



## Manabat Sanagustin & Co., CPAs

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### Energy

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This industry update from Manabat Sanagustin & Co. CPAs is a biweekly collection of the latest news and developments from the country's Energy segment. We hope that you will find this service, which the Firm provides its clients for the different Lines Of Business (LOB), interesting and useful.

#### **Petron plans eventual fuel shift for P10-B co-generation power project**

Petron Corporation has unveiled design update for its planned P10 billion co-generation power facility – entailing eventual fuel shift to petroleum coke (also referred to as petcoke) from the initially proposed utilization of coal. In an investors' briefing, Petron senior vice president and general manager Lubin B. Nepomuceno disclosed that the 70-megawatt power facility will be constructed in 24 to 27 months, with the first unit coming on stream three months ahead of the other. Of the planned 2x35 units, he noted that the facility will still have potential surplus of 20 to 30 megawatts that they can sell to the grid, hence, driving up more value for the company. The targeted commercial operation is 2012. The more important consideration factored in by the company, is the P1.0 billion yearly savings it would be able to generate by having its own source of power, plus the guarantee of having reliable and sufficient power supply amid threats of power supply shortages in the short-term. "The power project will yield savings for the company," Nepomuceno stressed. Petcoke is a carbon-based solid derived from oil refinery coker units or from other cracking processes. Petron justified that having an embedded generation at its refining facility will give it better assurance of power supply reliability.

<http://www.mb.com.ph/articles/242341/petron-plans-eventual-fuel-shift-p10b-cogeneration-power-project>

#### **Petron plans to open 300 more service stations in 2010**

Listed Petron Corp., the country's largest oil refiner, is accelerating expansion activities this year as it revealed a plan to almost double the number of service stations opened in 2009.

"If you hear our chairman [San Miguel Corp. president Ramon Ang], he wants to put in 300 more [stations] this year," said Petron senior vice president and chief financial officer Emmanuel Eraña at the sidelines of the company's analysts' briefing on Friday. "That will put us at 1,700 service stations [by the end of 2010]," he added. Petron added around 171 service stations in 2009, which represented an investment of more than P1 billion, Eraña said. Bloomberg data shows that crude oil in New York soared to a record \$147.27 a barrel in July 2008, before tumbling 69 percent to close that year at \$44.60 as the global recession slashed fuel demand. Meanwhile, Petron is planning to raise up to P10 billion selling 100 million worth of its preferred shares to the public. The indicative pricing for the preferred shares is set at P100 apiece. Petron is the largest oil refining and marketing company in the country. Based on industry data, the firm has an overall market share of 36.4 percent, higher than its nearest

### Newsletter

#### In the News

Petron plans eventual fuel shift for P10 billion co-generation power project

Petron plans to open 300 more service stations in 2010

Contracted capacity for natural gas power plant to be cut out to one independent power producer

Meralco's cost of service for suspended transmission adjustment deferred to next year

DoE slates new geothermal bidding round

Trans-Asia to complete Guaymas wind-project by end-2010

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competitors Pilipinas Shell Petroelum Co.'s 27.9 percent and Chevron Philippines Inc.'s 13.9 percent. Shares of Petron did not move on Friday, ending the session at P5.10 apiece [http://www.businessmirror.com.ph/index.php?option=com\\_content&view=article&id=21521:petron-plans-to-open-300-more-service-stations-in-2010&catid=24:companies&Itemid=59](http://www.businessmirror.com.ph/index.php?option=com_content&view=article&id=21521:petron-plans-to-open-300-more-service-stations-in-2010&catid=24:companies&Itemid=59)

### **Contracted capacity of Ilijan natural gas-fired power plant to be bid out to one independent power producer**

Government Run Power Sector Assets and Liabilities Management Corp. (Psalm) has decided to bid out the contracted capacity of the National Power Corp. in the 1,200- megawatt (MW) Ilijan natural gas-fired power plant just as one contract. Psalm had earlier broached the idea of dividing the contracted capacities of the Ilijan natural gas-fired power plants in two. Conrad Tolentino, Psalm vice president for electricity trading and marketing, said although the Ilijan has two 600-MW units, the plant operator—Korea Electric Power Corp.—says it is still designed to operate as one plant. Psalm president Jose Ibazeta said his company is planning to bid out the contracted capacity of the 1,200-MW Ilijan natural-gas power plant separately to avoid market dominance because of the large contracted capacity of the plant. The final bidding strategy, however, will still depend on the feedback of the investor groups. “Whatever is viable for them and is comfortable to them, then that is what we will follow,” he said. Ibazeta reveals that the concept may be presented to the investor groups before the end of the month.

[http://www.businessmirror.com.ph/index.php?option=com\\_content&view=article&id=21559:contracted-capacity-of-ilijan-natural-gas-fired-power-plant-to-be-bid-out-to-one-independent-power-producer&catid=33:economy&Itemid=60](http://www.businessmirror.com.ph/index.php?option=com_content&view=article&id=21559:contracted-capacity-of-ilijan-natural-gas-fired-power-plant-to-be-bid-out-to-one-independent-power-producer&catid=33:economy&Itemid=60)

### **Meralco's cost recovery for suspended rate adjustment deferred to next year**

Any cost recovery proportionate to the temporarily-suspended P0.27 per kilowatt-hour rate hike of utility giant Manila Electric Company (Meralco) will be deferred to regulatory year 2011, the Energy Regulatory Commission (ERC) said. The utility firm moved for the voluntarily suspension of its PBR-based rate adjustment pending the resolution of a motion filed by one of the case's intervenors, Engineer Robert F. Mallilin. Juan noted that the fundamental concern raised by Mallilin rests on presumptions that the Meralco rate adjustment for industrial end-users can still be lowered. “We are carefully evaluating that – because given that if there is really a room to bring down industrial rates, it might be the residential end-users who may be unduly burdened with higher rates,” the ERC official stressed. While expected revenue flows will be partly affected, executives from the utility firm indicated that the capital expenditure program for projects they lined up for 2010 will still be pursued. ERC chairperson Zenaida G. Cruz-Ducut invited parties of record in the case to participate in the public hearing, as such would be an important exercise leading to the resolution of the questions raised. The ERC added that “a delay in the implementation of rates may result to under-recoveries,” yet it was specified that “under the rules for the implementation of the PBR, under-recoveries are allowed to be recovered in the succeeding regulatory years and subject to an interest or cost of money rate.” Juan though qualified that since Meralco moved for voluntary suspension of its PBR adjustment, it may not be allowed to impose interest charges for the deferred cost recoveries.

<http://www.mb.com.ph/articles/242177/meralco-s-cost-recovery-suspended-rate-adjustment-deferred-next-year>

### **DoE slates new geothermal bidding round**

The Department of Energy (DoE) is eyeing to award 10 more geothermal contracts under the Philippine Energy Contracting Round (PECR), including those under the so-called “frontier” or undeveloped areas. “We will have to complete our geothermal bid round. There are about 10 more contracts to be awarded,” Energy assistant secretary Mario Marasigan said.

He noted the department is scheduling the auction within the quarter, but the award of contracts will depend on the pace of the review of the submitted work programs.

Of the geothermal contracts due for award, he indicated that some are for conversion to re-align incentives with the Renewable Energy Act and the rest are for fresh pre-development works.

Apart from geothermal, the energy official indicated that “there are still plenty of investors interested in RE but some of them are waiting for the final pronouncements on (some policies) – feed-in-tariff is one, the RPS (renewable portfolio standard) and net metering.” Generally, these undiscovered sites have very limited information yet as to their potential yield, so the intent is to drum up interest for these largely-untapped prospects. For the other sites, the department said it shall evaluate which one falls under the category of “biddable areas” – to classify those that can be included in the contracting round.

<http://www.mb.com.ph/articles/242174/doe-slates-new-geothermal-bidding-round>

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### Trans-Asia to complete Guimaras wind-project study by end-2010

Trans-Asia Oil and Energy Development Corp., the energy arm of the Philippine Investment Management Inc. (Phinma), is looking at completing the feasibility study of the Guimaras wind-power project before the end of the year, Francisco Viray, Trans-Asia president and former energy secretary, told reporters Wednesday. Viray added the company is concluding the terms of reference for the bid for the construction of the project. "Of course, we are talking with possible partners and lenders, though it's premature to mention specific lenders, but these are both local and foreign lenders," Viray said. He added that they target to finish the study by the last quarter and then bid out the entire 54-megawatt (MW) project. Viray said they plan to do the wind-power project in Guimaras in phases. As part of its wind-power project, the company recently finished a pre-feasibility study for a wind-power facility in the San Lorenzo municipality in Guimaras Island, he said. Viray said they initially plan to put up an 8-MW wind farm in the said municipality due to constraints passed by power lines. At present, the power lines connecting the island of Guimaras and Panay can only carry a load of up to 5 megavolt-amperes. "We will use 3 MW in Guimaras and export the excess capacity to Panay Island," said the Trans-Asia official, adding that the said wind farm is scheduled for commissioning in 2012. Viray said they have also set up two measuring masts in Guimaras and another two in Cagayan Valley. Trans-Asia is also looking at probably setting up the fifth measuring mast in the Camarines area. Viray noted that they could also expand their planned 8-MW wind farm to 54-MW should the National Grid Corp. of the Philippines also uprate the power lines connecting Guimaras and Panay.

[http://www.businessmirror.com.ph/index.php?option=com\\_content&view=article&id=21413:trans-asia-to-complete-guimaras-wind-project-study-by-end-2010&catid=45:regions&Itemid=71](http://www.businessmirror.com.ph/index.php?option=com_content&view=article&id=21413:trans-asia-to-complete-guimaras-wind-project-study-by-end-2010&catid=45:regions&Itemid=71)

### Philippine Stock Exchange Weekly Top Gainers February 1 - 5, 2010

Last Trade Price, Comparative Price Change & Total Value

Rank	Stock	Last Traded Price (in P)	Comparative Price Change (%)		Total Value (in P'000)
			1 Week	4 Weeks	
1	Oriental Peninsula Resources Group, Inc.	1.5	100	66.67	152,685
2	Cityland Development Corporation	1.34	48.89	-12.99	13
3	Active Alliance, Inc.	9.9	23.75	4.21	179
4	IPVG Corporation	1.94	22.78	22.78	57,570
5	Abacus Consolidated Resources and Holdings, Inc.	1	19.05	16.28	23,049
6	Anglo Philippine Holdings Corporation	1.2	13.21		24
7	Seafront Resources Corporation	0.91	10.98	-9	9
8	Primex Corporation	3.05	10.91	-3.17	433
9	Unioil Resources & Holdings Company, Inc.	0.11	10	-8.33	11
10	PetroEnergy Resources Corporation	7.9	9.72	-1.25	1,294

### Philippine Stock Exchange Weekly Top Gainers February 1 - 5, 2010

PER, EPS & BPV

Rank	Stock	PER	EPS	BPV
1	Oriental Peninsula Resources Group, Inc.	-39.03	-0.04	1.29
2	Cityland Development Corporation	5.16	0.26	0.72
3	Active Alliance, Inc.	503	0.02	10.09
4	IPVG Corporation	-3.96	-0.49	1.59
5	Abacus Consolidated Resources and Holdings, Inc.	1.1	0.91	0.6
6	Anglo Philippine Holdings Corporation	-11.92	-0.1	1.21
7	Seafront Resources Corporation	101.45	0.01	0.98

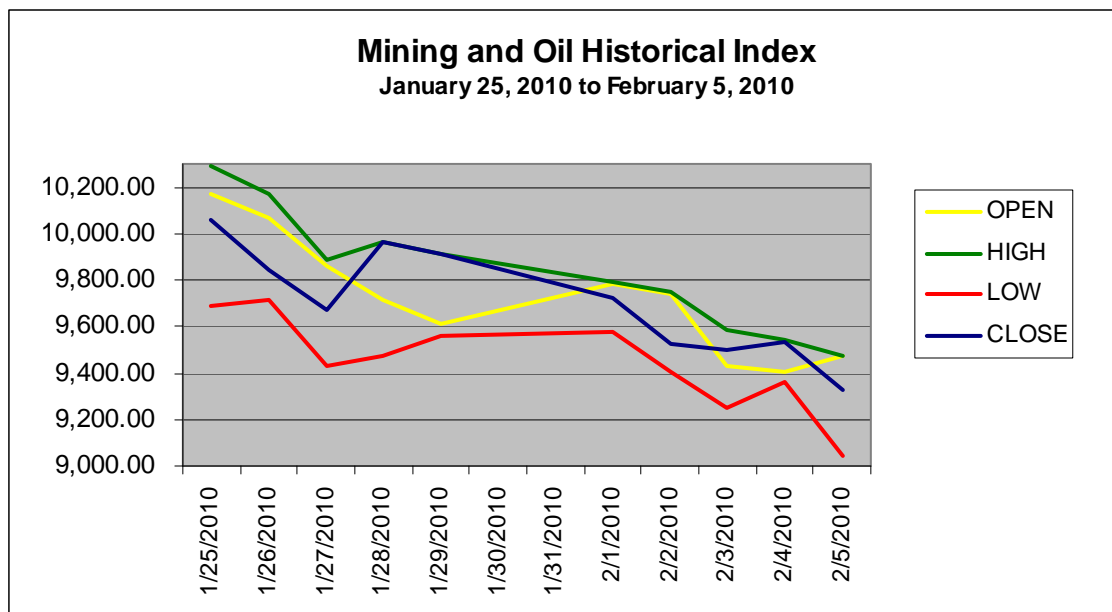
8	Primex Corporation	251.19	0.01	2.28
9	Unioil Resources & Holdings Company, Inc.	-274.47	-0.0004	-0.32
10	PetroEnergy Resources Corporation	13.16	0.6	1.08

Source: Philippine Stock Exchange, Weekly Market Watch,

### Philippine Stock Exchange Index Composition for Mining and Oil As of February 5, 2010

SECURITY NAME	PRICES	OUTSTANDING SHARES	FREE FLOAT LEVEL	FREE FLOA ADJUSTED MARKET CAPITALIZAT
APEX MINING COMPANY, INC. "A"	2.46	458,981,818	26.0 %	293,564,770
APEX MINING COMPANY, INC. "B"	2.50	295,731,885	28.0 %	207,012,310
ATLAS CONSOLIDATED MINING & DEVELOPMENT CORPORATION	10.00	1,048,931,882	43.0 %	4,510,407,090
GEOGRACE REOURCES PHILIPPINES, INC.	0.63	2,522,105,615	98.0 %	1,557,148,000
LEPANTO CONSOLIDATED MINING COMPANY "A"	0.245	19,721,947,347	85.0 %	4,107,095,530
LEPANTO CONSOLIDATED MINING COMPANY "B"	0.23	13,145,619,988	84.0 %	2,539,733,780
MANILA MINING CORPORATION "A"	0.023	107,433,136,003	62.0 %	1,531,996,510
MANILA MINING CORPORATION "B"	0.024	71,571,185,202	66.0 %	1,133,687,570
NiHao Mineral Resources International, Inc.	3.55	600,000,000	61.0 %	1,299,300,000
OMICO CORPORATION	0.0075	105,046,167,332	85.0 %	669,669,310
ORIENTAL PETROLEUM & MINERAL CORPORATION "A"	0.013	120,000,000,000	64.0 %	998,400,000
ORIENTAL PETROLEUM & MINERAL CORPORATION "B"	0.013	80,000,000,000	64.0 %	665,600,000
THE PHILODRILL CORPORATION	0.014	191,868,805,358	49.0 %	1,316,220,000
PHILEX MINING CORPORATION	13.25	4,901,499,961	52.0 %	33,771,334,730

Source: Philippine Stock Exchange, PSE Composite and Sectoral Indices



Source: Philippine Stock Exchange, PSE Composite and Sectoral Indices

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