

**United States Energy Association
Philippine Energy Partnership Program (PEPP)
Cooperative Agreement (492-A-0098-00033-00)
Second Quarterly Report
January 1, 2001 through March 31, 2001**

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 January 1, 2001 and ending March 31, 2001.

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. PLC executive exchange visit to ILPI

On February 12-17, a delegation from Peninsula Light Company (PLC) traveled to Iligan City, Philippines for an exchange visit with Iligan Light and Power Inc. (ILPI). The members of the PLC delegation were Jay Coffey, John Barnett, Margaret Kirk, James Nygard, Daniel Winchester, and John Lugo. The discussions of this visit focused on system automation, distribution practices, and hot-line maintenance. Coffey, Barnett, Kirk, and Nygard delivered presentations on PLC's distribution practices and standards, GIS mapping and other applications, and the pros and cons of installing an automated meter-reading system. Winchester and Lugo, two of PLC's most

experienced linemen, engaged in a hot-line maintenance training program for their ILPI counterparts. This will allow ILPI to perform maintenance on their lines without taking them out of service. Winchester and Lugo were impressed with how quickly their Philippine counterparts acquired these advanced skills.

The ILPI-PLC partnership will conclude in August of 2001.

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. PLC will host a delegation from ILPI for an executive exchange in Gig Harbor, Washington in May of 2001.

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

Activities

a. AEP executive exchange to DLPC

On February 5-9, 2001, a delegation from American Electric Power (AEP) traveled to Davao City, Philippines for an exchange visit with Davao Light and Power Company (DLPC). The members of the delegation were Derek Lewellen (Manager of International Support-Distribution), Steven Guinty (Manager-Station Design Standards), Rick Gurley (Manager-Station Maintenance), and Kevin Lemasters (Principle Engineer-Distribution Standards/Work Management). The topics of the visit included design standards of overhead and underground distribution lines, and design and maintenance of substations.

For it's part, the AEP delegation was impressed with DLPC's reduction of their transmission line losses, and anticipate that the information they shared will help DLPC reduce the losses further. DLPC announced that one of lessons learned from a previous visit to AEP, regarding the advantages of distribution analysis software, had prompted them to purchase distribution system analysis software of their own, though not from the same vendor, DLPC hopes to incorporate this process into its operation in order to make their distribution system more efficient.

The next exchange visit is scheduled for May of 2001, when DLPC will travel to Columbus, Ohio to visit AEP. The DLPC-AEP Partnership, which began in October of 1999, will conclude in August of this year.

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

Next Steps:

AEP will host a delegation from DLPC in Columbus, Ohio in May of 2001.

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

Update

In the last quarter, Portland General Electric (PGE) was sold to Sierra Pacific Resources of Reno, Nevada. As a part of this process, PGE is undergoing major organizational and personnel changes. As a result, their partnership with Visayan Electric Company (VECO) became untenable. Because most of the key issues selected by VECO in the Workplan were addressed, USEA decided to conclude the PGE-VECO partnership. There will no longer be any USEA-sponsored exchange activities between the two utilities.

B. REGULATORY PARTNERSHIPS

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

Activities

The Energy Regulatory Board of the Philippines (ERB) was scheduled to host delegations from both the New Mexico Public Services Commission (NMPSC) and the Minnesota Public Utilities Commission (MPUC) for an exchange visit in February of 2001. Recent political events in the Philippines, caused a period of uncertainty for the ERB in terms of their membership, their mission, and their responsibilities. However, USEA will schedule up to two more executive exchanges for the partnership and will invite US regulatory commissions from states that have undergone or are actively proceeding with restructuring.

IV. FUTURE ACTIVITIES TIME TABLE

May 2001

DLPC exchange visit to AEP, Columbus, Ohio

ILPI exchange visit to PLC, Gig Harbor, Washington

Renewable Energy & Rural Electrification Workshops, Manila and Cebu City, Philippines

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