

**United States Energy Association
Philippine Energy Partnership Program (PEPP)
Cooperative Agreement (492-A-0098-00033-00)
First Quarterly Report
October 1, 2000 through December 31, 2000**

I. INTRODUCTION

The United States Energy Association (USEA) and the United States Agency for International Development (USAID)/Philippines signed a Cooperative Agreement Award No. (492-A-0098-00033-00) on August 11, 1998. In accordance with the cooperative agreement, USEA will submit a brief quarterly program report to the Office of Environment and Management, USAID/Philippines for the period beginning October 1, 2000 and ending December 31, 2000.

II. GOALS AND OBJECTIVES

While it is not specifically described in the PEPP cooperative agreement, USAID/Philippines has provided funding for USEA to assist USAID/Philippines in accomplishing its **Strategic Support Objective 5: Reduced Emissions of Greenhouse Gases** in the Philippines. In particular, PEPP will assist the Philippines to (1) avoid, reduce, and mitigate the climate changing impacts of its energy sector activities and (2) improve the operational efficiency and increased financial viability of its utilities.

A. GOAL OF PEPP

The goal of PEPP is to assist the **Philippines Energy Regulatory Board (ERB) and electric utilities/cooperatives with policy and regulatory reform, with power sector restructuring, and with fulfilling their responsibility to provide sustainable and environmentally sound energy production and use for the nation.**

PEPP encourages the employment of private sector, market-oriented approaches in order to improve the planning, management, financing, and environmental improvement in the power sectors of the Philippines.

Central to PEPP is the peer-to-peer sharing of real experiences in the day-to-day planning, operation, and management of utilities and regulatory agencies. These exchanges occur between the senior executives and managers who are responsible for the making the major

decisions necessary to reform and improve their companies and agencies.

B. OBJECTIVES OF PEPP

Through the establishment of long-term partnerships between U.S. and developing Philippine utilities and regulatory agencies, PEPP will help achieve the following objectives:

- To help in the transformation of regulatory bodies and electric utilities in the Philippines into autonomous, commercially oriented, and efficient entities;
- To help assure the sustainable and environmentally sound supply, use, and regulation of electric power;
- To help the Philippines power sector avoid, mitigate, and sequester greenhouse gas emissions; and
- To assist in the development of U.S. investments and joint ventures in the Philippine power sector.

III. MAJOR PEPP ACTIVITIES DURING THE LAST QUARTER

Major activities conducted during the last quarter are summarized below:

A. UTILITY PARTNERSHIPS

1. ILIGAN LIGHT AND POWER INC. (ILPI) AND PENINSULA LIGHT COMPANY (PLC)

Activities:

- a. ILPI executive exchange visit to PLC

On October 1-7, a delegation from Iligan Light and Power Inc. (ILPI) traveled to Gig Harbor, Washington for their first exchange visit with Peninsula Light Company (PLC). The members of the ILPI delegation were Hermes D. Herbolingo (MIS Manager), Engr. George U. Alburo (Operations Supervisor), Danilo C. Bagtasos (Construction Supervisor), Engr. Ricardo G. Gumalal (MIS Supervisor) and Engr. Fredelito S. Jabagat (Planning and Design Supervisor), and Efren C. Jungoy (Purchasing Engineer). The exchange involved one-on-one job shadowing between the ILPI delegates and their counterparts from PLC. The discussions of this visit focused on hot-line

maintenance, distribution system practices, and system automation. The substantive observations of ILPI from this visit were in the areas of Supervisory Control Data & Acquisition (SCADA), advanced techniques for hot-line maintenance, and automated meter-reading. For its part, PLC was impressed with ILPI's mapping system, which has capabilities not found in PLC system. Developed in-house, this system features automatic computation of transformer loads, and determination of proper transformer ratings to be installed in a particular area defined in the map.

The partners agreed to further collaborate on hot-line maintenance issues, and discussed the possibility of training ILPI lineman on hot-line maintenance. The two companies also made an arrangement whereby ILPI would purchase equipment, such as SCADA relays, through PLC at a lower total cost than that which is available in the Philippines.

The ILPI-PLC partnership – which began with this exchange visit -- will conclude in August of 2001. Prior to this, ILPI was involved in another USEA-sponsored 1-year partnership with the Sacramento Municipal Utility District, which concluded in August of 2000.

Results:

- IR: Increased Energy Efficiency
- Result: Improved Decision-Making and Management by Host-Country Institutions through implementation of improved planning and monitoring mechanisms
- Indicator: Number of host-country institutions adopting improved operating policies, practices or technologies
- Unit of Measure: Number of electric utilities, government agencies, businesses
- Total: 1

- IR: Capacity Building
- Result: Increased understanding of SCADA system for future installation
- Indicator: Energy planning software used as a decision making tool.
- Unit of Measure: Number of tools implemented.
- Total: Pending

- IR: Increased Energy Efficiency
- Result: Decrease in line outages due through acquisition of hot-line maintenance procedures
- Indicator: Number of host-country institutions adopting improved operating policies, practices or technologies
- Unit of Measure: Number of electric utilities, government agencies, businesses
- Total: 1

Next Steps:

1. ILPI will host a delegation from PLC for an executive exchange in Iligan City, Philippines in February of 2001. The exchange will focus on:

- a. Distribution system practices
- b. SCADA system utilization
- c. Line-loss reductions
- d. Automated Meter-Reading
- e. Mapping Systems and GIS

2. VISAYAN ELECTRIC COMPANY (VECO) AND PORTLAND GENERAL ELECTRIC (PGE)

Activities

There were no activities for the VECO-PGE partnership in this quarter. The next exchange visit is scheduled for January of 2001, when PGE visits VECO.

3. DAVAO LIGHT AND POWER COMPANY (DLPC) AND AMERICAN ELECTRIC POWER (AEP)

Activities

There were no activities for the DLPC-AEP partnerships in this quarter. The next exchange visit is scheduled for February of 2001, when AEP visits DLPC.

B. REGULATORY PARTNERSHIPS

1. ENERGY REGULATORY BOARD OF THE PHILIPPINES (ERB), NEW MEXICO PUBLIC SERVICES COMMISSION, AND MINNESOTA PUBLIC UTILITIES COMMISSION

Activities

There were no activities for the ERB-NMPSC/MPUC partnership in this quarter. The next exchange visit is scheduled for February of 2001 to ERB in Manila.

i. **FUTURE ACTIVITIES TIME TABLE**

January 2001

PGE exchange visit to VECO, Cebu City, Philippines

February 2001

AEP exchange visit to DLPC, Davao City, Philippines

PLC exchange visit to ILPI, Iligan City, Philippines

NMPSC/MPUC exchange visit to ERB, Manila, Philippines

May 2001

DLPC exchange visit to AEP, Columbus, Ohio

ILPI exchange visit to PLC, Gig Harbor, Washington

July 2001

AEP exchange visit to DLPC, Davao City, Philippines

PLC exchange visit to ILPI, Iligan City, Philippines

V. OTHER USEA ACTIVITIES APPLICABLE TO THE PHILIPPINES

A. HANDBOOK ON CLIMATE CHANGE MITIGATION OPTIONS

With assistance from U.S. utilities and regulatory agencies, USEA and ERI, Inc. published the *Handbook on Climate Change Mitigation Options for Developing Country Utilities and Regulatory Agencies*. It is a hands-on, practical guide of climate change mitigation options for consideration by senior executives in developing country utilities and regulatory agencies.

USEA has widely distributed and promoted the Handbook, and is currently working on a 2nd edition.

Summary

Description: Final Version of the *Handbook on Climate Change Mitigation Options for Developing Country Utilities and Regulatory Agencies* to be distributed by USEA.

Objective: To assist developing country utilities and regulatory agencies to understand various options for mitigating GHG emissions and to assist U.S. companies identify possible mitigation projects for implementation overseas.

Result: Increased awareness of options for mitigating GHG emissions in developing countries and the U.S.

B. INTERNATIONAL CLIMATE CHANGE PROJECT FUND

1. Fund Objective

The objective of this activity is to provide funding support to U.S. investor-owned utilities, their subsidiaries, and other investor-owned energy companies that are seeking to assess and implement specific projects in USAID-assisted countries to avoid, reduce, and mitigate the climate changing impacts of GHG emissions. By employing an existing and well-proven funding support mechanism, USEA would provide funding support for up to 10 pre-investment analyses with an average contribution from the Fund of \$100,000 per analysis. It is anticipated that many of these projects would qualify as Joint Implementation/CDM projects or for emissions trading activities, as set forth in the United Nations Framework Convention on Climate Change.

The selected projects would be suitable for follow-on funding from private sector financial institutions, export credit agencies and/or multilateral development institutions -- including such sources as the World Bank (including the Global Environmental Facility, International Finance Corporation, InterAmerican Development Bank, and African Development Bank), U.S. Export-Import Bank, Overseas Private Investment Corporation, Asian Development Bank, and other multilateral financial institutions.

2. Fund Administration

USEA has partnered with the IUEP program, which is affiliated with the Edison Electric Institute (EEI), to administer this activity. IUEP was one of five initiatives developed by EEI for the Climate Challenge program -- a joint effort between the electricity industry and the U.S. Government to support the Clinton Administration's *Climate Change Action Plan* for reducing U.S. GHG emissions. IUEP was established to be a vehicle to provide funding support for projects that avoid, reduce, mitigate or avoid GHG emissions.

Since its incorporation in 1996, IUEP has established a program to solicit, evaluate, and fund proposals from U.S. utilities and energy companies interested in developing and implementing international projects that avoid, reduce, or mitigate GHG emissions in a credible, creative, and cost-effective manner. Through February 28, 1998, IUEP has supported pre-investment analyses for 10 projects that could result in potential offset reductions of 70 million metric tons of CO₂. To date, three of these projects have received official U.S. Government certification as under the U.S. Initiative on Joint Implementation, and four more projects are currently under consideration for certification.

IUEP has provided a commitment letter to USEA expressing their willingness to administer this activity.

3. Eligible Climate Change Mitigation Activities

USEA and IUEP plan to support a wide variety of climate change mitigation projects. Eligible activities could include the following:

- Fuel System Actions
- Conventional Power Generation System Actions
- Transmission System Actions
- Distribution System Actions
- End Use Energy Efficiency & Demand-side Management Actions
- Renewable Energy Actions
- Offset Actions and Emissions Trading Actions

Summary

Date/Location: Throughout FY 2000; U.S.

Description: Through IUEP, Inc., USEA will establish this Fund to support projects in developing countries to avoid, mitigate or reduce GHG emissions.

Objective: IR 3.3 Increased production & use of cleaner energy

Result: Indicator.1 GHG emissions avoided catalyzed by projects supported by the EPP2 Fund