



National Association of Electricity Consumers for Reforms
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MR. JOSE C. IBAZETA
President & CEO, PSALM
7th Floor Bankmer Building
Ayala Avenue, Makati City

Dear President Ibazeta,

Greetings!

This pertains to the news report dated 04 March 2009 in Business World entitled, "*Calaca plant negotiated sale draws interest*", where PSALM was reported to have announced last month a negotiated sale for the said plant after the winning bidder, Emerald Energy Corporation, had decided to terminate its purchase of the asset in the amount of US\$ 787-million due to the deterioration of the power plant since its auction in October 2007 to the end of 2008. (copy attached)

The decision of Emerald Energy Corporation to terminate its purchase of the Calaca plant based on the reason it cited is very disturbing as it presupposes PSALM's negligence in the maintenance of the said plant which naturally would unnecessarily lead to a lower value of the plant. This is contrary to the objective of NPC's privatization which is to optimize the privatization value of NPC's generation assets not to mention the setback the sale termination created in the implementation of open access and retail competition.

Consistently, PSALM's announcement of a negotiated sale for Calaca plant gives the clear picture that the government can not expect anymore the US\$ 787-million it was able to price through the bidding.

In this regard, may we respectfully request for copy of Emerald Energy Corporation's letter dated January 23, 2009 manifesting its termination of its purchase of Calaca and PSALM's reply to the said letter? Further, may we request for copy of the basis of a negotiated sale in the privatization of NPC generation assets?

These requests are anchored on the fact that it is through the consumer power rate payments that all the liabilities of NPC are settled with.

We hope these two (2) requests will merit your immediate and mot favorable response.

More power and God bless.

Very truly yours,

PETE L. ILAGAN

President

cc: Hon. Gregorio B. Honasan, Senator and Co-Chair of JCPC
Hon. Mikey M. Arroyo, Representative and Co-Chair of JCPC

The Economy

BY AVA KASHIMA K. AUSTRIA, *Reporter*

Calaca plant negotiated sale draws interest

THE STATE power privatization arm said four parties have expressed interest in the negotiated sale of the 600-megawatt Calaca coal-fired plant.

POWER SECTOR Assets and Liabilities Management Corporation President Jose C. Ibazeta said four parties wrote to inquire on the 600-megawatt Calaca coal-fired plant shortly after his office's announcement last month of a negotiated sale. — *BW file photo*

Power Sector Assets and Liabilities Management Corporation (PSALM) Pres. Jose C. Ibazeta said in a recent interview that the four parties wrote to inquire on the asset shortly after his office's announcement last month of a negotiated sale for the plant.

There are four investors [that expressed interest for the plant]," Mr. Ibazeta said at the sidelines of a Joint Congressional Power Commission last Monday.

He refused to disclose their identities.

PSALM announced last January that winning bidder of the Calaca plant, Emerald Energy Corp. (formerly Calaca Holdco, Inc.), a subsidiary of French utility Suez International, had decided to terminate its purchase of the asset due to the deterioration of the power plant since its auction in Oct. 2007.

Emerald Energy had written a letter to PSALM, dated Jan. 23, wherein it cited deterioration of the condition of the Calaca plant which it observed from the auction in October 2007 to the end of 2008.

Emerald Energy won the public bidding for the Calaca coal plant in 2007 with a bid of \$ 787 million. It had already paid \$14 million as a bond.

The government first sought to auction off the plant on May 18, 2004, but the bidding was declared a failure after two of the three qualified bidders backed out.

The lack of investor interest was blamed on the lack of a transmission supply contract which would assure the winning bidder a ready market for its electricity output.

PSALM attempted to sell Calaca for the second time on April 27, 2006, but the auction again failed because the two bidders — DMCI Holdings Inc. and First Gen Luzon Power Corp. — tendered offers below the government's reserve price of \$288 million.

DMCI STILL INTERESTED

DMCI Chief Finance Officer Herbert M. Consunji said that his group is still interested in the asset.

"We are very much interested in the plant," Mr. Consunji said in a phone interview yesterday.

He said that they will still have to conduct due diligence to determine a suitable price for the plant now.

"So much has changed, so we have to evaluate again; although it will not be as hard for us since we already knew how the plant works," Mr. Consunji said.

First Gen Vice-President for Business Development Ernesto B. Pantangco did not disclose First Gen's intention, if they are still interested in the plant.

"As far as First Gen is concerned, new emphasis is clean energy with lowest carbon footprint," Mr. Pantangco said in a mobile "text" message yesterday.

The Calaca facility is located in Barangay San Rafael in Calaca, Batangas.

It has two 300-MW generating units which were commissioned separately on Sept. 11, 1984 and July 15, 1995.

Both units are designed for plant redundancy, which means that one can undergo maintenance without affecting the other's output.

The sale of the plant is targeted within the year and will put back the privatization level above the target of 70%, after its aborted sale last January made the privatization level slump back to 53%.

In an interview on Monday, Mr. Pantangco said that he is concerned that the privatization program of the government may be hampered since power sector investors are finding it difficult to obtain loans to go into power projects.

Privatizing at least 70% of Napocor's generating assets is mandated by Republic Act 9136 or the Electric Power Industry Reform Act of 2001 in an effort of the government to have retail power competition in the power industry.