

ATTY. LIANNE B. BALDON REB, REA
NOTARY PUBLIC
NC-2024-173 valid until December 31, 2025
Atty.'s Roll No. 76794, May 5, 2022
IBP O.R. No. 376323, Dec. 27, 2023, Mis. Or.
PTR No. 30543518, Dec. 27, 2023, CDOC
MCLE Initial Compliance until April 2025-
Admitted to the Bar on May 5, 2022
TIN: 493-539-708, E-mail add: attylianne@gmail.com

Authorization letter from the registrant designating a representative(s) through whom all dealings with the Commission regarding the application is coursed

(EXHIBIT 17)

EXHIBIT 17

KING ENERGY GENERATION INC.

"Efficiently providing you the most reliable source of energy..."

Misamis Oriental Power Plant (MOPP1) Brgy. San Luis, Gingoog City, Misamis Oriental
*Cellular No.: 0917-7140-584
*Telephone No.: (088) 859-3542
*Email: kegi@kingenergy.info
*Website: www.kingenergy.info

April 04, 2024

VICENTE GRACIANO P. FELIZMENIO, JR.
Director
Market and Securities Regulation Department
Securities and Exchange Commission
Bel-Air, Makati City

SUBJECT: **Designating representative dealings with commission regarding the application is course.**

Dear Director Felizmenio Jr:

Greetings!

KING ENERGY GENERATION INC. hereby appoints Atty. Lianne B. Baldon, its Corporate Counsel, to be the representative in all matters dealing with Securities and Exchange Commission (SEC), specifically in relation to its Initial Public Offering (IPO) application including but not limited to the compilation and submission of the required documents to the SEC and all other dealings and transactions involving the IPO application.

We extend our gratitude for the attention given to this matter and for providing the necessary facilities to our representative in ensuring the best possible performance.

Yours sincerely,

ENGR. EDELYNJANE A. SALVAME
CEO, President of KEGI

Certification on material legal proceedings filed by and against the Issuer, its subsidiaries & affiliates. The Commission reserves the right to conduct post-audit on this representation

(EXHIBIT 18)

KING ENERGY GENERATION INC.
"Efficiently providing you the most reliable source of energy..."
KING ENERGY GENERATION INC.
Misamis Oriental Power Plant (MOPP1) Brgy. San Luis, Gingoog City, Misamis Oriental
*Cellular No.: 0917-7140-584
*Telephone No.: (088) 859-3542
*Email: kegi@kingenergy.info
*Website: www.kingenergy.info

CERTIFICATION

TO WHOM IT MAY CONCERN:

THIS IS TO CERTIFY that the registrant filed a petition with the Energy Regulations Commission against Misamis Oriental II Electric Service Cooperative, Inc. (MORESCO II) for Dispute Resolution on the Interpretation of the Closing Date of the Power Supply Agreement dated 24 May 2011, last February 29, 2024.

This certification is issued in relation to KEGI's registration of securities with the Securities and Exchange Commission.

Issued this 4th day of April 2024 at Cagayan de Oro City, Misamis Oriental, Philippines.

ENGR. EDELYN JANE A. SALVAME
CEO/ President

Certification from parties involved in the preparation and submission of documents involving registration with the Commission and listing on an Exchange were done and with the full knowledge and consent of the parties

(EXHIBIT 19)

EXHIBIT 19

KING ENERGY GENERATION INC.

"Efficiently providing you the most reliable source of energy..."

KING ENERGY GENERATION INC.
Misamis Oriental Power Plant (MOPP1) Brgy. San Luis, Gingoog City, Misamis Oriental
*Cellular No.: 0917-7140-584
*Telephone No.: (088) 859-3542
*Email: kegi@kingenergy.info
*Website: www.kingenergy.info

CERTIFICATION

TO WHOM IT MAY CONCERN:

THIS IS TO CERTIFY that KING ENERGY GENERATION INC. has thoroughly examined the documents and the parties involved in the preparation and submission of documents involving registration with the Securities and Exchange Commission were done with the full knowledge and consent of the parties.

This certification is issued in relation to KEGI's registration of securities with Securities and Exchange Commission.

Issued this 4th day of April 2024 at Cagayan de Oro City, Misamis Oriental, Philippines.

ENGR. EDELYN JANE A. SALVAME
CEO/President

Certification that all mandated government permits/licenses are secured and valid, with a table containing the type of permit/license, issuing agency, Issuance date and Expiry date as Annex (or reference to the page of the Prospectus where such table of Permits and Licenses can be found).

(EXHIBIT 20)

EXHIBIT 20

KING ENERGY GENERATION INC.

"Efficiently providing you the most reliable source of energy..."

Misamis Oriental Power Plant (MOPP1) Brgy. San Luis, Gingoog City, Misamis Oriental
*Cellular No.: 0917-7140-584
*Telephone No.: (088) 859-3542
*Email: kegi@kingenergy.info
*Website: www.kingenergy.info

CERTIFICATION

TO WHOM IT MAY CONCERN:

THIS IS TO CERTIFY that the majority of the mandated government permits and licenses of KING ENERGY GENERATION INC. are secured and valid. However, some government permits and licenses are still on-going and under application. The details of these abovementioned permits and licenses are found in pages 36-41 of KEGI's Prospectus.

This certification is issued in relation to KEGI's registration of securities with the Securities and Exchange Commission.

Issued this 4th day of April 2024 at Cagayan de Oro City, Misamis Oriental, Philippines.

ENGR. EDELYN JANE A. SALVAME
CEO/President

Certification that as of the date of filing, the registrant is not a delinquent or disobedient party in any of the operating departments of the Commission

(EXHIBIT 21)

EXHIBIT 21

KING ENERGY GENERATION INC.

"Efficiently providing you the most reliable source of energy..."

KING ENERGY GENERATION INC.
Misamis Oriental Power Plant (MOPP1) Brgy. San Luis, Gingoog City, Misamis Oriental
*Cellular No.: 0917-7140-584
*Telephone No.: (088) 859-3542
*Email: kegi@kingenergy.info
*Website: www.kingenergy.info

CERTIFICATION

TO WHOM IT MAY CONCERN:

THIS IS TO CERTIFY that KING ENERGY GENERATION INC. is not a delinquent or disobedient party in any of the operating departments of the Securities and Exchange Commission. Furthermore, it has no standing obligations to any of the operating departments of the Commission.

This certification is issued in relation to KEGI's registration of securities with the Securities and Exchange Commission.

Issued this 4th day of April 2024 at Cagayan de Oro City, Misamis Oriental, Philippines.

ENGR. EDELYN JANE A. SALVAME
CEO/ President

Manual on Corporate Governance (EXHIBIT 22)

KING ENERGY GENERATION INC.
"Efficiently providing you the most reliable source of energy..."
KING ENERGY GENERATION INC.
Misamis Oriental Power Plant (MOPP1) Brgy. San Luis, Gingoog City, Misamis Oriental
*Cellular No.: 0917-7140-584
*Telephone No.: (088) 859-3542
*Email: kegi@kingenergy.info
*Website: www.kingenergy.info

MANUAL OF CORPORATE GOVERNANCE

The Board of Directors, officers, executives, and employees of **KING ENERGY GENERATION INC.** (herein referred to as **"COMPANY")** hereby commit themselves to the fundamental principles of sound corporate governance provided in this Manual of Corporate Governance and acknowledge that the same are necessary components of sound strategic business management that will enhance the value of the Company to all its stakeholders. This Manual is adopted pursuant to Securities and Exchange Commission (SEC) Memorandum Circular No. 24 Series of 2019 (Code of Corporate Governance for Public Companies and Registered Issuers) issued on December 19, 2019 and Securities and Exchange Commission (SEC) Memorandum Circular No. 6 Series of 2009 (Revised Code of Corporate Governance) issued on July 15, 2009.

DECLARATION OF CORPORATE PRINCIPLES

The Company adheres to the principles of integrity, accountability, fairness, and transparency to develop and uphold an ethical culture that will protect and promote the best interest of the Company for the common benefit of the Company's stockholders and other stakeholders. The Company likewise adheres to the laws enfranchising its corporate existence and utility operations.

As the Company progresses, this Manual shall be kept under constant review and revision to meet the emerging standards of good corporate governance practices.

Definition of Terms

Board of Directors- the governing body elected by the shareholders/members that exercises the corporate powers of a corporation, conducts all its business and controls its properties.

Corporate Governance- the system of stewardship and control to guide organizations in fulfilling their long-term economic, moral, legal, and social obligations toward their shareholders/members and other stakeholders.

Corporate governance is a system of direction, feedback, and control using regulations, performance standards, and ethical guidelines to hold the board of directors and Senior Management accountable for ensuring ethical behavior and reconciling long-term customer satisfaction with shareholder/member value to the benefit of all stakeholders and society.

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Its purpose is to maximize the organization's long-term success, thereby creating sustainable value for its shareholders/members, other stakeholders, and the nation.

Enterprise Risk Management - a process, effected by an entity's Board of Directors, Management, and other personnel, applied in strategy setting and across the enterprise that is designed to identify potential events that may affect the entity, manage risks to be within its risk appetite, and provide reasonable assurance regarding the achievement of entity objectives.

Executive director - a director who has executive responsibility for the day-to-day operations of a part or the whole of the corporation.

Independent director - a person who is independent of Management and the controlling shareholder, and is free from any business or other relationship which could, or could reasonably be perceived to, materially interfere with his exercise of independent judgment in carrying out his responsibilities as a director.

Internal control- a process designed and effected by the entity's Board of Directors, Senior Management, and all levels of personnel to provide reasonable assurance on the achievement of objectives through efficient and effective operations; reliable, complete, and timely financial and management of corporate information; and compliance with applicable laws, regulations, and the organization's policies and procedures.

Management - a group of executives given the authority by the Board of Directors to implement the policies it has laid down in the conduct of the business of the corporation.

Non-executive director - a director who has no executive responsibility and does not perform any work related to the day-to-day operations of the corporation.

Non-Proprietary Right - an interest, participation, or privilege over a specific property of a corporation that allows the holder to use such property under certain terms and conditions. The holder, however, shall not be entitled to dividends from the corporation or to its assets upon its liquidation.

Proprietary Right - an interest, participation, or privilege in a corporation which gives the holder the right to use the facilities and to receive dividends or earnings from the corporation. Upon the liquidation of the corporation, the holder shall have proportionate ownership rights over its assets.

Public Company - a company with assets of at least Fifty Million Pesos (Php50,000,000.00) and having two hundred (200) or more shareholders holding at least one hundred (100) shares each of equity securities.

Registered Issuer - a company that: (1) issues proprietary and/or non-proprietary shares/certificates; (2) issues equity securities to the public that are not listed in an

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Exchange; or (3) issues debt securities to the public that are required to be registered to the SEC, whether or not listed in an Exchange.

Related parties - covers the covered entity's directors, officers, substantial shareholders, and their spouses and relatives within the fourth civil degree of consanguinity or affinity, legitimate or common-law, and other persons if these persons have control, joint control, or significant influence over the covered entity. It also covers the covered entity's parent, subsidiary, fellow subsidiary, associate, affiliate, joint venture, or an entity that is controlled, jointly controlled, or significantly influenced or managed by a person who is a related party.

Related Party Transactions - a transfer of resources, services, or obligations between a reporting entity and a related party, regardless of whether a price is charged. It should be interpreted broadly to include not only transactions that are entered into with related parties, but also outstanding transactions that are entered into with an unrelated party that subsequently becomes a related party.

Significant Influence - The power to participate in the financial and operating policy decisions of the company but has no control or joint control of those policies.

Stakeholders - any individual, organization, or society at large who can either affect and/or be affected by the company's strategies, policies, business decisions, and operations, in general. This includes, among others, non-proprietary certificate holders, customers, creditors, employees, suppliers, investors, as well as the government and the community in which the company operates.

CORPORATE GOVERNANCE RULES & PRINCIPLES

I. BOARD GOVERNANCE

Section 1.0 Composition of the Board

1.1 The Board consists of nine (9) directors who shall be elected by the stockholders at a regular or special meeting in accordance with the Amended By-Laws of the Company.

1. 2 The Board shall have at least two (2) independent directors or such number of independent directors that constitute twenty percent (20%) of the members of the Board, whichever is lesser, but in no case less than two (2).

Section 2.0 Independent Directors

2.1 Independent Director means a person who, apart from his fees and shareholdings, is independent of Management and the controlling shareholder, and free from any business or other relationship which could, or could reasonably

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be perceived to, materially interfere with his exercise of any independent judgment in carrying out his responsibilities as a director in the Company and includes, among others, any person who:

a. Is not a director or officer of the Company or of its related companies or any of its substantial shareholders except when the same shall be an independent director of any of the foregoing;

b. Is not, and has not been in the two (2) years immediately preceding the election, a director of the covered company; a director, officer, employee of the covered company's subsidiaries, associates, affiliates or related companies; or a director, officer, employee of the covered company's substantial shareholders and its related companies;

c. Does not own more than two percent (2%) of the shares of the company and/or its related companies or any of its substantial shareholders;

d. Is not related to any director, officer or substantial shareholder of the company, any of its related companies or any of its substantial shareholders. For this purpose, relatives include spouse, parent, child, brother, sister, and the spouse of such child, brother or sister;

e. Is not acting as a nominee or representative of any director or substantial shareholder of the Company, and/or any of its related companies and/or any of its substantial shareholders, pursuant to a Deed of Trust or under any contract or arrangement;

f. Has not been employed in any executive capacity by the Company, any of its related companies and/or by any of its substantial shareholders within the last two (2) years;

g. Is not retained, either personally or through his firm or any similar entity, as a professional adviser, by the Company, any of its related companies and/or any of its substantial shareholders, within the last two (2) years;

h. Has not engaged and does not engage in any transaction with the Company and/or with any of its related companies and/or with any of its substantial shareholders, whether by himself and/or with other persons and or through a firm of which he is a partner and/or a Company of which he is a director or substantial shareholder, other than transactions which are conducted at arm's length and are immaterial;

i. Is not the chairman emeritus or an ex-officio director/officer or a member of the advisory board of the Company, or otherwise appointed in a capacity to assist the Board of the Company in the performance of its duties and responsibilities within the last two (2) years;

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j. Is not a director (other than an independent director) of the Company who resigned or whose term ended within the last two (2) years;

k. Is not a securities broker-dealer or a person holding any office of trust and responsibility in a broker-dealer firm which includes, among others, a director, officer, principal stockholder, nominee of the firm to the Exchange, associated person or salesman, and an authorized clerk of the broker or dealer;

l. Is not affiliated with any non-profit organization that receives significant funding from the covered company or any of its related companies or substantial shareholders;

Related companies, as used in this section, refer to (a) the covered entity's holding/parent company; (b) subsidiaries; and (c) subsidiaries of its holding/parent company.

2.2 Independent directors should, as much as possible, be in attendance during board meetings to promote transparency. Unless otherwise provided in the By-Laws, their absence shall not affect the quorum requirement.

Section 3.0 Multiple Board Seats

The Board may consider the adoption of guidelines on the number of directorships that its members can hold in other corporations to ensure diligent and efficient performance of their responsibilities to the Company.

Section 4.0 Duties and Responsibilities of the Board

4.1 General Responsibility

a. The Board of Directors is primarily responsible for the governance of the Company. Corollary to setting the policies for the accomplishment of the corporate objectives, it shall provide an independent check on Management.

b. The Board should establish the Company's vision, mission, strategic objectives, policies, and procedures that shall guide its activities, including the mechanisms for effective monitoring of the Management's performance.

c. A director's office is one of trust and confidence. He shall act in a manner characterized by transparency, accountability, integrity, and fairness.

4.2 Specific Duties and Functions

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To ensure a high standard of best practice for the Company and its stakeholders, the Board shall:

a. Adopt a process of selection to ensure a mix of competent directors and officers and oversee the implementation of compensation plans and professional development programs for officers and succession planning for senior management;

b. Oversee Management's formulation and implementation of sound strategic policies and guidelines on major capital expenditures, business strategies, plans, and policies and periodically evaluate Management's overall performance;

c. Ensure that the Company complies with all relevant laws, regulations, and endeavors to adopt best business practices;

d. Identify the Company's major and other stakeholders and oversee Management's formulation and implementation of the Company's policy on communicating or relating with them through an effective investor relations program and other appropriate communication programs;

e. Adopt a system of check and balance within the Board, which should be regularly reviewed for effectiveness;

f. Provide oversight with regard to enterprise risk management;

g. Identify key risk areas and key performance indicators and monitor these factors with due diligence;

h. Ensure that the Company establishes appropriate policies and procedures in accordance with this Manual and applicable laws and regulations, including, but not limited to, conflict of interest and related party transactions;

i. Constitute Board Committees, including an Audit and Risk Management Committee, that it deems necessary to assist the Board in the performance of its duties and responsibilities;

j. Consider the creation and maintenance of an alternative dispute resolution system in the Company that can amicably settle differences or conflicts between the Company and its stockholders, if applicable;

k. Properly discharge Board functions by meeting regularly. Independent views during Board meetings shall be given due consideration and all such meetings shall be duly minuted;

l. Keep Board authority within the powers of the institution as prescribed in the Articles of Incorporation, By-Laws and in existing law, rules and regulation; and

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m. Appoint a Compliance Officer who shall have the rank of at least vice president.

n. Adopt alternative dispute mechanisms to amicably resolve and settled intra-corporate disputes.

4.3 Chairman of the Board

In addition to the duties provided in the By-Laws of the Company, the responsibilities of the Chairman in relation to the Board shall include the following:

a. To ensure that the meetings of the Board are held in accordance with the By-Laws or as the Chairman may deem necessary;

b. To supervise the preparation of the agenda of the meeting in coordination with the Corporate Secretary, taking into consideration the suggestions of the directors and Management; and

c. To maintain qualitative and timely lines of communication and information between the Board and Management.

If the positions of Chairman and Chief Executive Officer (CEO) are not separate and matters for resolution of the Board involve the accountability of Management and there is a perceived conflict of interest in relation thereto, the Chairman must appoint a lead director from among the independent directors to temporarily preside in the meeting to ensure the independence of the Board.

4.4 Internal Controls Responsibilities of the Company

a. The control environment of the Company consists of :

i. The Board which ensures that the Company is properly managed and effectively supervised;

ii. The Management that actively manages and operates the Company in a sound and prudent manner;

iii. The organizational and procedural controls supported by effective management information and risk management reporting systems; and

iv. An independent audit mechanism to monitor the adequacy and effectiveness of the Company's financial reporting, governance, operations, and information systems, including the reliability and integrity of financial and operational information, the effectiveness and efficiency of operations, the

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safeguarding of assets, confidential information, and compliance with laws, rules, regulations and contracts.

b. The Board's internal control mechanisms for the Board's oversight responsibility may include:

i. Definition of the duties and responsibilities of the CEO who is ultimately accountable for the Company's organizational and operational controls;

ii. Selection of a CEO who possesses the ability, integrity and expertise essential for the position;

iii. Establishment by the Company of an internal audit system that can reasonably assure the Board, Management, and stockholders that the Company's key organizational and operational controls are appropriate, adequate, effective, and complied with;

iv. Selection and appointment of proposed senior management officers; and

v. Review of the Company's personnel and human resource policies and sufficiency, conflict of interest situations, changes in the compensation plan for employees and succession plan for officers and management.

Section 5.0 Qualifications of Directors

5.1 Every director shall own at least one (1) share of the capital stock of the Company of which he is a director, which share shall stand in his name in the books of the Company. He must have all the qualifications and none of the disqualifications of a director. The following are the qualifications:

a. Possesses college education or the skills needed to effectively carry out his functions as director;

b. Possesses integrity/probity; and

c. Has strong adherence to legal and moral principles.

As much as possible, a director must have a practical understanding of business in general and of the business of the Company, in particular.

5.2 The director shall not engage in any competitive or antagonistic business or activities against KEGI. The following are additional qualifications of a director, but are not limited to:

a. A director shall not be directly or indirectly interested as a stockholder in any other firm, company, or association which competes with KEGI;

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b. A director shall not be the immediate member of the family of any stockholder in any other firm, company, or association which competes with KEGI;

c. A director shall not be an officer, agent, employee, attorney, or trustee in any other firm, company, or association which competes with KEGI; and

d. No person who is an attorney against KEGI in a lawsuit is eligible for service on the board.

5.3 The BOARD and the Nomination, Remuneration, and Corporate Governance Committee have the prerogative of determining whether the director or nominee is engaged in competitive or antagonistic business as a measure of self-defense to protect the corporation from the clear and present danger that the election of a business competitor to the Board may cause upon KEGI and the other stockholders' inseparable prejudice. In line with such, The BOARD and the Nomination, Remuneration, and Corporate Governance Committee may disqualify a competitor from nomination and election to its Board of Directors.

5.4 The Nomination, Remuneration, and Corporate Governance Committee may consider and recommend to the Board such other qualifications which are now or may hereafter be provided under existing laws and regulations or any amendments thereto.

Section 6.0 Disqualification of a Director

6.1 Permanent Disqualification

a. Any person convicted or adjudged guilty of any of the offenses or crimes specified below in a final and executory judgment, decree or order issued by a judicial or an administrative body having competent jurisdiction or the SEC:

i. an offense involving moral turpitude, fraud, embezzlement, theft, estafa, counterfeiting, misappropriation, forgery, bribery, false affirmation, perjury or other fraudulent acts;

ii. any crime that (1) involves the purchase or sale of securities, as defined in the Securities Regulation Code; (2) arises out of the person's conduct as an underwriter, broker, dealer, investment adviser, principal, distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; or (3) arises out of his fiduciary relationship with a bank, quasi-bank, trust company, investment house, or as an affiliated person of any of them; or

iii. having willfully violated, or willfully aided, abetted, counseled, induced or procured the violation of any provision of the Securities Regulation Code, the

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Revised Corporation Code, or any other law administered by the SEC or BSP, or any rule, regulation, or order of the SEC or BSP;

b. Any person who, by reason of misconduct, after hearing, is permanently enjoined by a final judgment or order of the SEC or any court or administrative body of competent jurisdiction from: (1) acting as underwriter, broker, dealer, investment adviser, principal distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; (2) acting as director, or officer of a bank, quasibank, trust company, investment house, or investment company; (3) engaging in or continuing any conduct or practice in any of the capacities mentioned in sub-paragraphs (1) and (2) above.

The disqualification shall also apply if such person: (1) is currently the subject of an order of the SEC or any court or administrative body denying, revoking or suspending any registration, license or permit issued to him under the Revised Corporation Code, Securities Regulation Code or any other law administered by the SEC or BSP, or under any rule or regulation issued by the SEC or BSP; or (2) has otherwise been restrained to engage in any activity involving securities and banking or (3) is currently the subject or an effective order of a self-regulatory organization suspending or expelling him from membership, participation or association with a member or participant of the said organization.

c. Any person found guilty by final judgment or order of a foreign court or equivalent financial regulatory authority of acts, violations or misconduct similar to any of the acts, violations or misconduct enumerated in paragraphs (a) and (b) above;

d. Any person convicted by final judgment of an offense punishable by imprisonment for more than six (6) years, or a violation of the Corporation appointment; and

e. Any person judicially declared as insolvent.

6.2 Temporary Disqualification

The Nomination, Remuneration and Corporate Governance Committee may consider and recommend to the Board temporary disqualification of a director based on any of the following grounds:

a. Refusal to fully disclose the extent of his business interest as required by existing laws or Company rules and regulations. The disqualification shall be in effect as long as the refusal persists.

b. Absence in more than fifty percent (50%) of all regular and special meetings of the Board during his incumbency, or any twelve (12) month period during the said incumbency, unless the absence is due to illness, death in the

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immediate family or serious accident. The disqualification shall apply for purposes of the succeeding election.

c. Dismissal or termination for a cause as director of any corporation covered by the Governance Code. This disqualification shall be in effect until he has cleared himself of any involvement in the cause that gave rise to his dismissal or termination.

d. If any of the judgments or orders cited in the grounds for permanent disqualification has not yet become final.

Any temporary disqualification of a director recommended by the Nomination, Remuneration, and Corporate Governance Committee to be valid and effective must be approved by the Board, as well as, comply with the requirements of applicable laws, rules and regulations.

A temporary disqualified director shall, within such period prescribed by the Board, but in no case less than sixty (60) business days from such disqualification, take the appropriate action to remedy or correct the disqualification. If he fails or refuses to do so for unjustified reasons, the disqualification shall become permanent.

6.3 If an independent director becomes an officer or employee of the Company, his designation as an independent director is automatically terminated and he shall be disqualified as an independent director.

6.4 The Nomination, Remuneration, and Corporate Governance Committee may consider and recommend to the Board other grounds for disqualifications that are now or may hereafter be provided under existing laws and regulations or any amendments thereto.

Section 7.0 Duties and Responsibilities of a Director

A director shall have the following duties and responsibilities:

7.1 To conduct fair business transactions with the Company and ensure that his personal interest does not conflict with the interest of the Company;

7.2 To devote time and attention necessary to properly discharge and effectively perform his duties and responsibilities;

7.3 To act judiciously;

7.4 To exercise independent judgment;

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7.5 To have a working knowledge of the statutory and regulatory requirements affecting the Company, including the contents of its Articles of Incorporation and By-Laws, the requirements of the SEC, and where applicable, the requirements of other regulatory agencies;

7.6 To observe confidentiality of information; and

7.7 To ensure the continuing soundness, effectiveness and adequacy of the Company's control environment.

Section 8.0 Compensation of Directors

Directors, as such, shall not receive any compensation unless approved by the stockholders or provided in the By-Laws of the Company. No director should participate in the approval of his compensation. However, the Board may, from time to time, approve a reasonable per diem that a director may receive for attendance in Board and Board Committee meetings.

Section 9.0 Board Committees

The Board of Directors shall form Board Committees to aid in ensuring compliance with the principles of good corporate governance. The members of such Committees shall be appointed by the Board of Directors annually.

9.1 Nomination, Remuneration, and Corporate Governance Committee

a. The Nomination, Remuneration, and Corporate Governance Committee shall preferably have at least three (3) directors, one of whom must be an independent director.

b. The Nomination, Remuneration, and Corporate Governance Committee shall have the following duties and responsibilities:

i. Review and evaluate the qualifications of all persons nominated to the Board and other appointments that require Board approval in accordance with the qualifications prescribed by law, pertinent rules and regulations, the Company's By-Laws and this Manual. The screening shall include the evaluation of the nominee's directorship, membership and officership in other corporations or organizations to ensure that he can perform his duties diligently and effectively;

ii. Provide a Final List of all qualified nominees to the Board;

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iii. Recommends the continuing education/training programs for directors, assignment of tasks/projects to board committees, succession plan for the board members and senior officers, and remuneration packages for corporate and individual performance;

iv. Proposes and plans relevant trainings for the members of the Board;

v. Review and endorse to the Board the Compliance Officer's recommendations in relation to violations of this Manual, the Code of Corporate Governance and such other circulars, rules and regulations issued in relation thereto;

vi. Recommend Committee membership appointments, including Committee chairmanships, to the Board for approval after receiving advice from the Chairman of the Board and CEO and with consideration of the desires of individual Board members;

vii. Recommend processes and mechanisms for evaluating the performance of the Board, the Board Committees, and Management;

viii. Oversees the periodic performance evaluation of the Board and its committees as well as the executive management, and conducts an annual evaluation of the said performance;

ix. Ensures that the results of the Board evaluation are discussed, and that concrete action plans are developed and implemented to address the identified areas for improvement;

x. Review annually the prescribed Full Business Interest Disclosure of all incoming Directors and officers; and

xi. Review annually the Charters of the Board Committees for the purpose of recommending any needed change(s) to the Board;

xii. Assess the effectiveness of the Board's processes and procedures in the election or replacement of directors;

xiii. Oversees the implementation of the corporate governance framework and periodically reviews the said framework to ensure that it remains appropriate in light of material changes to the corporation's size, the complexity of operations and business strategy, as well as its business and regulatory environments;

xiv. Establishes a formal and transparent procedure for determining the remuneration of directors and officers that is consistent with the

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corporation's culture and business strategy as well as the business environment in which it operates.

xv. Oversees the formulation of the compensation and retirement philosophy as well as study and evaluate the appropriate compensation, retention, and retirement policies and programs for the officers of the Company as appointed in accordance with the Company's By-Laws, as well as managers or executives with the rank of vice president and up;

xvi. Such other responsibilities as may be provided in the Nomination, Remuneration, and Governance Committee Charter.

9.2 Audit & Risk Management Committee

a. The Audit and Risk Management Committee shall be composed of at least three (3) appropriately qualified non-executive directors, the majority of whom, including the Chairperson, should be independent directors. The Chairperson of the Audit and Risk Management Committee should not be the Chairperson of the Board or any other Committees. All of the members of the committee must have a relevant background, knowledge, skills, and /or experience in the areas of accounting, auditing, and finance.

b. The Audit and Risk Management Committee shall have the following duties and responsibilities:

i. Assist the Board in the performance of its oversight responsibility for the financial reporting process, system of internal control, audit process, and monitoring compliance with applicable laws, rules, and regulations;

ii. Provides oversight over Management's activities in managing credit, market, liquidity, operational, legal, and other risks of the Company. This function shall include regular receipt from Management of information on risk exposures and risk management activities;

iii. Performs oversight functions over the Company's internal and external auditors. It should ensure that internal and external auditors act independently from each other and that both auditors are given unrestricted access to all records, properties, and personnel to enable them to perform their respective audit functions;

iv. Review and approve the annual internal audit plan to support the attainment of the objectives of the Company. The plan shall include the audit scope, resources, and budget necessary to implement it;

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v. Recommends the approval of the Internal Audit (IA) Charter, which formally defines the responsibilities, powers, and authority of the Internal Audit Department, the audit plan of the Internal Audit Department, as well as oversees the implementation of the IA Charter;

vi. Through the IA Department, monitors and evaluates the adequacy and effectiveness of the corporation's internal control system, the integrity of financial reporting, and the security of physical and information assets. Well-designed internal control procedures and processes that will provide a system of checks and balances should be in place in order to: (a) safeguard the company's resources and ensure their effective utilization, (b) prevent the occurrence of fraud and other irregularities, (c) protect the accuracy and reliability of the company's financial data, and (d) ensure compliance with applicable laws and regulations;

vii. Oversees the IA Department, and recommends the appointment and removal of an IA head as well as his qualifications, and grounds for appointment and removal. The Audit Committee should also approve the terms and conditions for outsourcing internal audit services, if applicable;

viii. Prior to the commencement of the audit, discuss with the external auditor the nature, scope, and expenses of the audit, and ensure proper coordination if more than one (1) audit firm is involved in the activity to secure proper coverage and minimize duplication of efforts;

ix. Considers the appointment of an independent internal and independent external auditor, and the terms and conditions of their engagement and removal;

x. Monitor and evaluate the adequacy and effectiveness of the Company's internal control system, including financial reporting control and information technology security;

xi. Review the reports submitted by the internal and external auditors;

xii. Review the completeness, accuracy, and fairness of the quarterly, half-year, and annual financial statements before their submission to the Board or regulators with particular focus on the following matters:

a. Any change/s in accounting principles and practices

b. Major judgmental areas

c. Significant adjustments resulting from audit

d. Going concern assumptions

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e. Compliance with accounting standards

f. Compliance with tax, legal, and regulatory requirements

xiii. Coordinate, monitor, and facilitate compliance with laws, rules, and regulations;

xiv. Evaluate and determine the non-audit work, if any, of the external auditor, and review periodically the non-audit fees paid to the external auditor in relation to their significance to the total annual income of the external auditor and to the Company's overall consultancy expenses.

xv. The Audit and Risk Committee shall disallow any non-audit work that will conflict with his duties as an external auditor or may pose a threat to his independence. The non-audit work, if allowed, should be disclosed in the Company's annual report;

xvi. Establishes and identifies the reporting line of the Internal Auditor to enable him to properly fulfill his duties and responsibilities. The Audit and Risk Committee shall ensure that, in the performance of the work of the Internal Auditor, he shall be free from interference by outside parties.

xvii. Monitors the Management's responsiveness to the Internal Auditor's findings and recommendations;

xviii. Elevate to international standards the accounting and auditing processes, practices, and methodologies; and

xix. Such other duties and responsibilities as may be provided in the Audit and Risk Management Committee Charter.

xx. The Audit and Risk Management Committee shall meet quarterly and as often as may be necessary.

xxi. Evaluates on an ongoing basis existing relations between and among businesses and counterparties to ensure that all related parties are continuously identified, Related Party Transactions (RPTs) are monitored, the Related Party Registry is updated to capture subsequent changes in relationships with counterparties (from non-related to related and vice versa);

xxii. In case of the absence of a Related Party Transactions (RPTs) Committee, evaluates all RPTs to ensure that these are not undertaken on more favorable economic terms (e.g., price, commissions, interest rates, fees, tenor, collateral requirement) to such related parties than similar transactions with non-related

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parties under similar circumstances and that no corporate or business resources of the company are misappropriated or misapplied;

xxiii. In case of the absence of an RPT Committee:

a. Determines any potential reputational risk issues that may arise as a result of or in connection with RPTs. In evaluating RPTs, the Committee takes into account, among others, the following:

1. The related party's relationship to the company and interest in the transaction;

2. The material facts of the proposed RPT, including the proposed aggregate value of such transaction;

3. The benefits to the corporation of the proposed RPT;

4. The availability of other sources of comparable products or services; and

5. An assessment of whether the proposed RPT is undertaken on terms and conditions that are comparable to the terms generally available to an unrelated party under similar circumstances. The company should have an unrelated party under similar circumstances. The company should have an effective price discovery system in place and exercise due diligence in determining a fair price for RPTs.

b. Ensures that appropriate disclosure is made, and/or information is provided to regulating and supervising authorities relating to the company's RPT exposures, and policies on potential and/or actual conflicts of interest. The disclosure should include information on the approach to managing material conflicts of interest that are inconsistent with such policies, and conflicts that could arise as a result of the company's affiliation or transactions with other related parties;

c. Reports to the Board of Directors on a regular basis, the status and aggregate exposures to each related party, as well as the total amount of exposures to all related parties;

d. Ensures that transactions with related parties, including write-off of exposures are subject to a periodic independent review or audit process;

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e. Oversees the implementation of the system for identifying, monitoring, measuring, controlling, and reporting RPTs, including a periodic review of RPT policies and procedures; and

f. Performs the functions of the Board Risk Oversight Committee, as provided under Recommendations 3.4 (SEC MC 24, Series of 2019), in the absence thereof.

g. Meets internally and with the Board at least once every quarter without the presence of the CEO or other Management team members, and periodically meets with the head of the Internal Audit (IA).

Section 10.0 The Management

The Management is represented by a Management Committee (Mancom) composed of corporate officers and executives formed and headed by the CEO. All principal policies and directions governing the organization, management and operation of the Company as well as its subsidiaries shall be formulated and implemented by this Committee, subject to Board approval when required by existing laws. The Committee shall regularly report to the Board at its regular Board meeting, or during special meetings whenever necessary or requested by the Board, through the CEO, on all matters concerning the Company's operation as well as significant events or occurrences affecting the Company.

Section 11.0 Duties and Responsibilities of the CEO

The CEO shall be in charge of the management and administration of the business operations, affairs and properties of the Company. He shall ensure that all resolutions of the Board are carried into effect and see that the business and affairs of the Company are managed in a sound and prudent manner. He shall ensure the reliability and integrity of financial and operational information and effectiveness, as well as, the efficiency of operations.

The CEO shall report to the Board, from time to time, all matters within his knowledge in which the Company has material interest.

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Section 12.0 The Corporate Secretary and Assistant Corporate Secretary

The Corporate Secretary and the Assistant Corporate Secretary are officers of the Company and are expected to observe the highest degree of professionalism, integrity, and diligence.

12.1 Qualifications of the Corporate Secretary and Assistant Corporate Secretary:

a. The Corporate Secretary and the Assistant Corporate Secretary shall be resident Filipino citizens of good moral character.

b. They shall have adequate legal, administrative, and interpersonal skills.

12.2 Duties and responsibilities of the Corporate Secretary and the Assistant Corporate Secretary:

a. Work and deal fairly and objectively with all the constituencies of the Company, namely, the Board, Management, stockholders and other stakeholders.

b. Be fully informed and be part of scheduling the Board activities.

c. Be aware of the laws, rules and regulations necessary in the performance of his duties and responsibilities.

d. Schedule meetings at least for the current year and duly notify the Board before every meeting.

e. Advise directors on matters pertaining to their legal responsibilities and obligations and ensure that appropriate Board procedures are being followed and that applicable rules and regulations are complied with.

f. Assist the Board in making business judgment in good faith and in the performance of their responsibilities and obligations.

g. Attend all Board meetings and maintain record of the same.

h. Submit to the SEC, at the end of every fiscal year, an annual certification as to the attendance of the directors during Board meetings.

i. Report to the SEC matters involving the Company, which are required to be disclosed under applicable laws and regulations.

j. Safekeep and preserve the integrity of minutes and other official records of the Company.

k. Be loyal to the mission, vision, and objectives of the Company. Have a working knowledge of the operations of the Company.

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l. Ensure that all Board procedures, rules and regulations are faithfully followed by its members.

Section 13.0 Compliance Officer

13.1 The Board shall appoint a Compliance Officer, who shall report to the Board must have at least the rank of a Vice President and is not a member of the Board.

The Compliance Officer shall perform the following duties:

a. Monitors compliance with the provisions and requirements of this Manual;

b. Ensures proper onboarding of new directors (orientation on the company's business, charter, articles of incorporation, and by-laws, among others);

c. Monitors, reviews, evaluates, and ensures the compliance by the corporation, its officers, and directors with the relevant laws, this Code, rules and regulations, and all governance issuances of regulatory agencies;

d. Reports to the Board if violations are found and recommends the imposition of appropriate disciplinary action;

e. Ensures the integrity and accuracy of all documentary and electronic submissions as may be allowed under SEC rules and regulations;

f. Appears before the SEC when summoned in relation to compliance with this Code and other relevant rules and regulations;

g. Collaborates with other departments within the company to properly address compliance issues, which may be subject to investigation;

h. Identifies possible areas of compliance issues and works towards the resolution of the same;

i. Determines violation/s of this Manual and recommend action for violation thereof to be reviewed and approved by the Board;

j. Issues a certification every January 30th of the year on the extent of the Company's compliance with this Manual for the completed year, explaining the reason for any deviation from the same, if any;

k. Identifies, monitors and reports compliance risks;

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l. Ensures the attendance of board members and key officers to relevant trainings; and

m. Performs such other duties and responsibilities as may be provided by the Board and SEC.

13.2 The appointment of the Compliance Officer shall be immediately disclosed to the SEC on SEC Form 17-C. All correspondence related to his functions as such shall be addressed to said Officer.

Section 14.0 External Auditor

14.1 The Board, with the recommendation of the Audit and Risk Management Committee, shall appoint an external auditor duly accredited by the SEC who shall undertake an independent audit of the Company, and shall provide an objective assurance on the manner by which the financial statements shall be prepared and presented to the stockholders.

14.2 The external auditor of the Company should not at the same time provide the services of an internal auditor.

14.3 The Company's external auditor should be rotated or the handling partner should be changed every five (5) years or earlier. The Board may however extend the duration of the handling partner beyond the five (5) year period if it deems fit and necessary.

14.4 The reason(s) for the resignation, dismissal or cessation from service of an external auditor and the date thereof shall be reported in the Company's annual and current reports. Said report should include a discussion of any disagreement with said former external auditor on any matter of accounting principles or practices, financial statement disclosure or auditing scope or procedure.

14.5 If an external auditor believes that the statements made in the Company's annual report, information statement or proxy statement filed during his engagement is incorrect or incomplete, he shall present his views in said reports.

Section 15.0 Internal Auditor

15.1 The Company shall have in place an independent internal audit function which shall be performed by an Internal Auditor or an internal audit organization, through which its Board, senior management, and stockholders shall be provided with reasonable assurance that its key organizational and procedural controls are effective, appropriate, and complied with.

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15.2 The Internal Auditor should certify that the conduct of internal audit activities is in accordance with the International Standards for Professional Practice of Internal Auditing.

15.3 The Internal Auditor shall functionally report directly to the Audit and Risk Management Committee.

15.4 The Internal Auditor should submit to the Audit and Risk Management Committee and Management an annual report on the internal audit department's activities, responsibilities, and performance relative to the audit plans and strategies as approved by the Audit and Risk Management Committee.

II. SUPPLY OF INFORMATION

All directors should be provided with complete, adequate and timely information about the matters to be taken up in their meetings and which would enable them to discharge their duties.

a. Management is responsible for providing the Board with appropriate and timely information. If the information provided by Management is insufficient, the Board will make further inquiries where necessary to which the persons responsible will respond as fully and promptly as possible.

b. The directors, either individually or as a group, in the performance of their duties may seek independent professional advice within the guidelines set by the Board.

c. A full agenda and comprehensive Board papers are be circulated to all directors well in advance of each Board meeting.

d. Full Board minutes of each Board meeting are kept by the Corporate Secretary and are available for inspection by any director during office hours.

III. DISCLOSURE AND TRANSPARENCY

a. The Board shall commit to disclose material information dealings unless such disclosure will put the company at risk. It shall cause the filing of all required information for the interest of the stakeholders. All material information may include earnings results, acquisition or disposition of assets, board changes, related party transactions, shareholdings of directors, changes in ownership, remuneration (including stock options) of all directors and senior management, corporate strategy, and off-balance sheet transactions.

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b. All disclosed information may be released via the approved procedure for Company announcements as well as through the annual report. The Company shall cause the filing of all required information for the interest of the stakeholders.

IV. ACCOUNTABILITY AND AUDIT

a. The Board shall ensure that stockholders are provided with a balanced and comprehensible assessment of the Company's performance, position and prospects on a quarterly basis, including interim and other reports that could adversely affect its business, as well as reports to regulators that are required by law.

b. Management should formulate the rules, procedures on internal controls, and financial operations for presentation to the Audit & Risk Management Committee in accordance with the following guidelines:

I. The extent of its responsibility in the preparation of the financial statements of the Company, with the corresponding delineation of the responsibilities that pertain to the external auditor, should be clearly explained;

II. An effective system of internal control that will ensure the integrity of the financial reports and protection of the assets of the Company should be maintained;

III. On the basis of the approved audit plans, internal audit examinations should cover, at the minimum, the evaluation of the adequacy and effectiveness of controls that cover the Company's financial reporting, governance, operations and information systems, including the reliability and integrity of financial and operational information, effectiveness and efficiency of operations, protection of assets, and compliance with contracts, laws, rules and regulations; and

IV. The Company should consistently comply with the financial reporting requirements of the SEC.

V. INVESTORS' RIGHTS AND PROTECTION

The Board shall commit to respect the following rights of the stockholders:

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Section 1.0 Voting Right

1.1 Stockholders shall have the right to elect, remove and replace directors and vote on certain corporate acts in accordance with the Revised Corporation Code.

Section 2.0 Pre-emptive Right

Unless otherwise stated in the Articles of the Incorporation or the Revised Corporation Code of the Philippines, all stockholders shall enjoy the pre-emptive right to subscribe to all issues or disposition of shares in proportion to their respective shareholdings.

Section 3.0 Right of Inspection

Any stockholder who desires to exercise his right to inspect corporate books and records of the Company must make a written request addressed to the Corporate Secretary, and stating the specific reason(s) or purpose(s) for the inspection. The exercise of such right may be denied if: (i) the requesting stockholder improperly used information obtained from prior examination; or, (ii) is not acting in good faith; or, (iii) there is a reasonable ground to safeguard the interests of the Company, such as when the subject of inspection contains confidential or proprietary information or covered by a confidentiality or non-disclosure obligation which will be violated by the Company if inspection were allowed. In no case shall the stockholder be allowed to take corporate books and other records out of the principal office of the Company for the purpose of inspecting them. The Corporate Secretary may elevate the request for inspection for the information, approval, or other appropriate action by the Board.

This Manual shall be available for inspection by any stockholder of the Company at reasonable hours on business days.

Section 4.0 Right to Information

Stockholders shall be provided, upon request, with periodic reports filed by the Company with the SEC (e.g., proxy statement/information statement and annual report) which disclose personal or professional information about the Directors and Officers such as their educational and business background, holdings of the Company's shares, material transactions with the Company, relationship with other Directors and Officers and the aggregate compensation of Directors and Officers.

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Section 5.0 Right to Dividends

5.1 Stockholders shall have the right to receive declared dividends subject to the procedures prescribed by the Board.

5.2 The Company shall be compelled to declare dividends when its retained earnings exceed one hundred percent (100%) of its paid-in capital stock, except:

a. when justified by definite corporate expansion projects or programs approved by the Board; or

b. when the Company is prohibited under any loan agreement with any financial institution or creditor, whether local or foreign, from declaring dividends without its consent, and such consent has not been secured;

c. when it can be clearly shown that such retention is necessary under special circumstances obtaining in the Company, such as when there is a need for special reserve for probable contingencies.

Section 6.0 Appraisal Right

The stockholders shall have appraisal right under any of the following circumstances:

a. In case any amendment to the Articles of Incorporation has the effect of changing or restricting the rights of any stockholders or class of shares, or of authorizing preferences in any aspect superior to those of outstanding shares of any class, or of extending or reducing the term of corporate existence;

b. In case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the property and assets of the Company;

c. In case of merger or consolidation; and

d. Investment of funds in any other corporation or business or for a purpose other than the primary purpose for which the Company was organized.

Section 7.0 Right to Transparent and Fair Conduct of Stockholders' Meeting

The Board shall adopt appropriate measure to ensure that stockholders' meetings are conducted in a fair and transparent manner. The stockholders should be encouraged to personally attend such meetings, and if unable to do so, they should be advised ahead of time of their right to appoint a proxy on their behalf. Subject to the requirements of law, rules and regulations, the By-Laws of the Company and the

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rules approved by the Board, the validity of a proxy should be resolved in favor of the stockholder.

It shall be the duty of the directors to promote stockholder rights, remove impediments to the exercise of stockholders' rights and allow possibilities to seek redress for violation of their rights. The directors shall envisage the exercise of stockholders' voting rights and the solution of problems through appropriate mechanisms. They shall be instrumental in removing excessive costs and other administrative or practical impediments to stockholders participating in meetings and/or voting in person.

VI. COMPLIANCE AND MONITORING SYSTEM

Section 1.0 Communication and Training Process

1.1 All Company directors and executives are tasked to ensure the thorough dissemination of this Manual to all employees and related third parties, and to likewise enjoin compliance in the process.

1.2 An adequate number of printed copies of this Manual must be reproduced and distributed to each department of the Company.

1.3 Funds will be allocated by the Company for the purpose of conducting an orientation program or workshop to operationalize this Manual.

1.4 A director shall, before his assumption of duty, be required to attend a seminar on corporate governance which shall be conducted by a recognized and reputable training provider.

Section 2.0 Governance Rating System

The Board shall develop a rating system to measure the performance of the Board and Management in accordance with the criteria provided in this Manual and other rules and regulations on good corporate governance.

Section 3.0 Penalties for Non-Compliance with the Manual

3.1 The Compliance Officer shall be specifically tasked with the responsibility of ensuring compliance with this Manual.

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3.2 The Compliance Officer shall, after proper investigation, notice and hearing, determine and recommend to the Board, the imposition of appropriate disciplinary action on the responsible parties and the adoption of measures to prevent repetition of the violation.

3.3 Other than the Compliance Officer, the Nomination, Remuneration, and Corporate Governance Committee is tasked with ensuring compliance with and proper observance of corporate governance principles and practices.

VII. APPLICABILITY TO SUBSIDIARIES

Subsidiaries of the Company are encouraged to adopt their own Manual of Corporate Governance.

VIII. SEPARABILITY CLAUSE

The Board endeavors to comply at all times with the principles set out in this Manual. In case of conflict between the Code of Corporate Governance issued by the SEC and this Manual, the Code shall prevail. If the conflict is such that the affected provision of this Manual is rendered invalid, the rest of the provisions of this Manual shall remain valid.

IX. AMENDMENTS

The Board from time to time, amends, revises, and modifies portions of the entire Manual of Corporate Governance when it deems necessary, and/or when it needs to amend in compliance with the latest rules, regulations, and guidelines issued by the SEC, and applicable laws.

X. EFFECTIVITY

This Manual was approved by the Board of Directors on January 12, 2023, and shall take effect immediately.

Signed:

ENGR. EDELYN JANE A. SALVAME
Chairman of the Board

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Transfer Certificate Title (Certified True Copy) of real estate property (EXHIBIT 23)

Judicial Form No. 140
(Revised January 2000)

EXHIBIT 23

Book 631
Page 12004

No. 0002978511 REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF JUSTICE
Land Registration Authority
QUEZON CITY

REGISTRY OF DEEDS FOR THE PROVINCE OF BUKIDNON

Transfer Certificate of Title

No. T-16006

IT IS HEREBY CERTIFIED *that certain land situated in the* Municipality of Quezon Province of Bukidnon, *more particularly bounded and described as follows:*

Lot	: 160-A-1, Psd-10-064524
Portion of Lot	: 160-A, Psd-10-004065
Surveyed for	: drs. of Vicente G. Japson
Land use	: (Cornland)
Location	: Sta. Cruz (Now) Puntian, Quezon, Bukidnon, Island of Mindanao.-

*is registered in accordance with the provisions of section 103 of the Property Registration Decree in the name of**

KING ENERGY GENERATION INC.

subject to the provisions of the said Property Registration Decree and the Public Land Act, as well as to those of the Mining Laws, if the land is mineral, and subject, further, to such conditions contained in the original title as may be subsisting, and to Section 4 rule 74 of the rules of court.-

IT IS FURTHER CERTIFIED *that said land was originally registered on the* 7th *day of* May, *in the year nineteen hundred and* seventy, *in Registration Book No.* 34, *page* 5227, *of the Office of the Register of Deeds of* Bukidnon, *as Original Certificate of Title No.* P-5227, *pursuant to a* Free *patent, in the name of* , *granted by the President of the Philippines, on the* 15th *day of* November, , *in the year nineteen hundred and* sixty-seven *under Act No.* 141.

This certificate is a transfer from Transfer *Certificate of Title No.* T-16901, *which is cancelled by virtue hereof in so far as the above described land is concerned.*

REGISTRY OF DEEDS
MALAYBALAY CITY
CERTIFIED TRUE COPY

Entered at Malaybalay City, *Philippines, on the* 20th *day of* January, *in the year two thousand and* twelve, *at* 2:00 p.m.

EVELYN M. BRAVANTE
Acting Records Officer

MANUEL C. FELICIA, ESQ.
REGISTRAR OF DEEDS
PROVINCE OF BUKIDNON

MANUEL C. FELICIA, Esq.
(Register of Deeds)
Province of Bukidnon

Divine Saviour Building, Juan Luna St., Davao City, Philippines.-

*State the civil status, name of spouse if married, age if a minor, citizenship and residence of the registered owner. If the owner is a married woman, state also the citizenship of her husband. If the land is registered in the name of the conjugal partnership, state the citizenship of both spouses.

Pursuant to LRA Circular No. 03 - 2013 dated 05 February 2013, this title is being issued for issuance of Transfer Certificate of Titles originating from Patents.

EXHIBIT 23

Book 670
Page 133877

2013007377825

REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF JUSTICE
Land Registration Authority
QUEZON CITY

REGISTRY OF DEEDS FOR THE PROVINCE OF BUKIDNON

Transfer Certificate of Title

No. T-133877

IT IS HEREBY CERTIFIED *that certain land situated in the* Municipality of Maramag Prov. of Bukidnon, *more particularly bounded and described as follows:*

Lot	: 788-B-1, Psd-10-067604
Portion of Lot	: 788-B, Psd-10-045448
Surveyed for	: Ma. Ednaflor C. Alincastre
Land Use	: Sugarcane

*is registered in accordance with the provisions of section 103 of the Property Registration Decree in the name of**

KING ENERGY GENERATION, INC.

subject to the provisions of the said Property Registration Decree and the Public Land Act, as well as to those of the Mining Laws, if the land is mineral, and subject, further, to such conditions contained in the original title as may be subsisting, and to

IT IS FURTHER CERTIFIED *that said land was originally registered on the* 26th *day of* November, *in the year nineteen hundred and* fifty-eight, *in Registration Book No.* 7, *page* 784, *of the Office of the Register of Deeds of* Bukidnon, *as Original Certificate of Title No.* P-784, *pursuant to a* Free *patent, in the name of* ....., *granted by the President of the Philippines, on the* 20th *day of* April, *in the year nineteen hundred and* fifty-six *under Act No.* 141.

This certificate is a transfer from Transfer *Certificate of Title No.* T-86243 *which is cancelled by virtue hereof in so far as the above described land is concerned.*

Entered at Malaybalay City
Philippines, on the .....*day of* .....
in the year nineteen hundred and .....
at ..... *m.*

MANUEL C. FELICIA, Esq.
(Register of Deeds)
Province of Bukidnon

MARIETTA L. SEVILLA
OFFICER-IN-CHARGE
DEPUTY REGISTER OF DEEDS
(PER ADMIN. ORDER NO. 2012-55

Davao City
(Owner's Postal Address)

*State the civil status, name of spouse if married, age if a minor, citizenship and residence of the registered owner. If the owner is a married woman, state also the citizenship of her husband. If the land is registered in the name of the conjugal partnership, state the citizenship of both spouses.

MEMORANDUM OF ENCUMBRANCES

(When necessary use this page for the continuation of the technical description)

Entry No. x-x-x-x-x-x-x-x-x-x

Location : Dologon, Maramag, Bukidnon

Boundaries :

NE., along lines 5-6-7-8-1 by Lot 788-B-4, Existing Road
SE., along line 1-2 by Road
SW., along line 2-3 by Lot 784, Pls-377, Panadtalan Public Land Subdivision
NW., along line 3-4 by Lot 788-B-2, Psd-10-067604
along line 4-5 by Lot 788-A, Psd-10-045448

Beginning from a point marked "1" on the plan being N., 52 deg. 26'E., 9996.63 m. from BLLM No.3, Pls-377, Panadtalan Public Land Subd.

thence :

1-2	S.,	24 deg. 16'W.,	57.88 m.
2-3	N.,	64 deg. 41'W.,	113.67 m.
3-4	N.,	22 deg. 13'E.,	28.98 m.
4-5	N.,	22 deg. 15'E.,	111.64 m.
5-6	S.,	26 deg. 58'E.,	49.98 m.
6-7	S.,	27 deg. 47'E.,	50.01 m.
7-8	S.,	35 deg. 23'E.,	30.22 m.
8-1	S.,	38 deg. 03'E.,	15.96 m.

Area : ELEVEN THOUSAND TWENTY SEVEN (11,027) sq. m. more or less

Bearings : True

Description of corners : 2 by old pt. & the rest are "P.S." cyl. conc. mons. 15 x 40 cms.

Original survey : Aug. 13, 1955

Date of survey : May 01, 2013

Geodetic Engineer : Alex P. Ramigoso

x-x-x-x-x-x-x-x-x-

Judicial Form No. 140-D
(Revised Feb 2013)

EXHIBIT 23

2012005657346

REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF JUSTICE
Land Registration Authority
QUEZON CITY
Registry of Deeds for Province of Camiguin

Transfer Certificate of Title

OWNER'S DUPLICATE • OWNER'S DUPLICATE • OWNER'S DUPLICATE • OWNER'S DUPLICATE • OWNER'S DUPLICATE

No. 134-2014000036

IT IS HEREBY CERTIFIED that certain land situated in BALBAGON, MAMBAJAO, CAMIGUIN, more particularly bounded and described as follows:

LOT NO: 9587-B-2-B-2 **PLAN NO:** PSD-10-066749
PORTION OF: LOT 9587-B-2, PSD-10-050403 ;
LOCATION: BALBAGON, MAMBAJAO, CAMIGUIN (Continued on next page)

is registered in accordance with the provision of Section 103 of the Property Registration Decree in the name of

Owner: **KING ENERGY GENERATION, INC**
Address: DIVINE SAVIOUR BLDG., JUAN LUNA STREET, DAVAO CITY

subject to the provisions of the said Property Registration Decree and the Public Land Act, as well as to those of the Mining Laws, if the land is mineral, and subject, further, to such conditions contained in the original title as may be subsisting.

IT IS FURTHER CERTIFIED that said land was originally registered as follows:

Patent Type:
Patent Date:
Under Act No.: FREE
Volume No.:
Original Owner: NIMFA E. REYES

Original RD: PROVINCE OF CAMIGUIN
OCT Date: 04 28 1992
OCT No.: OCT-P-8262
Page No.: 62

This certificate is a transfer from TRANSFER CERTIFICATE OF TITLE T-2567 (PARTIALLY CANCELLED) by virtue hereof in so far as the above-described land is concerned.

Entered at Province of Camiguin, Philippines on the 2nd day of JULY 2014 at 11:12am.

ALMA CONCEPCION M. PARREÑO
Ex-Officio Registrar of Deeds

2012005657347

TCT No.: 134-2014000036

TECHNICAL DESCRIPTION *(Continued from page 1)*

BOUNDARIES:

LINE	DIRECTION	ADJOINING LOT(S)
1-2	NW	BARANGAY ROAD, PSD10-066749
2-3	NE	LOT 9587-A, PSD-10-026132
3-6	SE	LOT 2712, CAD-473, MAMBAJAO, CAD., PSD-10-066749
6-8	SE	LOT 2713, CAD-473, MAMBAJAO, CAD., PSD-10-066749
8-9	SE	LOT 2698, CAD-473, MAMBAJAO, CAD., PSD-10-066749
9-10	SE	LOT 2699, CAD-473, MAMBAJAO, CAD., PSD-10-066749
10-13	SW	LOT 2708, CAD-473, MAMBAJAO, CAD., PSD-10-066749
13-14	SW	LOT 2707, CAD-473, MAMBAJAO, CAD., PSD-10-066749
14-16	SW	LOT 2709, CAD-473, MAMBAJAO, CAD., PSD-10-066749
16-1	SW	LOT 9587-B-2-B-1, PSD-10-066749

TIE POINT: BLLM NO. 1, CAD 473, MUNICIPALITY OF MAMBAJAO, PROVINCE OF MISAMIS ORIENTAL (CAMIGUIN)

LINE	BEARING	DISTANCE
TO CORNER 1	S. 47 ° 37` E	3268.41 M.
1-2	N. 38 ° 42` E	34.86 M.
2-3	S. 61 ° 02` E	201.36 M.
3-4	S. 45 ° 13` W	49.62 M.
4-5	N. 88 ° 56` W	11.79 M.
5-6	S. 42 ° 49` W	19.49 M.
6-7	S. 22 ° 29` W	26.85 M.
7-8	S. 03 ° 16` W	17.77 M.
8-9	S. 46 ° 07` W	44.96 M.
9-10	S. 77 ° 55` W	15.96 M.
10-11	N. 38 ° 16` W	50.07 M.
11-12	S. 82 ° 07` W	12.17 M.
12-13	S. 36 ° 42` W	16.03 M.
13-14	N. 46 ° 53` W	37.31 M.

Judicial Form No. 140-D
(Revised Feb 2013)

TCT No.: 134-2014000036

Page No.: 3

14-15	N.	35	°	53`	E	35.25 M.
15-16	N.	43	°	11`	W	10.75 M.
16-17	N.	40	°	35`	E	64.11 M.
17-1	N.	41	°	14`	W	81.19 M.

AREA: TWENTY TWO THOUSAND NINETY SEVEN SQUARE METERS (22097), MORE OR LESS

DESCRIPTION OF CORNERS: 1 TO 15 ARE OLD PS. & THE REST ARE "P.S." CYL.
CONC. MONS. 15 X 50 CMS.

BEARINGS: GRID
DECLINATION:
DATE OF ORIGINAL SURVEY: SEPTEMBER 21, 1980
DATE OF SUBD/CONS SURVEY: FEBRUARY 3, 2012
DATE OF APPROVED SURVEY: FEBRUARY 20, 2013
GEODETIC ENGINEER: BENJAMIN C. AMATONG
NOTES:

2012005457348

Judicial Form No. 140-D
(Revised Feb 2013)

2014008280627

TCT No.: 134-2014000036

Page No.: 4

MEMORANDUM OF ENCUMBRANCES

Entry No.: 2014000246 Date: October 16, 2014 09:21:16AM

DAR ORDER : ISSUED BY ENGR. FELIX B. AGUHOB, REGIONAL DIRECTOR OF DARAB REGION 10 IN CASE/ DARRO CONVERSION ORDER NO. 001-A, SERIES OF 2014, ENTITLED " COVERSION ORDER" DATED OCTOBER 15, 2014, FINDING THE INSTANT APPLICATION TO HAVE SUBSTANTIALLY COMPLIED WITH THE REQUIREMENTS OF DAR ADMINISTRATIVE ORDER NO. 1, SERIES OF 2002, A PROVISIONAL CONVERSION ORDER IS HEREBY ISSUED TO NIMFA E. REYES / KING'S ENERGY GENERATION, INC., FOR ITS LANDHOLDING WITH AN AGGREGATE AREA OF TWO POINT TWO ZERO NINE SEVEN (2.2097) HECTARES, EMBODIED UNDER TRANFER CERTIFICATE OF TITLE NO. T- 2567, SUBJECT TO THE FOLLOWING CONDITIONS; A. THE SUBMISSION BY THE APPLICANT OF OTHER DOCUMENTS REQUIRED UNDER AO NO. 1, S. 2002, TO WIT 1. CERTIFICATION FROM THE DEPARTMENT OF AGRICULTURE (DA), B. XXX, C. XXX, SO ORDERED., 21ST OF APRIL, 2014.

ALMA CONCEPCION M. PARREÑO
Ex-Officio Registrar of Deeds

EXHIBIT 23

Judicial Form No. 140–D
(Revised January 2000)

Book T-86
Page 187

SN No. 0002938708 REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF JUSTICE
Land Registration Authority
QUEZON CITY

REGISTRY OF DEEDS FOR THE GINGOOG CITY

Transfer Certificate of Title

No. T-17187

IT IS HEREBY CERTIFIED *that certain land situated in the* barrio of San Luis, City of Gingoog, *more particularly bounded and described as follows:*

Lot No. 3578, Case-8, Cad-295

A PARCEL OF LAND Lot No. 3578, Case-8, Cad-295 situated in the barrio of San Luis, City of Gingoog, Prov. of Mis. Oriental, Island of Mindanao. Bounded on the NW., along line 2-3-4-5-6 by Lot 3582 & on the NE., along line 6-7-8 by Lot 3582; on the SE., along line 8-9-10-1 by Lot 3577; on the SW., along line 1-2 by National Highway; all of Cad-295, Gingoog Cadastre.

Beginning at a point marked "1" on the plan being N. 52 deg.,18'W.,7378.30 m.

*is registered in accordance with the provisions of section 103 of the Property Registration Decree in the name of** KING ENERGY GENERATION INC., Ground Floor Divine Savior Building 102 Juan Luna St., Davao City, Philippines;

subject to the provisions of the said Property Registration Decree and the Public Land Act, as well as to those of the Mining Laws, if the land is mineral, and subject, further, to such conditions contained in the original title as may be subsisting, and to x x x

IT IS FURTHER CERTIFIED *that said land was originally registered on the* 24th *day of* March, *in the year nineteen hundred and* ninety-eight, *in Registration Book No.* P-38, *page* 179, *of the Office of the Register of Deeds of* Gingoog City, *as Original Certificate of Title No.* P-7201, *pursuant to a* free *patent in the name of* Mercedes Reyes Abiera, *granted by the President of the Philippines, on the* 10th, *day of* December, *in the year nineteen hundred and* ninety-seven, *under Act No.* 496

This certificate is a transfer from Original *Certificate of Title No.* P-7201, *which is cancelled by virtue hereof in so far as the above described land is concerned.*

Entered at the City of Gingoog, *Philippines, on the* 27th *day of* April, *in the year two thousand and* eleven, *at* 3:25 p. m.

GLENDA DALE O. RODRIGUEZ
Acting *(Register of Deeds)*

Ground Floor Divine Savior Building
102 Juan Luna St.
Davao City
(Owner's Postal Address)

*State the civil status, name of spouse if married, age if a minor, citizenship and residence of the registered owner. If the owner is a married woman, state also the citizenship of her husband. If the land is registered in the name of the conjugal partnership, state the citizenship of both spouses.

OWNER'S DUPLICATE CERTIFICATE

MEMORANDUM OF ENCUMBRANCES

(When necessary use this page for the continuation of the technical description)

Continuation of Technical Description of Lot No. 3578,Case-8,Cad-295
Entry No. .....
from BLLM No. 1, Cad-295,

THENCE:

N., 30 deg., 09'W., 154.81 m. to point 2;
N., 70 deg., 15'E., 38.29 m. to point 3;
N., 66 deg., 57'E., 8.30 m. to point 4;
N., 53 deg., 11'E., 36.74 m. to point 5;
N., 59 deg., 28'E., 17.22 m. to point 6;
S., 28 deg., 41'E., 61.43 m. to point 7;
S., 48 deg., 51'E., 76.35 m. to point 8;
S., 64 deg., 13'W., 49.79 m. to point 9;
S., 78 deg., 16'W., 14.66 m. to point 10;
S., 37 deg., 10'W., 64.06 m. to point of

beginning; containing an area of FOURTEEN THOUSAND EIGHTY FOUR (14,084) square meters; more or less. All points referred to are indicated on the plan and marked on the ground. Bearings true date of survey - May 12, 1954 to Jan. 15, 1961 executed by Geodetic Engineer - B.A. BALAJADIA and was approved on - Feb. 11, 1963. This lot is covered by FPA No. 104308-313.

GLENDA DALE D. RODRIGUEZ
Acting Register of Deeds

(Memorandum of Encumbrances continued on Page ..... —B)
(Technical Description continued on Additional Sheet ....., Page ..... —)

.....
Register of Deeds

T-17187
T-86

(Continuation of the Memorandum of Encumbrances from Page ——— -A)

(Continued on Page ..... —C .....)

Register of Deeds

(Continuation of the Memorandum of Encumbrances from Page .....–B)

(Continued on Additional Sheet ....., Page ....)

Register of Deeds

CLOA Form No. 2-A
(Revised Feb 2013)

EXHIBIT 23

2013007679755

REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF JUSTICE
Land Registration Authority
QUEZON CITY

Registry of Deeds for Province of Misamis Occidental

Transfer Certificate of Title

OWNER'S DUPLICATE · OWNER'S DUPLICATE · OWNER'S DUPLICATE · OWNER'S DUPLICATE · OWNER'S DUPLICATE

No. 135-2014000108

IT IS HEREBY CERTIFIED *that certain land situated in* BARANGAY MAP-AN, MUNICIPALITY OF PANA-ON, PROVINCE OF MISAMIS OCCIDENTAL, ISLAND OF MINDANAO, PHILIPPINES., *bounded and described as follows:* A PARCEL OF LAND LOT 1211, PLS-646 BEGINNING AT A POINT MARKED "1" OF LOT 1211, PLS-646, BEING N. 08-48 W., 4256.76 M. FROM BLLM NO. 1, PLS-646; THENCE: S. 09-32 E., 197.28 M. TO POINT 2; S. 80-37 W., 79.56 M. TO POINT 3; N. 10-42 W., 197.92 M. TO POINT 4; N. 81-01 E., 83. *(Continued on next page)*

is registered in accordance with the provision of the Property Registration Decree in the name of

Owner: **KING ENERGY GENERATION, INC.,**
REPRESENTED BY ITS PRESIDENT AND CHIEF EXECUTIVE
Address: DIVINE SAVIOR BUILDING, JUAN LUNA STREET, DAVAO CITY.

This certificate is a transfer from TRANSFER CERTIFICATE OF TITLE CLOATCT-2355 (TOTALLY CANCELLED) *by virtue hereof in so far as the above-described land is concerned.*

Entered at Province of Misamis Occidental, *Philippines on the* 17th *day of* SEPTEMBER 2014 *at* 11:59am.

ATTY. EDUARDO DAPANAS DARAL, MBA
Registrar of Deeds III

BUWIS NA KENTAS - INTERNAS
DST2013
12085486
15 PISO DOCUMENTARY 15 PISO

2013007679755

Judicial Form No. 140-A-D
CLOA Form No. 2-A
(Revised Feb 2013)

2013007679756

TCT No.: 135-2014000108

Page No.: 2

OWNER INFORMATION *(Continued from page 1)*

Owner: **OFFICER, EDGARDO L. SALVAME, OF LEGAL AGE, MARRIED.**

TECHNICAL DESCRIPTION *(Continued from page 1)*

.61 M. TO POINT 1, POINT OF BEGINNING. CONTAINING AN AREA OF SIXTEEN THOUSAND ONE HUNDRED NINETEEN (16,119) SQUARE METERS. ALL POINTS ARE MARKED ON THE GROUND BY P.L.S. CYL. CONC. MONS. BOUNDED ON THE E., ALONG LINE 1-2 BY LOT 1212, PLS-646; ON THE S., ALONG LINE 2-3 BY CREEK; ON THE W., ALONG LINE 3-4 BY LOT 1250, PLS-646; AND ON THE N., ALONG LINE 4-1 BY BO. ROAD. BEARINGS TRUE; THIS LOT WAS SURVEYED BY D.B. BORJE, PUBLIC LAND SURVEYOR ON JULY 20, 1959. NOTE: THIS LOT IS COVERED BY FPA. NO. 17-1-10905-C.

[illegible] Memorandum of Encumbrance [illegible] on page number 3
[illegible] file form with [illegible] number 20140096007624
[illegible] 2016000096

Judicial Form No. 140-A-D
LRDA Form No. 2-A
(Revised Feb 2013)

TCT No.:135-2014000108

Page No.: 3

2014009607624

MEMORANDUM OF ENCUMBRANCES

Entry No.: 2016000086 **Date:** March 10, 2016 10:20:07AM

- : CERTIFICATE OF FINALITY OF CONVERSION ORDER:

EXECUTED BY FAISAR A. MAMBUAY, REGIONAL DIRECTOR, DEPARTMENT OF AGRARIAN REFORM, REGION 10, MACANHAN, CARMEN, CAGAYAN DE ORO CITY, CERTIFYING THAT THERE IS NO MOTION FOR RECONSIDERATION OR APPEAL FILED WITHIN THE REGLEMENTARY PERIOD, ON THE THE DARRO CONVERSION ORDER NO. 002, SERIES OF 2015, DATED AUGUST 17, 2015, FOR WHICH REASON HE ISSUES A CERTIFICATE OF FINALITY OF SAID DARRO CONVERSION ORDER; DATED FEBRUARY 17, 2016.

ATTY. EDUARDO DAPANAS DARAL, MBA
Registrar of Deeds III

Entry No.: 2016000086 **Date:** March 10, 2016 10:20:07AM

DAR ORDER : APPROVING APPLICATION FOR LAND USE CONVERSION:

EXECUTED BY FAISAR A. MAMBUAY, REGIONAL DIRECTOR, DEPARTMENT OF AGRARIAN REFORM, REGION 10, MACANHAN, CARMEN, CAGAYAN DE ORO CITY, ISSUING DARRO CONVERSION ORDER NO. 002, SERIES OF 2015, IN FAVOR OF "KING'S ENERGY GENERATION, INC.", APPROVING CONVERSION OF THE USE OF ITS LANDHOLDING, COVERED BY TRANSFER CERTIFICATE OF TITLE NO. 135-2014000108, IDENTIFIED AS LOT NO. 1211, PLS-646, WITH AN AREA OF 16,119 SQUARE METERS, SITUATED AT MAP-AN, PANAON, MISAMIS OCCIDENTAL; DATED AUGUST 17, 2015.

ATTY. EDUARDO DAPANAS DARAL, MBA
Registrar of Deeds III

PORMULARYONG PANGHUKUMAN BLG. 54 - D
(Binago Hunyo, 1994)

EXHIBIT 23

Aklat .....
Pahina .....

SN. Blg. 1887957
SN. Blg. 1887957

ANNEX A

REPUBLIKA NG PILIPINAS
KAGAWARAN NG KATARUNGAN
PANGASIWAAN SA PATALAAN NG LUPAIN
PATALAAN NG MGA KASULATAN AT ARI-ARIAN SA
LUNGSOD/LALAWIGAN NG Misamis Occidental

BDO UNIBANK, INC.
Mortgagee
By:

Katibayan ng Orihinal na Titulo

Blg. 2016000126

EDELYN JANE ANG SALVAME
Mortgagor

Pinagkasunduan ayon sa Seksyon 103 ng Atas sa Patalaan ng Ari-arian (Atas ng Pangulo Blg. 1529), alinsunod sa patente na pinalabas ng Pangulo ng Pilipinas, sa _____ noong ika- _____ ng _____ taong dalawang libo at _____, at nakatala sa mga kasulatan ng _____ gaya ng mga sumusunod:

KAGAWARAN NG KAPALIGIRAN AT LIKAS NA KAYAMANAN
REHIYON BLG. 10
KALOOB NA PATENTE BLG. FP-104207-16-19930

SA LAHAT NG MAKATUTUNGHAY NG KASULATANG ITO, BATI:

EDELYN JANE A. SALVAME, *Filipino, may sapat na gulang, kasal kay* single *at nakatira sa* Grace Park, Caloocan City *na nagtataglay ng lahat ng kwalipikasyon at ganap nang nakatupad sa lahat ng mga kondisyon at kinakailangan ng Batas Republika Blg. 782 at 3872, Kabanata VII ng Batas Komonwelt Blg. 141, ayon sa pagkakasusog ay ipinagkakaloob sa pamamagitan ng Di-Patenteng ito ang lupaing nasa* San Isidro, Jimenez, Mis. Occ. *na may kabuuang sukat na* 3,907 *metro kuwadrado, na ngayon ay tiyakang may hangganan at inilalarawan sa likod nito, gayon pa man na sasailalim sa mga tadhana ng Seksyon 118 na nagtatakda bukod sa iba pa, na maliban kung sa kapakanan ng pamahalaan o alinmang mga sangay, mga yunit, o mga institusyon nito, na ang lupaing natamo ay hindi maaaring mapasaiba at hindi sasailalim sa pataw na sagutin sa loob ng limang (5) taon mula sa petsa ng patente, at sa mga Seksyon 119, 121, 122 at 124 ng Batas Komonwelt Blg. 141, ayon sa pagkakasusog at ang karapatan ng pamahalaan na pangasiwaan at pangalagaan ang mga kahoy na matagpuan doon sa loob ng limang (5) taon mula sa petsa ng pagpapalabas ng patente, sa pasubali, gayon pa man, na ang pinagkalooban o kanyang mga tagapagmana ay maaaring pumutol at gumamit ng nabanggit na kahoy na maaaring kailanganin sa kanilang pansariling pangangailangan.*

BILANG KATUNAYAN NITO, *at sa bisa ng kapangyarihang kaloob sa akin ng batas, AKO, SI* RODRIGO R. DUTERTE, *Pangulo ng Pilipinas, sa pamamagitan nito'y ginawang patente ang mga kasulatang ito at ikinintal ang tatak ng Republika ng Pilipinas.*

Nilagdaan sa Oroquieta City *ngayong ika-* 10th day *ng* August *sa taon ng Ating Panginoon, dalawang libo at* 2016.

SIPI NG MAY-ARI

EPEB NO. 2016000373
KOT NO. 2016000126

SA BISA NG KAPANGYARIHAN NG PANGULO NG PILIPINAS

BELEN O. DABA, Ph.D
PENR OFFICER

Nakatala sa "Talaan ng Kasulatan" ng Lalawigan/Lungsod ng Misamis Occidental, *alinsunod sa tadhana ng Seksyon 103 ng Atas ng Pangulo Blg. 1529, ngayong ika-* 16th *ng* December 2016, *dalawang libo at* 12:29 p.m., *sa* .....

POWIS
RENTAS INTERNAS
DS 2016
01091269
15 PISO DOKUMENTARYO 15 PISO

Grace Park, Caloocan City
(Tirahan ng May-ari)

ATTY. EDUARDO D. DARAL
Tagatala ng mga Kasulatan at Ari-arian

III

Judicial Form No. 109-D
(Revised Feb 2013)

EXHIBIT 23

2013006013879

REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF JUSTICE
Land Registration Authority
QUEZON CITY
Registry of Deeds for Tandag, Surigao del Sur

Transfer Certificate of Title

OWNER'S DUPLICATE • OWNER'S DUPLICATE • OWNER'S DUPLICATE • OWNER'S DUPLICATE • OWNER'S DUPLICATE

No. 161-2013000701

IT IS HEREBY CERTIFIED *that certain land situated in* BARRIO OF TELAJE, MUNICIPALITY OF TANDAG, PROVINCE OF SURIGAO DEL SUR, *bounded and described as follows:*
A PARCEL OF LAND (LOT NO. 2805, OF THE CADASTRAL SURVEY OF TANDAG, CAD. CASE NO. N-4, LRC CAD. REC. NO. N-580), WITH THE IMPROVEMENTS THEREON, SITUATED IN THE BARRIO OF TELAJE, MUNICIPALITY OF TANDAG, PROVINCE OF SURIGAO DEL SUR. BOUNDED ON THE NE., POINTS 1-3, BY LOT NO. *(Continued on next page)*
is registered in accordance with the provision of the Property Registration Decree in the name of

Owner: **KING ENERGY GENERATION INC., A CORPORATION DULY ORGANIZED AND EXISTING UNDER THE LAWS OF THE REPUBLIC**
Address: **GROUND FLOOR DIVINE SAVIOR BUILDING 102 JUAN LUNA ST., DAVAO C**
(Continued on next page)

as owner thereof in fee simple, subject to such of the encumbrances mentioned in Section 44 of said Decree as may be subsisting.

IT IS FURTHER CERTIFIED *that said land was originally registered as follows:*

Case No.: N-4
Orig. Reg. Date: 07 30 1979
Original RD : TANDAG, SURIGAO DEL SUR
Volume No.: I
Original Owner: GERARDO L. LANTORIA
Record No.: N-580
Decree No.: N-172564
OCT No.: OCT-D-155
Page No.: 155

This certificate is a transfer from ORIGINAL CERTIFICATE OF TITLE D-155 (TOTALLY CANCELLED) *by virtue hereof in so far as the above-described land is concerned.*

Entered at Tandag, Surigao del Sur, *Philippines on the* 5th *day of* AUGUST 2013 *at* 09:08am.

PERCIVAL CABREROS CAÑETE
OIC, Register of Deeds

2013006013880

TCT No.: 161-2013000701

Page No.: 2

OWNER INFORMATION *(Continued from page 1)*

Owner: OF THE PHILIPPINES

TECHNICAL DESCRIPTION *(Continued from page 1)*

2808; AND POINTS 3-4, BY LOT NO. 2806; ON THE E., POINTS 4-5, BY LOT NO. 2806; AND POINTS 5-6, BY LOT NO. 2804; ON THE SW., POINTS 6-8, BY LOT NO. 2743; AND ON THE NW., POINTS 8-1, BY LOT NO. 2811. BEGINNING AT A POINT MARKED "1" ON PLAN, BEING S. 27 DEG. 15'W., 2419.76 M. FROM BLLM NO. 1, THENCE S. 72 DEG. 31'E., 65.13 M. TO POINT 2; S. 68 DEG. 40'E., 37.28 M. TO POINT 3; S. 38 DEG. 34'E., 62.98 M. TO POINT 4; S. 13 DEG. 33'W., 8.54 M. TO POINT 5; S. 0 DEG. 49'W., 40.43 M. TO POINT 6; N. 42 DEG. 09'W., 47.97 M. TO POINT 7; N. 55 DEG. 02'W., 138.26 M. TO POINT 8; N. 36 DEG. 18'E., 20.19 M. TO THE POINT OF BEGINNING; CONTAINING AN AREA OF SIX THOUSAND THREE HUNDRED AND THIRTY ONE (6,331) SQUARE METERS, MORE OR LESS. ALL POINTS REFERRED TO ARE INDICATED ON THE PLAN AND ARE MARKED ON THE GROUND, BEARINGS TRUE; DATE OF THE CADASTRAL SURVEY, DECEMBER 16, 1965-JUNE 16, 1967.

2013006013880

Judicial Form No. 109-D
(Revised Feb 2013)

2013006013881

TCT No.: 161-2013000701

Page No.: 3

MEMORANDUM OF ENCUMBRANCES

Entry No.: 2013000882 Date:August 05,2013 09:08:26AM

LIABILITIES UNDER SECTION 4 RULE 74 : TO CREDITORS, HEIRS, AND OTHER PERSONS UNLAWFULLY DEPRIVED OF PARTICIPATION IN THE ESTATE OF THE DECEASED GERARDO L. LANTORIA, SR. AND RAMONA B. LANTORIA AS EXTRAJUDICIALLY SETTLED FOR A PERIOD OF TWO (2) YEARS PURSUANT TO SECTION 4 RULE 74 OF THE RULES OF COURT. DATE OF INSTRUMENT: JUNE 8, 2012.

PERCIVAL CABREROS CAÑETE
OIC, Register of Deeds

2013006013881

Environmental Compliance Certificate (ECC) – DENR (if applicable) (EXHIBIT 24)

EXHIBIT 24

Department of Environment and Natural Resources
Environmental Management Bureau, Region X

CERTIFICATE NUMBER: QM 5465

July 11, 2022

RELEASED
DATE: 07/21/22
TIME: 11:10Am
BY:

ENGR. GILBERT J. RODRIGUEZ
General Manager
King Energy Generation, Inc.
Barangay San Luis, Gingoog City
Misamis Oriental

ATTN : EMMANUEL A. TABOADA, JR.
Safety, Health and Environment Officer

SUBJECT : SECOND AMENDMENT OF ECC NO. ECC-R10-1603-0016

Dear Engr. Rodriguez:

This refers to your letter dated May 11, 2022 which was received by this office on May 12, 2022 requesting to amend the Project Description of the Environmental Compliance Certificate (ECC) bearing the Code ECC-R10-1402-0029 dated February 3, 2014 for the 7.8 MW Power Plant (Bukidnon Power Plant 2) Project located in Barangay Dologon, Maramag, Bukidnon. The proposed amendment covers the correction on the discrepancy of your total power generating capacity from 7.8 MW by reflecting the name plate generating capacity which is 7.841 MW. The said request is supported with photos and technical specifications of the engine and generator set.

After evaluation of the submitted documents, the same were found to be in order. As such, your request to amend the Project Description of the above-mentioned ECC is hereby ~~**GRANTED**~~ and the ~~***Project Description***~~ of the said ECC shall now read:

PROJECT DESCRIPTION

The project covers the **7.841 MW POWER PLANT (BUKIDNON POWER PLANT 2) PROJECT** covering a total area of **11,023 square meters** covered under TCT No. T-86243 located at Barangay Dologon, Maramag, Bukidnon.

Please be reminded that the amendment of your Project Description carries the same conditions set in the issued ECC. Non-compliance with any of the stipulated conditions shall be dealth with in accordance to the Implementing Rules and Regulations of PD 1586.

Moreover, at the instance of this Office, the following ECC Conditions are imposed by way of addendum to existing ECC conditions:

1. In support of the National Greening Program, mitigation of Greenhouse Gas (GHG) emissions and production of engineered lumber made of bamboo to answer the national demand of lumber materials, the proponent shall plant at least 25 hills of giant bamboo and 25 other tree species in available spaces of the project site or in coordination with the concerned DENR Office for available planting area with a spacing of 10mx10m for bamboo and 4mx4m for trees species. The tree planting plan shall be submitted to EMB-Region 10 within three (3) months from the

issuance of this ECC amendment after which a quarterly compliance progress report shall be included in the quarterly SMR thereafter; and

2. Any misrepresentation or material falsehood on the submitted IEE Checklist shall be sufficient cause for the cancellation or suspension of this ECC;

This letter shall be attached to and form an integral part of the subject ECC.

We hope this satisfies your request.

Very truly yours,

REYNALDO S. DIGAMO
Regional Director

Processing Fee OR No.: 1143128
***Amount**: PhP1,030*
Date:7/21/22

AGE/RLD/RSD

July 11, 2022

ENGR. GILBERT J. RODRIGUEZ
General Manager
King Energy Generation, Inc.
Barangay San Luis, Gingoog City
Misamis Oriental

ENVIRONMENTAL MANAGEMENT BUREAU • REGION X • CAGAYAN DE ORO CITY •
RELEASED
DATE: 07/11/22
TIME: 11:37
BY:

ATTN : EMMANUEL A. TABOADA, JR.
Safety, Health and Environment Officer

SUBJECT : SECOND AMENDMENT OF ECC NO. ECC-R10-1603-0016

Dear Engr. Rodriguez:

This refers to your letter dated May 11, 2022 which was received by this office on May 12, 2022 requesting to amend the Project Description of the Environmental Compliance Certificate (ECC) bearing the Code ECC-R10-1603-0016 dated March 17, 2016 for the 26.633 MW Power Plant (Misamis Occidental Power Plant 3) Project located in San Isidro, Jimenez, Misamis Occidental. The proposed amendment covers the correction on the discrepancy of the total power generating capacity from 26.633 MW to 26.639 MW. The said request is supported with photos and technical specifications of the engine and generator set.

Based on records of this office, the said ECC was first amended on March 24, 2017 specifically on the capacity of the engine units from two (2) units 7.8 MW generating set to one (1) unit 7.8 MW and one (1) unit 8.4333 MW, while maintaining the two (2) units 5.2 MW 12V32 Wartsila Engine Generating Set having a total generating capacity of 26.633 MW.

After evaluation of the submitted documents, the same were found to be in order. As such, your request to amend the Project Description of the above-mentioned ECC is hereby **GRANTED** and the ***Project Description*** of the said ECC shall now read:

PROJECT DESCRIPTION

The project covers the **26.639 MW POWER PLANT (MISAMIS OCCIDENTAL POWER PLANT 3) PROJECT** covering a total area of **43,849 square meters** covered under TCT No. 135-2020000-436, TCT No. CLOA-TCT-6894, and Katibayan ng Orihinal na Titulo Blg. 2016000126 located at Barangay San Isidro, Jimenez, Misamis Occidental having the following components:

Description	***Capacity***
One (1) unit 18V32 Wartsila Engine Generating Set	7.841 MW
One (1) unit 18V32 Wartsila Engine Generating Set	8.398 MW
Two (2) units 12V32 Wartsila Engine Generating Set	5.2 MW each
Total	**26.639 MW**

Please be reminded that the amendment of your Project Description carries the same conditions set in the issued ECC. Non-compliance with any of the stipulated conditions shall be dealth with in accordance to the Implementing Rules and Regulations of PD 1586.

Moreover, at the instance of this Office, the following ECC Conditions are imposed by way of amendment and addendum to existing ECC conditions:

Amendment of Condition No. 3, "In support of the National Greening Program, mitigation of Greenhouse Gas (GHG) emissions and production of engineered lumber made of bamboo to answer the national demand of lumber materials, the proponent shall plant at least 90 hills of giant bamboo and 90 other tree species in available spaces of the project site or in coordination with the concerned DENR Office for available planting area with a spacing of 10mx10m for bamboo and 4mx4m for trees species. The tree planting plan shall be submitted to EMB-Region 10 within three (3) months from the issuance of this ECC amendment after which a quarterly compliance progress report shall be included in the quarterly SMR thereafter"; and

ECC Addendum:

1. Any misrepresentation or material falsehood on the submitted IEE Checklist shall be sufficient cause for the cancellation or suspension of this ECC;

This letter shall be attached to and form an integral part of the subject ECC.

We hope this satisfies your request.

Very truly yours,

REYNALDO S. DIGAMO
Regional Director

Processing Fee OR No.: 114317
Amount: *PhP1,030*
Date: 7-21-2022

AGE/RLD/RSD

Republic of the Philippines
Department of Environment and Natural Resources
ENVIRONMENTAL MANAGEMENT BUREAU
Office of the Regional Director
Region- 10, Macabalan, Cagayan de Oro City

IN ACCORDANCE WITH THE REVISED PROCEDURAL MANUAL FOR DENR ADMINISTRATIVE ORDER NO. 30, SERIES OF 2003 OF PRESIDENTIAL DECREE NO. 1586, THIS

CERTIFICATE OF NON-COVERAGE

No. **CNC-R10-1103-0053**

IS ISSUED TO

KING ENERGY GENERATION INCORPORATED

Sta. Cruz, Quezon, Bukidnon

ON

3/19/2011
(Date of Issuance)

FOR ITS PROJECT

DIESEL POWER GENERATION PLANT HAVING A TOTAL CAPACITY OF 3.2 MW-BUKIDNON POWER PLANT 1

Infrastructure Projects

Located at Sta. Cruz Quezon, Bukidnon, R10 (Infrastructure Projects; Minor Power Plants; Other Thermal Power Plants (eg. diesel, bunker, coal, etc.); (Not Applicable); <5 MW total power production capacity)

THE ISSUANCE OF THIS CERTIFICATE SHALL NOT EXEMPT THE GRANTEE FROM COMPLIANCE WITH APPLICABLE ENVIRONMENTAL LAWS, RULES AND REGULATIONS INCLUDING THE PERMITTING REQUIREMENTS OF OTHER GOVERNMENT AGENCIES. MOREOVER, ANY EXPANSION AND/OR MODIFICATION OTHER THAN SPECIFIED ABOVE MAY BE CONSIDERED AS A VIOLATION OF P.D. 1586 (EIA SYSTEM) AND SHALL BE SUBJECTED TO IMPOSITION OF FINES/PENALTIES AMOUNTING TO PHP50,000.00.

Recommending Approval:

ALEX D. JIMENEZ
Chief, EIAMD

Approved:

DR. SABDULLAH C. ABUBACAR, CESO IV
Regional Director

Amount Paid: Php 100.00

Republic of the Philippines
Department of Environment and Natural Resource
ENVIRONMENTAL MANAGEMENT BUREAU
DENR 10 Compound, Macabalan, Cagayan de Oro City
Telephone No.(088) 856-9362 Fax No.(088) 856-9362
embregion10@yahoo.com
Visit us at http://www.r10.emb.gov.ph/

May 9, 2023

ECC-OL-R10-2023-0163

ENGR. GILBERT J. RODRIGUEZ
CEO/CO
KING ENERGY GENERATION, INC.
San Luis, Gingoog City, Misamis Oriental

Subject: **ENVIRONMENTAL COMPLIANCE CERTIFICATE**

Dear Engr. Rodriguez:

This refers to your application for an Environmental Compliance Certificate (ECC) for the existing **4.10 MW CAMIGUIN DIESEL POWER PLANT INFRASTRUCTURE PROJECT** located at Sitio Maubog, Barangay Balbagon, Mambajao, Camiguin previously issued with Certificate of Non-Coverage (CNC) No. CNC-R10-1307-0006 dated July 1, 2013.

After satisfying the requirements of Presidential Decree No. 1586, pursuant to its Implementing Rules and Regulation, the Department, through this Office has decided to grant an ECC for the above-mentioned project.

In this regard, the proponent is expected to fully implement the measures presented in the Initial Environmental Examination Checklist (IEEC), intended to protect and mitigate the project's predicted adverse impacts on community health, welfare, and the environment. Environmental considerations shall be incorporated in all phases and aspects of the project.

This certificate does not create any right nor can it be used as an authorization to implement or commence with the operation of the project. This Office shall be monitoring the project periodically to ensure strict compliance with the stipulations cited in the attached ECC.

Please be guided accordingly.

Very truly yours,

REYNALDO S. DIGAMO
Regional Director

O.R. No. : 48020
Processing Fee : Php 5070.00
Date : 04/14/2023

Republic of the Philippines
Department of Environment and Natural Resource
ENVIRONMENTAL MANAGEMENT BUREAU
DENR 10 Compound, Macabalan, Cagayan de Oro City
Telephone No.(088) 856-9362 Fax No.(088) 856-9362
embregion10@yahoo.com
Visit us at http://www.r10.emb.gov.ph/

ENVIRONMENTAL COMPLIANCE CERTIFICATE

(Issued pursuant to Presidential Decree No. 1586 and its IRR)

ECC-OL-R10-2023-0163

THIS IS TO CERTIFY THAT THE PROPONENT, **KING ENERGY GENERATION, INC.** represented by its **CEO/COO, ENGR. GILBERT J. RODRIGUEZ**, is granted this Environmental Compliance Certificate (ECC), for the **4.10 MW CAMIGUIN DIESEL POWER PLANT INFRASTRUCTURE PROJECT** located at **SITIO MAUBOG, BARANGAY BALBAGON, MAMBAJAO, CAMIGUIN**, by the Department of Environment and Natural Resources (DENR), through the Environmental Management Bureau (EMB).

SUBJECT to the conditions and restrictions set out herein labeled as Annexes A and B:

This Certificate is issued with the following details:

PROJECT DESCRIPTION

*The ECC covers the operation of **CAMIGUIN DIESEL POWER PLANT INFRASTRUCTURE PROJECT** having a total power generating capacity of 4.10 MW composed of the following components:*

Description	***No. of Units***	***Capacity / Lot Area***
Power House		
Wartsila Generator Set	*2*	*2.05 MW*
Black start Room with generator set		*200 KW*
Switch Gear Room		
Workshop Room		
Comfort Room		
Fuel Treatment House & Compressor Room		
Heavy Fuel Oil Separator	*2*	
Fuel Conditioning Module	*1*	
Compressor Room with 3 units Air Compressor	*2* *1*	*30 Bar* *7 Bar*
Cooling System (Radiator)	*2*	*1 cu.m.*
Tank Farm		
Heavy Fuel Oil (HFO) Storage Tank	*1*	*350 cu.m.*
Light Fuel Oil (LFO) Storage Tank	*1*	*60 cu.m.*
Sludge Tank	*1*	*30 cu.m.*

Used Oil Tank	*1*	*8 cu.m.*
Re-Used Oil Tank	*1*	*8 cu.m.*
Heavy Fuel Oil (HFO) Settling Tank	*1*	*40 cu.m.*
Lube Oil Tank	*1*	*10 cu.m.*
Sludge Intermediate Tank	*1*	*0.6 cu.m.*
Heavy Fuel Oil (HFO) Day Tank	*1*	*10 cu.m.*
Light Fuel Oil (LFO) Day Tank	*1*	*5 cu.m.*
Light Fuel Oil (LFO) Filtration Tank	*1*	*4 cu.m.*
Heavy Fuel Oil Buffer Tank	*1*	*10 cu.m.*
Fuel Pump House		
Sludge Motor Pump	*1*	*2.2 KW*
Heavy Fuel Oil (HFO) Receiving Pump	*1*	*6.3 KW*
Light Fuel Oil (LFO) Receiving Pump	*1*	*5.7 KW*
Lube Oil Transfer/Receiving Pump	*1*	*1.9 KW*
Heavy Fuel Oil (HFO) Transfer to Settling Tank	*1*	*4.6 KW*
Heavy Fuel Oil (HFO) Transfer to Buffer Tank	*1*	*1.9 KW*
Light Fuel Oil (LFO) Transfer to Storage Tank	*1*	*1.9 KW*
Sub-Station	*1*	*5 MVA*
Water Tanks		
R.O Water Tank	*1*	*6 cu.m.*
Soft Water Tank	*1*	*6 cu.m.*
Raw Water Tank	*1*	*30 cu.m.*
Pressurized Soft Water Tank	*1*	*2.5 cu.m.*
Pressurized Raw Water Tank	*1*	*1 cu.m.*
Water Pump House with Motor Pump	*2*	*3 KW*
Firefighting House		
Firefighting Engine (Internal Combustion Engine)	*1*	*66 KW*
Firefighting Motor (Electrical Driven)	*1*	*50 KW*
Administrative Building *Staff Office* *Conference Room* *Dining Room* *CCTV Room* *Nurse Room* *Plant Manager's Office* *Comfort Room provided with septic tank*	*1*	*165 sq.m.*
Staff House *Kitchen* *Dining Area* *2 units Manager's Room* *2 units Staff Room* *Comfort Room provided with septic tank*	*1*	*290 sq.m.*
Smoke Stack	*2*	*H-21.7 meters Diameter-0.62 meter*
Guard House	*1*	*9 sq.m.*
Solid Wastes Management Facility	*1*	*9 sq.m.*

Hazardous Wastes Management Facility	*1*	*0-4 liters per day*
Drainage System		

The project is to be established within the 12,000 square meters, portion of the 22,097 square meters lot property covered with Transfer Certificate of Title No. 134-2014000036 registered under the name of King Energy Generation, Inc. located in Balbagon, Mambajao. Camiguin.

Latitude: 9.229244 Longitude: 124.737847

This Certificate is issued in compliance with the requirements of Presidential Decree No. 1586, and its Implementing Rules and Regulations. Non-compliance with any of the provisions of this Certificate including the mitigating measures cited herein shall be a sufficient cause for its cancellation and/or imposition of a fine in an amount not to exceed Fifty Thousand Pesos (₱50,000.00) for every violation thereof without prejudice to the imposition of fines and penalties under other environmental laws. The EMB, however, is not precluded from reevaluating and correcting any deficiencies or errors that may be found after issuance hereof.

Issued at EMB-R10, DENR 10 Compound, Macabalan, Cagayan de Oro City this May 9, 2023.

Recommending Approval:

ATTY. ABBAS I. LAO
OIC Chief, Clearance & Permitting Division

Approved:

REYNALDO S. DIGAMO
Regional Director

SWORN ACCOUNTABILITY STATEMENT

I, **ENGR. GILBERT J. RODRIGUEZ**, CEO/COO, **KING ENERGY GENERATION, INC.** with office address located in **SAN LUIS, GINGOOG CITY, MISAMIS ORIENTAL** takes full responsibility in complying with all conditions in this Environmental Compliance Certificate (ECC).

ENGR. GILBERT J. RODRIGUEZ

TIN No. 103-560-783

Subscribed and sworn before me this MAY 12 2023, the above-named affiant taking oath presenting _____, issued on _____ _____ at _____.

Notary Public

RAMIL G. CARREON
Notary Public No. 2022-51
Valid Until December 31, 2023
PTR No. 5667530A, 01/03/2023 CDOC
IBP No. 266643, 01/04/2023 Mis Or.
TIN 922-710-579
ROLL NO. 51523, 5-10-2006
CAGAYAN DE ORO CITY
MCLE Comp. No. VII-0015256, 04-11-2022

Doc. No. 241
Page No. 49
Book No. CXXXV
Series of 2023

I. ENVIRONMENTAL MANAGEMENT

All commitments, mitigating measures and monitoring requirements, especially those contained in the Initial Environmental Examination Checklist Report, particularly in the Environmental Management and Monitoring Plan (EMMoP), shall be instituted to minimize any adverse impact to the environment throughout the project implementation including among others the following, *to wit*:

POTENTIAL IMPACT PER PROJECT ACTIVITY PER PROJECT PHASE	MITIGATING MEASURES	RATING/ PERFORMANCE OF MITIGATING MEASURES
A. Construction Phase – The project is already existing and operational.		
B. Operation Phase		
Operation and Maintenance of the Main and Support Facilities		
Generation of solid wastes	• Provision and maintenance of Materials Recovery Facility • Implement recovery re-use and recycling of waste materials • Provide receptacles / bins for solid wastes • Composting of Organic Wastes	100% compliance with RA 9003
Contamination of surface water from domestic wastewater	Provision of adequate Wastewater Treatment Facility (Sewage Treatment Plant) to treat the collected wastewater, whichever is applicable: ☒ Hygienic septic tank (for 212 occupants or less – DILG MC 2019-62) with regular desludging by third party contractor (the contractor must have a valid discharge permit of its treatment facility). ☐ Wastewater treatment facility (for more than 212 occupants – DILG MC 2019-62) Note: For 98L per person per day water consumption; 80% will become wastewater – hence for 300 persons; at least 23.52 cubic meter per day WTF capacity shall be installed and operated	100% conformance to effluent standards
Noise pollution due to operation of heavy equipment during silt removal	• Use of mufflers and exhaust silencers • All workers must be equipped with PPEs	100% Noise within standard
Generation of effluents due to wastewater generation	• Monitoring of the following significant effluent quality parameters: ☑ Temperature ☑ Total Suspended Solids ☑ pH ☑ COD	100% compliance with DENR effluent standards (RA 9275); (i.e.DAO 2016-08 and DAO 2021-19)

	☑ Phosphate ☑ Chloride ☑ Boron ☑ Chromium ☑ Copper ☑ Zinc ☑ Arsenic ☑ Cadmium ☑ Mercury ☑ Lead ☑ Oil and Grease ☑ Fecal/Total Coliform	

I. GENERAL CONDITIONS

1. The proponent shall Comply with all the provisions of RA 9275, the Philippine Clean Water Act of 2004 and its Implementing Rules and Regulations. Likewise, a Wastewater Discharge Permit shall be secured for the septic tanks;

2. The proponent shall install and maintain air pollution control devices to minimize dust and gas emissions from different sources. Impose speed limit and conduct daily road watering. Likewise, the proponent shall ensure that emissions at all times comply with the DENR standards and with all the provisions of RA 8749, the Philippine Clean Air Act of 1999 and its Implementing Rules and Regulations. Moreover, a Permit to Operate shall be secured for the generator set and Storage Tanks;

3. The proponent shall install, operate, and maintain collection, handling, treatment, storage and disposal facilities or any system serving different sources of hazardous waste. The system shall be properly operated to ensure compliance with all the provisions of RA 6969, the Toxic Substances and Hazardous and Nuclear Wastes Control Act of 1990 and its Implementing Rules and Regulations;

4. The proponent shall install, operate and maintain collection, handling, treatment, storage and disposal facilities or any system serving different sources of solid waste. The system shall be properly operated to ensure compliance with all the provisions of RA 9003, the Ecological Solid Waste Management Act of 2000 and its Implementing Rules and Regulations;

5. Proponent shall conduct an effective Information, Education and Communication (IEC) Program to inform and educate all stakeholders, especially its contractors, workers, and local residents about the mitigating measures embodied in its IEEC, the conditions stipulated in this Certificate and the environmental and human safety features of the project for greater awareness, understanding and sustained acceptance of the project;

6. In support of the National Greening Program, mitigation of Greenhouse Gas (GHG) emissions and production of engineered lumber made of bamboo to answer the national demand of lumber materials, the proponent shall plant at least 30 hills of giant bamboo and 30 other tree species in available spaces of the project site or in coordination with the concerned DENR Office for available planting area with a spacing of 10mx10m for bamboo and 4mx4m for trees species. The tree planting plan shall be submitted to EMB-Region 10 within

three (3) months from the issuance of this ECC after which a quarterly compliance progress report shall be included in the quarterly SMR thereafter. Further, replacement of every cut tree shall follow the following ratio: 50 trees for one (1) planted tree cut and 100 trees for one (1) naturally growing tree cut.;

7. A rainwater harvesting/cistern storage tank shall be installed to maximize recycling, distribution and utilization of used water and to store and capture rainwater as additional measures in water resources management, respectively;

8. The proponent shall designate a Pollution Control Officer (PCO) and secure accreditation at the EMB within Six (6) months from the issuance of this ECC who shall take charge on the environmental concerns of the project;

9. Provision of an easement from water bodies at least three (3) meters in urban areas, twenty (20) meters in agricultural areas, and forty (40) meters in forest areas in compliance to the Water Code of the Philippines;

10. Storage Tanks shall be provided with bund walls and shall be in accordance with internationally acceptable standards. Regular checking of tanks to determine possible leaks shall be undertaken and that tanks shall be replaced upon reaching its average lifespan. Any damage to the environment particularly on ground water contamination, the proponent shall properly compensate the parties affected;

11. The DENR-EMB 10 can initiate without prior notice an on-the-spot monitoring and inspection anytime in coordination with concerned groups. Denial of entry of authorized DENR personnel shall cause the imposition of fine pursuant to Section 38 of RA 8749, Section 23 of RA 9275, Section 6 of RA 6969, and Section 9 of 9003;

12. The proponent shall install within thirty (30) days from receipt of this ECC a 2x4 feet billboard containing important details of this ECC (Name of Owner, Project Name, ECC Number, and Date Issued) at conspicuous places of the project site such as the entry and exit points to inform the general public;

13. The proponent shall submit an Abandonment Plan to the EMB Regional Office at least six (6) months prior to project abandonment. The plan shall include rehabilitation measures/clean-up, remediation of areas affected by the project and proposed alternative projects in the area;

II. RESTRICTIONS

14. The proponent shall coordinate with other concerned Government Agencies (GAs) and Local Government Unit/s (LGU) before the construction and operation of the project and shall implement only after securing all the necessary and relevant permits from other GAs/LGU-concerned;

15. No other activities shall be undertaken other than what was stipulated in the updated IEEC document. Any expansion or modification of the Project beyond the project description or any change in the activity shall be subject to a new EIA requirements; and

16. Any misrepresentation or material falsehood on the submitted IEE Checklist shall be sufficient cause for the cancellation or suspension of this ECC; and

17. In case of transfer of ownership of this project, these same conditions and restrictions shall apply and the transferor shall request for the transfer/change of ownership with concurrence/confirmation letter from the new ECC holder (transferee) within fifteen (15) days from the transfer of ownership to allow the necessary changes brought about by such transfer.

ANNEX B

PROJECT ASSESSMENT PLANNING TOOL

For the assistance and guidance of the Proponent and Government agencies concerned in the management of the Project and for better coordination in mitigation of the impacts of the Project on its surrounding areas and the environment, the following recommendations are forwarded to the parties and authorities concerned for appropriate action.

Environmental Planning Recommendations and Regulatory Requirements for the Proponent
Local Government Unit (LGU)
1. The proponent shall give priority employment to qualified local residents. Adequate public information for jobs available to local residents in the affected areas shall be provided 2. The proponent shall comply with the Building Code and Sanitation Code of the Philippines 3. The proponent shall coordinate with the concerned LGU for the implementation of Solid Waste Management Plan 4. Develop a traffic management plan and coordinate for the traffic management in the area vis a vis the traffic impact assessment report to address the project's contribution to local traffic 5. Construct an appropriate drainage system to mitigate/abate the effects of flooding to adjacent areas
DENR-Forest Management Bureau (FMB)
6. The proponent shall secure tree cutting permit if any
DOLE - Bureau of Working Condition
7. The proponent shall comply with the Labor Code of the Philippines 8. Provide PPEs for the workers if their work requires so 9. Personnel and workers hired shall as much as possible be sourced locally or within the host community pursuant to Department Order 2021 Series of 2021
BFP – Bureau of Fire Protection
10. The proponent shall comply with the fire safety protection requirements of the Fire Code of the Philippines.

For the dissemination and proper action of the agencies concerned.

ATTY. ABBAS I. LAO
OIC Chief, Clearance & Permitting Division

REYNALDO S. DIGAMO
Regional Director



WQA REGISTERED ISO 9001:2015 UKAS MANAGEMENT SYSTEMS 134
CERTIFICATE NUMBER: QM 5465

February 23, 2023

ENVIRONMENTAL MANAGEMENT BUREAU REGION X CAGAYAN DE ORO CITY
RELEASED
DATE: 03/07/23
TIME: 10:10 AM
BY:

ENGR. GILBERT J. RODRIGUEZ
General Manager
King Energy Generation, Inc.
Barangay San Luis, Gingoog City
Misamis Oriental

ATTN : EMMANUEL A. TABOADA, JR.
Safety, Health and Environment Officer

SUBJECT : FIRST AMENDMENT OF ECC NO. ECC-R10-1310-0245

Dear Engr. Rodriguez:

This refers to your letter dated January 17, 2023 which was received by this office on January 19, 2023 requesting to amend the Project Description of the Environmental Compliance Certificate (ECC) bearing the Code ECC-R10-1310-0245 dated August 8, 2011 for the 10.71 MW Power Plant (Misamis Oriental Power Plant) Project located in San Luis, Gingoog City, Misamis Oriental. The proposed amendment covers the change of project name from 10.6 MW Power Plant (Misamis Oriental Power Plant) Project to 10.71 MW Power Plant (Misamis Oriental Power Plant) Project and correction on the discrepancy of the total power generating capacity from 10.6 MW to 10.71 MW. Further, indication of the capacity of each generator set is also requested. The said request is supported with photos and technical specifications of the engine and generator set.

After evaluation of the submitted documents, the same were found to be in order. As such, your request to amend the Project Description of the above-mentioned ECC is hereby **GRANTED** and the ***Project Description*** of the said ECC shall now read:

PROJECT DESCRIPTION

The project covers the **10.71 MW POWER PLANT (MISAMIS ORIENTAL POWER PLANT 1) PROJECT** covering a total area of **14,084 square meters** covered under OCT No. P-7201 located at Barangay San Luis, Gingoog City, Misamis Oriental having the following components:

Description	*Capacity*
Generator – Set 1	6.426 MW
Generator – Set 2	4.284 MW
Total	**10.71 MW**

Please be reminded that the amendment of your Project Description carries the same conditions set in the issued ECC. Non-compliance with any of the stipulated conditions shall be dealth with in accordance to the Implementing Rules and Regulations of PD 1586.

Moreover, at the instance of this Office, the following ECC Conditions are imposed by way of amendment and addendum to existing ECC conditions:

Amendment of Condition No. 3, "In support of the National Greening Program, mitigation of Greenhouse Gas (GHG) emissions and production of engineered lumber made of bamboo to answer the national demand of lumber materials, the proponent shall plant at least 33 hills of giant bamboo and 33 other tree species in available spaces of the project site or in coordination with the concerned DENR Office for available planting area with a spacing of 10mx10m for bamboo and 4mx4m for trees species. The tree planting plan shall be submitted to EMB-Region 10 within three (3) months from the issuance of this ECC amendment after which a quarterly compliance progress report shall be included in the quarterly SMR thereafter"; and

ECC Addendum:

1. Any misrepresentation or material falsehood on the submitted IEE Checklist shall be sufficient cause for the cancellation or suspension of this ECC;

This letter shall be attached to and form an integral part of the subject ECC.

We hope this satisfies your request.

Very truly yours,

REYNALDO S. DIGAMO
Regional Director

Processing Fee OR No.: 1827208
Amount: *PhP2,030*
Date: 03/07/23

R10-2023-000944

CMLP/RLD/AIL/RSD

WQA REGISTERED ISO 9001:2015 UKAS MANAGEMENT SYSTEMS 134
CERTIFICATE NUMBER: QM 5465

February 23, 2023

ENGR. GILBERT J. RODRIGUEZ
General Manager
King Energy Generation, Inc.
Barangay San Luis, Gingoog City
Misamis Oriental

ENVIRONMENTAL MANAGEMENT BUREAU REGION X CAGAYAN DE ORO CITY
RELEASED
DATE: 03/07/23
TIME: 10:00 A.M.
BY:

ATTN : EMMANUEL A. TABOADA, JR.
Safety, Health and Environment Officer

SUBJECT : FIRST AMENDMENT OF ECC NO. ECC-R10-1310-0249

Dear Engr. Rodriguez:

This refers to your letter dated January 17, 2023 which was received by this office on January 19, 2023 requesting to amend the Project Description of the Environmental Compliance Certificate (ECC) bearing the Code ECC-R10-1310-0249 dated November 13, 2013 for the 15.682 MW Power Plant (Misamis Occidental Power Plant) Project located in Map-an, Panaon, Misamis Occidental. The proposed amendment covers the change of project name from 15.6 MW Power Plant (Misamis Occidental Power Plant) Project to 15.682 MW Power Plant (Misamis Occidental Power Plant) Project and correction on the discrepancy of the total power generating capacity from 15.6 MW to 15.682 MW. Further, indication of the capacity of each generator set is also requested. The said request is supported with photos and technical specifications of the engine and generator set.

After evaluation of the submitted documents, the same were found to be in order. As such, your request to amend the Project Description of the above-mentioned ECC is hereby **GRANTED** and the ***Project Description*** of the said ECC shall now read:

PROJECT DESCRIPTION

The project covers the **15.682 MW POWER PLANT (MISAMIS OCCIDENTAL POWER PLANT) PROJECT** covering a total area of **1.6119 hectares** covered under TD No. 09-0008-00296 located at Barangay Map-an, Panaon, Misamis Occidental having the following components:

Description	*Capacity*
Generator – Set 1	7.841 MW
Generator – Set 2	7.841 MW
Total	**15.682 MW**

Please be reminded that the amendment of your Project Description carries the same conditions set in the issued ECC. Non-compliance with any of the stipulated conditions shall be dealth with in accordance to the Implementing Rules and Regulations of PD 1586.

Moreover, at the instance of this Office, the following ECC Conditions are imposed by way of amendment and addendum to existing ECC conditions:

Amendment of Condition No. 3, "In support of the National Greening Program, mitigation of Greenhouse Gas (GHG) emissions and production of engineered lumber made of bamboo to answer the national demand of lumber materials, the proponent shall plant at least 33 hills of giant bamboo and 33 other tree species in available spaces of the project site or in coordination with the concerned DENR Office for available planting area with a spacing of 10mx10m for bamboo and 4mx4m for trees species. The tree planting plan shall be submitted to EMB-Region 10 within three (3) months from the issuance of this ECC amendment after which a quarterly compliance progress report shall be included in the quarterly SMR thereafter"; and

ECC Addendum:

1. Any misrepresentation or material falsehood on the submitted IEE Checklist shall be sufficient cause for the cancellation or suspension of this ECC;

This letter shall be attached to and form an integral part of the subject ECC.

We hope this satisfies your request.

Very truly yours,

REYNALDO S. DIGAMO
Regional Director

Processing Fee OR No.: 1827209
Amount: *PhP2,030*
Date: 03/7/23

R10-2023-000943

CMLP/RLD/AIL/RSD

Republic of the Philippines
Department of Environment and Natural Resources
Environmental Management Bureau
Office of the Regional Director
Caraga Regional Office
Purok 5, Brgy. Ambago, Butuan City
Tel. No. (085) 817-1841
email add: caraga@emb.gov.ph; website: www.caraga.emb.gov.ph

February 14, 2023

MR. RAMIL T. INZO
Compliance Manager
King Energy Generation, Inc.
Brgy. Telaje, Tandag City, Surigao del Sur

SUBJECT: AMENDMENT OF ECC-R13-1312-0180 ISSUED TO KING ENERGY GENERATION, INCORPORATED FOR ITS 7.8 MW SURIGAO DEL SUR BUNKER FUEL FEED POWER PLANT PROJECT

Dear **Mr. Inzo:**

This pertains to your letter dated January 17, 2023, received by this office on January 25, 2023, requesting for the amendment of ECC with Reference Code **ECC-R13-1312-0180** issued by this office on **December 20, 2013**, for its **7.8 MW Surigao del Sur Bunker Fuel Feed Power Plant Project** located in **Purok Paradise Heights, Brgy. Telaje, Tandag City, Surigao del Sur**, for the rectification of its capacity from 7.8 MW to 7.841 MW. Said request for amendment is anchored on your application for Certificate of Compliance to the Energy Regulatory Commission (ERC) and Department of Energy (DOE) that the rated capacity must be indicated based on the technical specifications of the GENSET in three (3) decimal places.

Based on the previous ECC Compliance Monitoring conducted by the EMED technical staff of this Office in the project area on September 15, 2022, it shows that the company have satisfactorily complied with the conditions of the said ECC, including the securing of relevant permits and the timely submission of reportorial requirements.

Wherefore, foregoing considered and upon payment of the corresponding amendment fee of Php1,000.00 under OR No. 4053281, dated January 25, 2023, your request for amendment of the ECC is hereby **GRANTED**. The first paragraph and Project Description of your ECC No. **ECC-R13-1312-0180** shall now read as follows:

> *THIS IS TO CERTIFY THAT PROPONENT, **KING ENERGY GENERATION, INCORPORATED (KEGI)**, is granted this Environmental Compliance Certificate (ECC), for its **7.841 MW Surigao del Sur Bunker Fuel Feed Power Plant Project** located at **Purok Paradise Heights, Brgy. Telaje, Tandag City, Surigao del Sur** by the Department of Environment and Natural Resources (DENR), through the Environmental Management Bureau, Region 13.*

CERTIFICATION INTERNATIONAL SOCOTEC ISO 9001 ISO 14001

PROJECT DESCRIPTION

The 7.841 MW Surigao del Sur Bunker Fuel Feed Power Plant Project is to be directly embedded to SURSECO II's power distribution system by way of the 10 MVA Tandag Substation. It will occupy an area of 3.2174 hectares property designated as Lot No. 2743, CAD 392-D, covered with TCT No. 161-2013000702 (OCT No. 9290) acquired thru Deed of Absolute Sale executed between Ellinore B. Lantoria-Lustre and KEGI located at Purok Paradise Heights, Brgy. Telaje, Tandag City, Surigao del Sur, bounded with the following geographical coordinates:

Corner	Latitude	Longitude	Corner	Latitude	Longitude
1	*9° 03' 36.41"*	*126° 11' 11.07"*	9	*9° 03' 30.24"*	*126° 11' 13.71"*
2	*9° 03' 38.21"*	*126° 11' 11.46"*	10	*9° 03' 29.99"*	*126° 11' 13.93"*
3	*9° 03' 35.62"*	*126° 11' 15.18"*	11	*9° 03' 29.09"*	*126° 11' 13.52"*
4	*9° 03' 34.46"*	*126° 11' 16.23"*	12	*9° 03' 30.03"*	*126° 11' 11.63"*
5	*9° 03' 33.09"*	*126° 11' 14.92"*	13	*9° 03' 29.72"*	*126° 11' 10.32"*
6	*9° 03' 34.03"*	*126° 11' 13.55"*	14	*9° 03' 31.40"*	*126° 11' 07.86"*
7	*9° 03' 32.91"*	*126° 11' 13.20"*	15	*9° 03' 34.56"*	*126° 11' 10.45"*
8	*9° 03' 31.83"*	*126° 11' 14.51"*			

The project involves construction of powerhouse, fuel pump house, farm tanks, radiators, substation, black start room, warehouse, staff house, admin building, guard house and other support facilities.

All the other conditions of the same ECC shall remain in force and effect. Consequently, you are obliged to comply the conditions stipulated therein to forestall the imposition of penalty or the cancellation of the ECC.

This letter shall be attached to and shall form integral part of the aforementioned ECC.

For information and record.

Very truly yours,

ENGR. ALBERT G. ARCAMO, MEMD
OIC - Regional Director

Department of Environment and Natural Resources
ENVIRONMENTAL MANAGEMENT BUREAU-13
Office of the Regional Director
ECC AMENDMENT

02-17-23-01-51-0012

CERTIFICATION INTERNATIONAL
SOCOTEC
ISO 9001
ISO 14001

All Certificates Authorizing Registration issued by the Bureau of Internal Revenue (EXHIBIT 25)

REPUBLIKA NG PILIPINAS
KAGAWARAN NG PANANALAPI
KAWANIHAN NG RENTAS INTERNAS

DUPLICATE
Taxpayer's Copy

EXHIBIT 25

BIR FORM NO. 2313
REVISED: APRIL, 2009
(TO BE ACCOMPLISHED IN QUADRUPLICATE)

CERTIFICATE AUTHORIZING REGISTRATION (CAR)

(For Transaction Involving Transfer of Real and Personal Properties)

CAR 2010 00082522
OCN 2TA0000336619

Certification

This is to certify that based on our records and other documents submitted to this Office, the transfer of property/ies described herein-below from MERCEDES R. ABIERA with Taxpayer Identification No. 926-324-804 and registered address at NEGROS OCCIDENTAL to KING ENERGY GENERATION INC with Taxpayer Identification No. 405-954-956 and registered address at DAVAO CITY is subject to:

- [ ] 1 Donor's Tax
- [ ] 2 Estate Tax
- [x] 3 Capital Gains Tax
  - [ ] 3a Real Property/ies
  - [ ] 3b Share/s of Stock
- [ ] 4 Creditable Withholding Tax
  - [ ] 4a 1.5%
  - [ ] 4b 3%
  - [ ] 4c 5%
  - [ ] 4d 6%
- [ ] 5 Final Withholding Tax
- [x] 6 Documentary Stamp Tax
- [ ] 7 Tax-Exempt (pls. see Transaction Codes below)
  - [ ] 7a PD
  - [ ] 7b PS
  - [ ] 7c SR
  - [ ] 7d DE
  - [ ] 7e EE
  - [ ] 7f CE
  - [ ] 7g XX

The taxes due thereon have been paid as indicated below and accordingly, the Register of Deeds and other concerned offices may effect transfer of the subject property/ies.

This certification is issued for registration purposes only, pursuant to the requirements of the NIRC of 1997, as amended. The Bureau, however, is not precluded from assessing and collecting any deficiency internal revenue tax/es that may be found due from the taxpayer after examination/review.

Issued at GINGOOG CITY this ____ day of 25th MARCH 2011

THIS CAR IS VALID FOR ONE (1) YEAR FROM DATE OF ISSUE

Documentary Stamp P15.00 affixed and cancelled

KIM S. JACINTO-HENARES
COMMISSIONER OF INTERNAL REVENUE
By:

GLEDONIO B. TEOPE, JR
AUTHORIZED REVENUE OFFICIAL
(Signature over Printed Name)
RDO No. 16 . 97
RR No. GINGOOG CITY

Revenue Officer
(Signature over Printed Name)

Group Supervisor
(Signature over Printed Name)

INSTRUCTION: USE BACK PAGE, IF NECESSARY/CROSS OUT UNUSED LINES

Section A - DESCRIPTION OF REAL PROPERTY/IES

Particulars	Area (sq. m.)	Classification	Location (Street/Barangay/Municipality/City)	OCT/TCT/CCT No.	Tax Declaration No.	Tax Declaration Market Value	Zonal Value	Selling Price
Agri/Com	14,084	A4/CR	San Luis, Gingoog City	-	X-027345	55,064.00	246,902.40	400,000.00
						48,100.00	48,600.00	
						243,500.00		
xxxx nothing follows xxxxx				TOTAL		246,664.00	395,502.40	400,000.00

Section B - DESCRIPTION OF PERSONAL PROPERTY/IES

B.1 Bank Deposit

Kind of Deposit	Account Number	Name of Bank	Branch	Amount
Not applicable				

B.2 Share/s of Stock

Issuer	Type of Share/s	Stock Certificate No.	Stock Certificate Series Nos. (From-To)	Date of Issue	Market Value	Selling Price
Not applicable						

B.3 Other Assets

Particulars	Description of Property/ies	Market Value
ot applicable		

Section C - DETAILS OF PAYMENT

Kind of Tax	Date of Payment	ROR/OR No.	Bank Code	Validation Code	Basic Tax	Penalties	Total
Donor's Tax							
Estate Tax							
Capital Gains Tax	3/24/2011	02123088			24,000.00		24,000.00
Creditable Withholding Tax							
Final Withholding Tax							
Documentary Stamp Tax	3/24/2011	02123089			6,000.00		6,000.00
Certification Fee	3/24/2011	00725587			100.00		100.00

WARNING TO THE REGISTER OF DEEDS AND OTHER CONCERNED OFFICES
VOID IF THIS CERTIFICATE IS WITHOUT SEAL, WITH ERASURE/S, NOT SIGNED BY AUTHORIZED SIGNATORIES AND IF NOT COMPLETELY FILLED-UP

IMPORTANT:
Manner of Issuance: (Check appropriate box)
- [x] Originally Issued
- [ ] Replacement

Serial Number of previous CAR ____
Date of previous CAR ____

REVALIDATION OF ORIGINALLY ISSUED CAR:
Revalidated on ____
Expiration Date ____
Revalidated by:

Signature over Printed Name of Authorized Revenue Official

TRANSACTION CODE - TAX EXEMPT

- PD Property dividends received by a domestic corporation/resident foreign corporation from a domestic corporation
- PS Property exchanged for share/s of stock of a corporation under Sec. 40 (C)(2) of the NIRC of 1997, as amended
- SR Sale of principal residence by an individual seller with the intent to construct/purchase another principal residence within 18 months from sale/disposition subject to compliance with the conditions under Sec. 2.57.1(A)(6) of RR No. 2-98, as amended
- DE Exempt donation
- EE Transfer exempt from estate tax
- CE Seller/Transferor is exempt from creditable withholding tax
- XX Others (specify) ____

BIR FORM NO. **2313-R**
JANUARY, 2013
(TO BE ACCOMPLISHED IN QUADRUPLICATE)

REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF FINANCE
BUREAU OF INTERNAL REVENUE

DUPLICATE
Taxpayer's Copy

CERTIFICATE AUTHORIZING REGISTRATION (CAR)
(For Transaction Involving Transfer of Real Properties)

eCR201300130721
CAR No: C-2016-100-001050-M

This is to certify that based on our records and other documents submitted to this Office, the transfer of the property/ies described herein, is subject to Capital Gains Tax and Documentary Stamp Tax.

NAME OF SELLER(S)	TIN	ADDRESS
ANER DOCOR MARIMON	295-032-858-000	AGORA RIZAL JIMENEZ MIS OCC
XXXXXX	XXXXXX	XXXXXX

NAME OF BUYER(S)	TIN	ADDRESS
EDELYN JANE ANG SALVAME	257-629-167-000	PALINDAN IBAAN BATANGAS
XXXXXX	XXXXXX	XXXXXX

Description of Property(ies):

Particulars	Area (sq. m.)	Class	Location	OCT/ TCT/ CCT No.	Tax Dec No.	Market Value per Tax Dec.	Zonal/BIR Value	Selling Price /Substituted Basis
LAND	3,706.00	A4	SAN ISIDRO JIMENEZ MISAMIS OCCIDENTAL 7204	XXXXXX	07-0017-00235	P 63,830.00	P 40,766.00	P XXXXXX
LAND	200.00	RR	SAN ISIDRO JIMENEZ MISAMIS OCCIDENTAL 7204	XXXXXX	07-0017-00235	30,000.00	14,000.00	XXXXXX
IMPROVEMENT		I		XXXXXX	07-0017-00236	200,000.00	245,234.00	XXXXXX
XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX
Total	3,906.00							

Date Of Transaction: April 22, 2016

Total Taxable Base: P 329,064.00
Total Selling Price: P 300,000.00

Details of Payment:

Kind of Tax	Date of Payment	BCS/ ROR/ OR No.	Bank/RCO Code	Validation No.	Basic Tax	Penalties	Total
CAPITAL GAINS TAX	05/20/2016	A-000828	DBP	078025	P 18,000.00	P 0.00	P 18,000.00
DOCUMENTARY STAMP TAX	04/29/2016	A-00070/1	DBP	078025	P 4,500.00	P 0.00	P 4,500.00
CAPITAL GAINS TAX	08/12/2016	A-00127/11	DBP	078025	P 1,743.24	1,503.60	P 3,246.84
DOCUMENTARY STAMP TAX	08/12/2016	A-00127/12	DBP	078025	P 450.00	1,134.25	P 1,584.25
XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX

This transaction was processed by Revenue Officer HASHIM M. DIMAL under Group Supervisor BENJAMIN G. CONDING and the taxes due thereon have been paid as indicated above. Accordingly, the concerned Offices may effect transfer of the subject property/ies.

This Certificate, which is under Transaction No. T-2016-100-000675-M, is issued for registration purposes only, pursuant to the requirements of the NIRC, as amended. The Bureau, however, is not precluded from assessing and collecting any deficiency internal revenue tax(es) that may be found due from the taxpayer after review/investigation.

Issued at Ozamis City, Philippines, this 29th day of September, 2016

THIS CERTIFICATE IS VALID FOR THREE (3) YEARS FROM THE DATE OF ISSUE.

Manner of Issuance: ORIGINALLY ISSUED
Certification fee : P 100.00 ROR/OR No. : 2016-001906-002543
Date of Payment : June 22, 2016
Reason : -Not Applicable-

08375624055128901B0

CAESAR R. DULAY
Commissioner of Internal Revenue
By:
NOEL B. GONZALES
AUTHORIZED REVENUE OFFICIAL
(Signature Over Printed Name)
RDO No. 100 - Ozamis City
RR. No. 016 - Cagayan de Oro City

NOTICE TO THE REGISTRY OF DEEDS/ASSESSOR'S OFFICE:
This certificate should be presented in original form and is void if without barcode and seal, with erasures/alterations or not signed by the authorized signatory.

REPUBLIKA NG PILIPINAS
KAGAWARAN NG PANANALAPI
KAWANIHAN NG RENTAS-INTERNAS

DUPLICATE
Taxpayer's Copy

BIR FORM NO. 2313
REVISED: APRIL, 2009
(TO BE ACCOMPLISHED IN QUADRUPLICATE)

CERTIFICATE AUTHORIZING REGISTRATION (CAR)

(For Transaction Involving Transfer of Real and Personal Properties)

CAR2013 00221117

Certification

OCN 2TA0000599587

This is to certify that based on our records and other documents submitted to this Office, the transfer of property/ies described herein-below from **Ma. Ednaflor May C. Alincastre** with Taxpayer Identification No. **929-667-857** and registered address at **Dologon, Maramag, Bukidnon** to **King Energy Generation, Inc.** with Taxpayer Identification No. **007-935-629** and registered address at **Divine Saviour Buildingm Juan Luna Street, Davao City** is subject to:

- [ ] 1 Donor's Tax
- [ ] 2 Estate Tax
- [x] 3 Capital Gains Tax
  - [x] 3a Real Property/ies
  - [ ] 3b Share/s of Stock
- [ ] 4 Creditable Withholding Tax
  - [ ] 4a 1.5%
  - [ ] 4b 3%
  - [ ] 4c 5%
  - [ ] 4d 6%
- [ ] 5 Final Withholding Tax
- [x] 6 Documentary Stamp Tax
- [ ] 7 Tax-Exempt (pls. see Transaction Codes below)
  - [ ] 7a PD
  - [ ] 7b PS
  - [ ] 7c SR
  - [ ] 7d DE
  - [ ] 7e EE
  - [ ] 7f CE
  - [ ] 7g XX

The taxes due thereon have been paid as indicated below and accordingly, the Register of Deeds and other concerned offices may effect transfer of the subject property/ies.

This certification is issued for registration purposes only, pursuant to the requirements of the NIRC of 1997, as amended. The Bureau, however, is not precluded from assessing and collecting any deficiency internal revenue tax/es that may be found due from the taxpayer after examination/review.

Issued at **City of Malaybalay** this **2** day of **January** **2014**

THIS CAR IS VALID FOR ONE (1) YEAR FROM DATE OF ISSUE.

KIM S. JACINTO-HENARES
COMMISSIONER OF INTERNAL REVENUE
By:

MERLYN DV. VICENTE, CPA
AUTHORIZED REVENUE OFFICIAL
(Signature over Printed Name)
RDO No. 99 Malaybalay City
RR No. 16 Cagayan de Oro City

AMOR CHARMAIGNE G. HERNANDEZ
Revenue Officer
(Signature over Printed Name)

BATAL C. AMAMA
Group Supervisor
(Signature over Printed Name)

INSTRUCTION: USE BACK PAGE, IF NECESSARY/CROSS OUT UNUSED LINES

Section A - DESCRIPTION OF REAL PROPERTY/IES

Particulars	Area (sq. m.)	Classification	Location (Street/Barangay/Municipality/City)	OCT/TCT/CCT No.	Tax Declaration No.	Tax Declaration Market Value	Zonal Value	Selling Price
Agri. Lot (NO IMPROVEMENT)	*11,023*	AL	Dologon, Maramag, Buk.	T-86243	F-015511	₱131,173.70	₱110,230	₱2,200,000.00
X-X-X-X-X-X-X-X-X-X-X-X-X-X-X-X-X-X-Nothing Follows-X-X-X-X-X-X-X-X-X-X-X-X-X-X-X-X-X

Certification that all corporate actions (e.g. Increase in Authorized Capital Stock, Enabling Resolutions, and etc.) and approvals necessary for the Offer are secured and completed

(EXHIBIT 26)

EXHIBIT 26

KING ENERGY GENERATION INC.

"Efficiently providing you the most reliable source of energy..."

Misamis Oriental Power Plant (MOPP1) Brgy. San Luis, Gingoog City, Misamis Oriental
*Cellular No.: 0917-7140-584
*Telephone No.: (088) 859-3642
*Email: kegi@kingenergy.info
*Website: www.kingenergy.info

CERTIFICATION

TO WHOM IT MAY CONCERN:

THIS IS TO CERTIFY that all necessary corporate actions and approvals pertaining to the Officer have been secured and duly completed.

This certification is issued in relation to KEGI's registration of securities with the Securities and Exchange Commission.

Issued this 4th day of April 2024 at Cagayan de Oro City, Misamis Oriental, Philippines.

ENGR. EDELYN JANE A. SALVAME
CEO/ President