



Manabat Sanagustin & Co., CPAs

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## Energy

February 24, 2010 to March 9, 2010



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.

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### **Napocor may stop selling power via WESM**

The Department of Energy plans to relieve state-run National Power Corp. and Power Sector Assets and Liabilities Management Corp. of their obligations to supply power to the wholesale electricity spot market as default wholesale suppliers (DWS). In a draft circular, the DOE said Napocor and PSALM, as the DWS, could no longer provide adequate electricity supply to WESM customers following the sale and privatization of 81.3 percent of the state-owned power plants and 43.75 percent of their independent power producer contracts. A DWS refers to the entity that provides electricity supply to cover the demand of customers that are not direct participants of the WESM. All distribution utilities and electric cooperatives in Luzon are currently mandated to get at least 10 percent of their electricity requirements from the WESM. Francis Saturnino Juan, executive director of the Energy Regulatory Commission, admitted that without the DWS arrangement, "these DUs will have no other source of electricity, so they will have to be disconnected from the system."  
[http://archive.inquirer.net/view.php?db=1&story\\_id=260258](http://archive.inquirer.net/view.php?db=1&story_id=260258)

### **PSALM starts bidding process for BacMan geothermal power plant**

Government run Power Sector Assets and Liabilities Management Corp. (PSALM) has started the bid process for the Bacon-Manito (BacMan) geothermal power plants. In its invitation to bid, PSALM said it will bid the BacMan geothermal power plants consisting of the 100-megawatt (MW) BacMan I Geothermal Power Plant in Manito, Albay, and the 40-MW BacMan II Geothermal Power Plants (Cawayan and Botong) in Sorsogon City, Sorsogon. PSALM said the asset is being disposed of on an "as is, where is" basis. PSALM said it will require interested parties to submit a letter of interest stating the full name, address, telephone and fax numbers of the interested party, name of the principal contact and signed by an authorized representative. As a prerequisite to the receipt of the bidding package, PSALM said the interested parties will execute a confidentiality agreement and an undertaking pursuant to Section 78 of Republic Act 9136, both in the forms provided by PSALM, and pay a nonrefundable fee in the amount of \$2,000.  
[http://www.businessmirror.com.ph/index.php?option=com\\_content&view=article&catid=33%3Aeconomy&id=23136%3Apsalm-starts-bidding-process-for-bacman-geothermal-power-plant&Itemid=60](http://www.businessmirror.com.ph/index.php?option=com_content&view=article&catid=33%3Aeconomy&id=23136%3Apsalm-starts-bidding-process-for-bacman-geothermal-power-plant&Itemid=60)

### **SMC set to take control of Petron**

Diversifying conglomerate San Miguel Corp. said it plans to exercise its option within the year to buy a majority stake in Petron Corp., the country's biggest oil refiner and retailer, according to a top company official. The tender offer rule is meant to protect minority shareholders by giving them the opportunity to sell their shares at the same price that a new investor is offering for a significant block. In the Philippine Stock Exchange, the tender offer rule is triggered if the purchase exceeds 35 percent of a company's total shares. San Miguel stands to get

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control of Petron once it exercises its option to buy a unit of British fund Ashmore that owns the controlling stake in Petron. It has until December this year to exercise the option.

Under this option, Dutch holding firm Sea Refinery Holdings BV (SEA BV) of the Ashmore Group has granted San Miguel the right to acquire from it up to 100 percent in a local subsidiary called SEA Refinery Corp. (SRC). SEA Refinery currently owns 50.1 percent of Petron. This includes the 40-percent stake it purchased from Philippine National Oil Co. for P25.7 billion, or P6.85 a share, and a 10-percent stake transferred to SRC by SEA BV.

The possibility of SMC exercising its option to buy a majority stake caused shares of Petron to go up 7.1 percent to P6.10 apiece, its highest since October 2008.

[http://archive.inquirer.net/view.php?db=1&story\\_id=259462](http://archive.inquirer.net/view.php?db=1&story_id=259462)

### **PSALM to raise P30B from retail bond offer**

The state-owned Power Sector Assets and Liabilities Management Corp. (PSALM) is finalizing a retail bond offering of at least P30 billion slated for April, taking advantage of the cash-rich domestic financial system. The proposed offering can be upsized to P50 billion in case of strong demand. The proposed issuance is only awaiting the signature of Energy Secretary Angelo Reyes before it is forwarded for final approval to the Bangko Sentral ng Pilipinas' Monetary Board. The offering was earlier approved in principle by the central bank. Banking sources said the PSALM bonds, which will have a maturity of five years and seven years, can be issued in one tranche given that the domestic financial system is awash with cash. The offering will be arranged by HSBC, state-owned Development Bank of the Philippines and First Metro Investment Corp. and can be launched by mid-April. The proceeds are intended for working capital and debt payments of National Power Corp.

[http://archive.inquirer.net/view.php?db=1&story\\_id=260097](http://archive.inquirer.net/view.php?db=1&story_id=260097)

### **SBMA seeks investors for wind energy facilities**

In line with efforts of the national government to tap renewable energy sources in the locality, the Subic Bay Metropolitan Authority (SBMA) is now encouraging investors to build wind-turbine facilities in this free port. SBMA Chairman Feliciano Salonga said representatives of a China-based company met with him last week and expressed interest in a wind farm project here. "This is a positive development which could only prove to be beneficial to the Subic community ultimately," he added. "Hopefully, we could develop Subic's Redondo Peninsula as a source of alternative and renewable energy that we can even feed to the Luzon energy supply grid," he said. Redondo, which is the location of the shipbuilding facility operated by South Korean company Hanjin Heavy Industries Corp.-Philippines, is composed of a chain of mountains that branch off from the backbone of the Zambales mountain ranges. It faces the South China Sea and, hence, is expected to provide a good wind harvest. "The wind blows over the peninsula all year round, and because the Subic Freeport has its own power generating system, it will be easy to connect the wind power system to the grid," Salonga explained.

<http://www.mb.com.ph/articles/248806/sbma-seeks-investors-wind-energy-facilities>

### **Global Power still favors Visayas for further plant capacity expansion**

Before any planned investment incursion in the widely-perceived 'juicier' power market of Luzon would be concretized, Global Business Power Corporation is evidently giving Visayas grid a preference at this point as far as capacity expansion is concerned. Global Power President Jesus N. Alcorido noted the opportunities for capacity shoring-up that the company can still consider in the grid, stressing that "Visayas will continue to have a growing need for power, and we are committed to provide the region with the generating capacity to support its economy." Company executives indicated studies currently being undertaken for "further investments in power generation in the Visayas region after it completes its projects for the year. Global Power is the spearheading group in the Cebu Energy Development Corporation (CEDC) consortium, which also counts Aboitiz Power Corporation, Vivant Energy Corporation, and Formosa Heavy Industries Corporation as partners in the Toledo power project. While the completion of Visayas projects will initially put the area into safe zone as far as power supply is concerned, the long-term case bids for more power projects, especially greenfield capacity to ensure the area's reliable and sustainable supply. Based on industry estimates, the CNP grid will be in need of additional capacity starting 2017; even after the completion of the 200-MW coal-fired portfolio that will be brought in by project developers Korea Electric Power Corporation-SPC Power Corporation.

<http://www.mb.com.ph/articles/248790/global-power-still-favors-visayas-further-plant-capacity-expansion>

### **Indigenous group to manage Binga area**

A multi-party agreement has formally permitted the proximate indigenous community at the 100-megawatt Binga power plant in Itogon, Benguet to manage some areas around the facility's site, hence, manifesting the worth given to host communities as co-stakeholders in power project developments. "The indigenous community of Barangay Tinongdan in Itogon, Benguet can now formally manage certain areas near the Binga power plant," project owner and operator SN Aboitiz Power (SNAP)-Benguet has noted in a press statement. Key signatories to the multi-party pact bestowing such privilege to the community are Benguet Governor Nestor B. Fongwan, SNAP chief executive officer Emmanuel V. Rubio and Director Amador P. Batay-an of the National Commission

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on Indigenous Peoples-Cordillera Region.

They were joined by other local officials as well as representatives from the state-run National Power Corporation and Power Sector Assets and Liabilities Management Corporation.  
<http://www.mb.com.ph/articles/248648/indigenous-group-manage-binga-area>

### TeaM Energy, Philex ink power supply agreement

Power producer TeaM Energy Corp. and Philex Mining Corp. have entered into a supply agreement for the provision of electricity to the latter's mining operations in Tuba, Benguet.

"We look forward to a fruitful and lasting relationship with our new business partner Philex. It is our honor to be able to provide them reliable and cost-efficient energy to power their operations," said Federico Puno, TeaM Energy president. He added the one-year agreement will be for the supply of the latter's peak demand of 36 megawatts (MW). His firm used to co-supply electricity to Philex with the National Power Corp. (Napocor) until December 25, 2009. Philex mines gold and copper which it then exports to Japan. Puno said the power that will be supplied to Philex will be sourced from TeaM Energy's 1.218-MW coal-fired facility in Sual, Pangasinan. Puno said large industrial users stand to benefit from bilateral energy supply agreements with the company because this will give large firms the opportunity to reduce business cost, as he pointed out that electric utility cost usually account for a significant portion of total business expense. Puno also reported they have inked supply agreements with the Benguet Electric Cooperative for 15 years and La Union Electric Cooperative for 10 years, for a combined 130 MW from the 200-MW excess capacity of the Sual plant.

[http://www.businessmirror.com.ph/index.php?option=com\\_content&view=article&catid=24%3Acompanies&id=23289%3Ateam-energy-philex-ink-power-supply-agreement&Itemid=59](http://www.businessmirror.com.ph/index.php?option=com_content&view=article&catid=24%3Acompanies&id=23289%3Ateam-energy-philex-ink-power-supply-agreement&Itemid=59)

### Philippine Stock Exchange Weekly Top Gainers

March 10 - 23, 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	
	Active Alliance, Inc	7.60	49.02	-15.56	8
2	Prime Media Holdings, Inc.	2.00	23.46	11.11	40
3	Mabuhay Vinyl Corporation	1.20	20.00	25.00	82
4	Suntrust Home Developers, Inc.	0.54	14.89	20.00	29,426
5	RFM Corporation	0.62	14.81	14.81	16,166
6	Alcorn Gold Resources Corporation	0.0080	14.29	14.29	200
7	JTH Davies Holdings, Inc.	1.54	13.24	10.00	7,730
8	Leisure & Resorts World Corporation	1.70	11.84	19.72	15,221
9	Manchester International Holdings Unlimited Corporation	1.20	11.11	-29.41	12
10	Cityland Development Corporation	1.42	9.23	9.23	9

### Philippine Stock Exchange Weekly Top Gainers

March 10 - 23, 2010

PER, EPS & BPV

Rank	Stock	PER	EPS	PBV
1	Active Alliance, Inc	386.26	0.02	7.75
2	Prime Media Holdings, Inc.	-65.48	-0.03	-0.91
3	Mabuhay Vinyl Corporation	9.84	0.12	0.71
4	Suntrust Home Developers, Inc.	-19.12	-0.03	11.49
5	RFM Corporation	5.38	0.12	0.39

6	Alcorn Gold Resources Corporation	13.85	0.001	0.70
7	JTH Davies Holdings, Inc.	296.40	0.01	2.67
8	Leisure & Resorts World Corporation	9.11	0.19	1.04
9	Manchester International Holdings Unlimited Corporation	3.40	0.35	0.58
10	Cityland Development Corporation	5.46	0.26	0.76

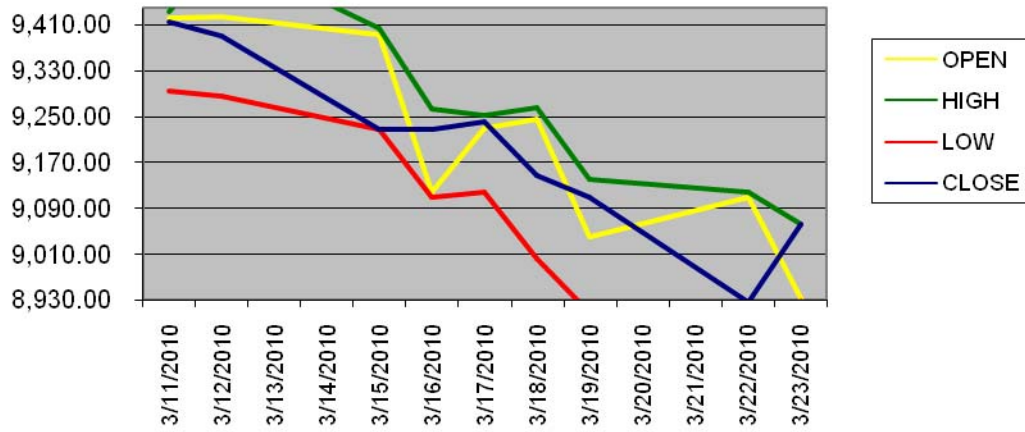
Source: Philippine Stock Exchange, Weekly Market Watch,

### Philippine Stock Exchange Index Composition for Mining and Oil As of TUE MAR 23, 2010 12:10:00 PM

SECURITY NAME	PRICES	OUTSTANDING SHARES	FREE FLOAT LEVEL	FREE FLOA ADJUSTED MARKET CAPITALIZAT
APEX MINING COMPANY, INC. "A"	2.40	458,981,818	26.0 %	286,404,65
APEX MINING COMPANY, INC. "B"	2.42	295,731,885	28.0 %	200,387,92
ATLAS CONSOLIDATED MINING & DEVELOPMENT CORPORATION	9.90	1,048,931,882	43.0 %	4,465,303,02
GEOGRACE REOURCES PHILIPPINES, INC.	0.70	2,522,105,615	98.0 %	1,730,164,45
LEPANTO CONSOLIDATED MINING COMPANY "A"	0.215	19,721,947,347	85.0 %	3,604,185,87
LEPANTO CONSOLIDATED MINING COMPANY "B"	0.22	13,145,619,988	84.0 %	2,429,310,57
MANILA MINING CORPORATION "A"	0.019	120,862,277,583	62.0 %	1,423,757,62
MANILA MINING CORPORATION "B"	0.019	80,517,583,773	66.0 %	1,009,690,50
NiHao Mineral Resources International, Inc.	4.05	600,000,000	61.0 %	1,482,300,00
OMICO CORPORATION	0.0075	105,046,167,332	85.0 %	669,669,31
ORIENTAL PETROLEUM & MINERAL CORPORATION "A"	0.013	120,000,000,000	64.0 %	998,400,00
ORIENTAL PETROLEUM & MINERAL CORPORATION "B"	0.013	80,000,000,000	64.0 %	665,600,00
THE PHILODRILL CORPORATION	0.013	191,868,805,358	49.0 %	1,222,204,29
PHILEX MINING CORPORATION	13.00	4,909,245,313	52.0 %	33,186,498,31

Source: Philippine Stock Exchange, PSE Composite and Sectoral Indices

### Mining and Oil Historical Index March 10 to March 23, 2010



Source: Philippine Stock Exchange, PSE Composite and Sectoral Indices

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