

# Goldman now figures four Fed hikes, sees faster runoff in 2022

THE FEDERAL Reserve will likely raise interest rates four times this year and will start its balance sheet runoff process in July, if not earlier, according to Goldman Sachs Group, Inc.

Rapid progress in the US labor market and hawkish signals in minutes from the Dec. 14-15 Federal Open Market Committee suggest faster normalization, Goldman's Jan Hatzius said in a research note.

"We are therefore pulling forward our runoff forecast from December to July, with risks tilted to the even earlier side," Mr. Hatzius said. "With inflation probably still far above target at that point, we no longer think

that the start to runoff will substitute for a quarterly rate hike. We continue to see hikes in March, June, and September, and have now added a hike in December."

In its December meeting minutes, Fed officials signaled they are preparing to move quicker than the last time they tightened monetary policy in a bid to keep the US economy from overheating amid high inflation and near-full employment. These conditions — along with a larger balance sheet that's suppressing longer-term borrowing costs — "could warrant a potentially faster pace of policy rate normalization," the minutes said.

Officials also saw the timing of reducing the \$8.8-trillion balance sheet as likely "closer to that of policy-rate liftoff than in the committee's previous experience," according to the minutes.

The US unemployment rate fell below 4% and wages jumped last month, adding to evidence of a tight labor market.

Goldman's forecast for the terminal funds rate in unchanged at 2.5%-2.75%.

"Even with four hikes, our path for the funds rate is only modestly above market pricing for 2022, but the gap grows significantly in subsequent years," Mr. Hatzius wrote. — **Bloomberg**

# Surging competition forces Asia plastics makers to stifle output

SOME of Asia's biggest producers of the building blocks used to make plastic are cutting processing rates after a robust expansion of capacity last year led to rising feedstock costs and weakening profit margins.

Output has surged, while oil-based naphtha has become more expensive due to increased demand and the rising cost of crude. That's combined to drive profits from converting naphtha to ethylene to the lowest since July. Ethylene cracker operators including Taiwan's Formosa Petrochemical Corp. and South Korea's LG Chem Ltd. responded by trimming processing, said traders and an analyst.

"We expect cracker margins to remain fairly weak through January as downstream demand, especially in China, will be muted with the Lunar New Year approaching," said Jeslyn Chua, a lead analyst at industry consultant FGE. "Ethylene supply in Asia has increased due to capacity additions."

Asia's total steam cracking capacity rose by about 20% in 2021, according to FGE, with LG Chem among processors expanding operations. Rising naphtha costs have

also prompted some companies to seek liquefied natural gas as a substitute feedstock. LPG is typically used more frequently outside of the winter months, when heating demand eases.

South Korea's Hanwha Total bought LPG cargoes for January and February delivery for cracking, FGE's Chua said. A trader confirmed the purchases. A spokesman for the company didn't respond to an email seeking comment.

China's Sinopec Zhenhai Refining & Chemical Co. started its 1.2-million tons a year cracker at Ningbo late last year, while South Korea's Hyundai Chemical Co. ramped up output at its new 750,000-tons a year cracker in December, according to FGE. Earlier last year, South Korea's GS Caltex Corp. and LG Chem added a combined 1.55 million tons.

LG Chem cut processing rates at all of its crackers and is currently operating at about 80% capacity, while Formosa is running its plant at 90% to 95%, three traders said. The companies didn't respond to emails seeking comment. — **Bloomberg**

# Facebook's parent Meta expands in Texas with major office lease

FACEBOOK parent Meta Platforms, Inc. is going bigger in Texas.

The company has leased half of what will be Austin's tallest skyscraper, making the social media giant the latest major business to expand in the state. Meta is leasing 589,000 square feet across 33 floors, a spokesperson said Sunday, confirming an earlier report from the *Austin Business Journal*. It will account for the entire commercial half of a 66-story tower under construction in the heart of Austin's downtown area.

"We first came to Austin over 10 years ago with just seven employees, now over 2,000 of us are proud to call Austin home," Katherine Shappley, the head of Meta's Austin office, said in a statement. "We're committed to Austin and look forward to growing here together."

Meta is seeking to hire 400 more people in the area, and will have the capacity along with other space in the region for many more, the company said. The tower known as Sixth and Guadalupe is scheduled to open in 2023.

Texas has been on an economic tear as businesses seek to expand into lower-cost locales amid a broader shift to remote work that accelerated with the global pandemic.

Samsung Electronics Co. announced a massive new chip plant for Taylor, Texas, in Austin's northeastern suburban fringe, in November. A month earlier, Elon Musk's Tesla, Inc. said it would move its headquarters to Austin from Palo Alto, California. Oracle Corp. transferred its main office from Silicon Valley to Austin in 2020. — **Bloomberg**

# China moves to give state firms more power

THERE'S growing evidence that China is encouraging state-owned developers to take market share from stressed rivals to limit the spread of contagion.

Officials in Guangdong province are facilitating meetings between struggling developers and SOEs to encourage mergers and acquisitions, according to a report by Caillian. Shares of real estate firms initially rallied on the news before erasing their gains. Modern Land (China) Co. fell as much as 39% after resuming trading for the first time in nearly three months.

Separately, a deadline looms for bondholders to vote on China Evergrande Group's plan to delay an option for early repayment on one of its yuan-denominated bonds. An online meeting held by the property developer's onshore unit Hengda Real Estate for holders of the note is due to conclude later Monday.

Stronger developers with better fundamentals and proactive financial management are better positioned to secure refinancing, amid cautious sentiment and elevated default risk in the industry, S&P Global Ratings says. Default risk will likely escalate in 1Q, especially if policy requirements do not meaningfully ease, it said.

Modern Land (China) Co. said Monday it's received demands from some noteholders demanding early repayment, following October's default on a \$250-million dollar bond. The developer has been discussing a possible debt restructuring with bondholders, and talks are ongoing, the firm said in a Hong Kong stock exchange filing.

Its shares saw a turbulent resumption of trade after a nearly three-month halt, rising nearly 20% before falling as much as 39%.

In China's property market, the state is advancing while the private sector retreats. Chinese authorities appear to be encouraging government-controlled firms to take market share from their stressed rivals as a liquidity crisis hammers the private sector.

The developer is seeking buyers such as funds and international investors mainly for its commercial properties including those owned by its Hong Kong-listed real estate unit, according to Caixin, citing sources it didn't identify. It appointed the agents in December, the report said.

Shimao, which builds residential, hotel, office and commercial properties, is among the largest debt issuers in China's real estate sector. A unit of Shimao Group Holdings Ltd. was said to have defaulted on a local loan due by Dec. 25. — **Bloomberg**

Republic of the Philippines  
ENERGY REGULATORY COMMISSION  
Pasig City

IN THE MATTER OF THE APPLICATION FOR APPROVAL OF CAPITAL PROJECTS FOR THE YEARS 2010 TO 2018 AND AUTHORITY TO SECURE LOANS FROM NATIONAL ELECTRIFICATION ADMINISTRATION (NEA) AND OTHER FINANCIAL AND/OR BANKING INSTITUTIONS IN ACCORDANCE WITH THE PROVISIONS OF R.A. NO. 9136 AND THE RULES FOR THE APPROVAL OF REGULATED ENTITIES' CAPITAL EXPENDITURE PROJECTS, WITH PRAYER FOR ISSUANCES OF PROVISIONAL AUTHORITY

ERC CASE NO. 2021-095 RC

PAMPANGA III ELECTRIC COOPERATIVE, INC. (PELCO III),  
Applicant.

Promulgated:  
December 14, 2021

NOTICE OF VIRTUAL HEARING

TO ALL INTERESTED PARTIES:

Notice is hereby given that on 24 November 2021, Pampanga III Electric Cooperative, Inc. (PELCO III) filed an *Application* dated 03 August 2021, seeking the Commission's approval of its Capital Expenditure program for years 2010 to 2018 with an application for authority to secure loans from the National Electrification Administration (NEA) and other financial and/or banking institutions, in accordance with the provisions of Republic Act No. 9136, otherwise known as the Electric Power Industry Reform Act of 2001 (EPIRA) and the Rules for the Approval of Regulated Entities' Capital Expenditure Projects, with prayer for the issuance of provisional authority.

The pertinent provisions of the said *Application* are hereunder quoted as follows:

- Applicant is an electric cooperative duly organized and existing under and by virtue of the laws of the Philippines, with the principal office at Sampaloc, Apalit, Pampanga, where it may be served with summons and other legal processes, represented in this instance by its General Manager, Maria Elizabeth D. Urbano, of legal age, Filipino, and with office address also at PELCO III main office;
- Herein applicant is the exclusive franchise holder issued by the National Electrification Administration (NEA) to operate an electric light and power services in the municipalities of the province of Pampanga, namely: Apalit, Sto. Tomas, Minalin, San Simon, Masantol, and Macabebe;
- Applicant hereby submits its proposed capital expenditure (CAPEX) projects for the years 2010 – 2018, in accordance with the specific provisions of Republic Act No. 9136 and the implementing guidelines adopted by the Energy Regulatory Commission (ERC) under Resolution No. 26, Series of 2009, more specifically the Amended Rules for the Approval of Regulated Entities' Capital Expenditure Projects;
- The applicant in support of this application for the approval of the CAPEX projects has attached the following required documents contained in the said guidelines:
  - Historical and Forecast Planning Data;
  - Technical and Engineering Analysis;
  - Project Financial and Economic Cost Analysis;
  - Project Costs and Estimates;
  - Description of the Project; Justification and Impact Study on the System and; Options/Alternatives considered in lieu of the proposed project;
  - Single Line Diagram of the System;
  - Board Resolution Approving the Proposed Projects; and
  - Sworn Statement.

PELCO III is reserving its right to submit other documents, either in the course of the hearing or as may be required by this Honorable Commission;

- The summary of the proposed capital expenditure projects (in pesos) are presented below:

No.	Title	Project Type	Year of Implementation	Project Cost	Remarks
1	Installation of 2 units of SF6 Circuit Breaker at Balite Substation	Safety	2018	13,475,000	Completed
2	Installation of 6 units of 15kV Recloser at Balite Substation	Safety/Reliability	2018	5,920,200.05	Completed
3	Installation of 5 sets of 3 Phase Recloser Circuit Breaker at Apalit, Macabebe, San Simon, Minalin, and Sto. Tomas	Safety/Reliability	2018	4,577,921.86	Completed
4	Installation of 4 sets of Single Phase recloser Circuit Breaker at Masantol, Minalin and Macabebe	Safety/Reliability	2018	2,193,954.45	Completed
5	Installation of 1-20 MVA Power transformer at Pau Substation	Capacity	2017	39,900,000.00	Completed
6	Extension of 3.1km 69kV Sub-Transmission Line, Lot Acquisition and Construction of New 1-20 MVA Masantol Substation	Capacity	2020	64,523,487.67	Completed
7	Construction of New 2-20 MVA San Simon Substation and Lot Acquisition	Capacity		130,923,120.00	Ongoing Construction
8	Installation of 12 units of Capacitor	Power Quality	2017, 2018	388,033.20	Completed
9	Construction of distribution line and installation of kWhr meters and housewiring materials	Rural Electrification	2012, 2013, 2015, 2018, 2019	7,704,965.98	Completed
10	Requisition of Distribution Transformer for New Customer Connections and Replacement of Overloaded DTs	Other Network Capex	2010-2018	51,279,438.28	Completed
11	Requisition of Metering Equipments for New Customer Connections and Change Meters	Other Network Capex	2010-2018	55,800,796.25	Completed
12	Requisition of Service Drops for New Customer Connections	Other Network Capex	2010-2018	16,135,409.74	Completed
13	Upgrade of CCTV Surveillance Security System	Other Network Capex	2017	251,697.60	Completed
14	Upgrade of Server and Data Storage Infrastructure	Other Network Capex	2017	506,320.50	Completed
15	Upgrade/Replacement of Hardwares and other Multimedia Devices	Other Network Capex	2018	155,400.00	Completed
16	Text Blast to all Area	Other Network Capex	2018	79,590.00	Completed
17	Upgrading Voice over IP telephony System (PABX)	Other Network Capex	2017	126,885.15	Completed
18	Radio Over IP Communications	Other Network Capex	2018	1,213,964.14	Completed
19	Main Office Vehicles, Area Office Vehicles, Service Vehicles	Other Network Capex	2011, 2012, 2014, 2017, and 2018	25,612,132.15	Completed
20	Procurement of Generator Set for Main Office and Area Offices	Other Network Capex	2017-2018	853,050.00	Completed
21	Supply of labor and materials for the construction of Minalin Area office	Other Network Capex	2016	3,562,618.76	Completed
22	Procurement of Testing Equipment	Other Network Capex	2018	1,290,000.00	Completed

- The actual cost of its proposed capital expenditure (CAPEX) projects for the years 2010-2018 was Four Hundred Twenty Six Million Four Hundred Seventy Four Thousand Nine Hundred Eighty Five Pesos and Seventy Nine Centavos (P426,474,985.79);
- The CAPEX projects for the years 2010-2018 was financed through the following:
  - Maximum utilization of the Reinvestment Fund for Sustainable CAPEX (RFSC);
  - Utilization of General Fund;
  - Utilization of Restricted Fund (Retirement Fund); and
  - Loans from NEA and other financial/banking institutions;
- Considering that the CAPEX projects for the years 2010-2018 was partly financed through loans from NEA and other financial/banking institutions due to insufficiency of RFSC, PELCO III hereby applies from the Honorable Commission to authorize the said loans;
- These capital expenditure projects are necessary for the operation and maintenance of the distribution system of PELCO III in order to extend dependable and quality electric service to consumers;
- These capital expenditure projects are in compliance with the Philippine Grid Code, Philippine Distribution Code, and specific provisions of Republic Act No. 9136, and the implementing guidelines on capital projects;
- These CAPEX projects are consistent with the Distribution Development Plan of PELCO III submitted to the Department of Energy;
- Under Rule 14 of the ERC Rules of Practice and Procedure, the Honorable Commission is authorized to issue provisional authority or interim relief prior to a final decision, provided the facts and circumstances alleged warrant such remedy. Thus, applicant most respectfully request for immediate relief and/or approval of this application in order to avoid irreparable losses which will ultimately result in the deterioration of its services, to the damage, and prejudice of the public, in general, and its members/consumers, in particular. To support the Motion for Provisional Authority, the Affidavit of Maria Elizabeth D. Urbano is attached herewith as Annex "A" of this application;
- In compliance with the pre-filing requirements, PELCO III is submitting the following:
  - Certification from the Sangguniang Bayan of Apalit, Pampanga that a copy of the application, with all its annexes and accompanying documents, attesting to the fact that applicant has furnished the said legislative body of the aforesaid application;
  - Certification from the Sangguniang Panlalawigan of Pampanga that it likewise has furnished the said pertinent documents; and
  - Affidavit of Publication and Newspaper issue containing the published Application in its entirety in a newspaper of general circulation in the Province of Pampanga; and (sic)
- The approval of these Capital Expenditure Projects are necessary to maintain efficient, reliable, and safety delivery of power to PELCO III's existing and future consumers, and will redound to the benefits of the consuming public.

PRAYER

WHEREFORE, premises considered, applicant Pampanga III Electric Cooperative, Inc. (PELCO III) respectfully prays that this Honorable Commission that pending hearing, the herein submitted capital expenditure projects be provisionally approved *ex-parte*, that the applicant be authorized to adopt and implement the same, and that the applicant's loans from the National Electrification Administration (NEA) and other financial/banking institutions be authorized

And after due notice and hearing and consideration, this application be approved permanently.

Other relief/s, just or equitable under the premises, are likewise prayed for.

The Commission hereby sets the instant *Application* for determination of compliance with the jurisdictional requirements, expository presentation, Pre-trial Conference, and presentation of evidence on the following dates and online platform for the conduct thereof, pursuant to Resolution 09, Series of 2020 dated 24 September 2020 and Resolution No. 01, Series of 2021 dated 17 December 2020 (ERC Revised Rules of Practice and Procedure):<sup>2</sup>

Date	Platform	Activity
28 January 2022 (Friday) at two o'clock in the afternoon (2:00 P.M.)	Microsoft Teams	Determination of compliance with the jurisdictional requirements and expository presentation
04 February 2022 (Friday) at two o'clock in the afternoon (2:00 P.M.)	Microsoft Teams	Pre-trial Conference and presentation of evidence

Accordingly, PELCO III is hereby directed to host the virtual hearing at **PELCO III's principal office located at Sampaloc, Apalit, Pampanga**, as the designated venue for the conduct thereof, and ensure that the same is open to the public and the community quarantine guidelines are observed at all times. Moreover, PELCO III shall guarantee that, during the conduct of the expository presentation, the participation of the public shall not be impaired.

Any interested stakeholder may submit its comments and/or clarifications at least one (1) calendar day prior to the scheduled virtual hearing, via electronic mail (e-mail) at [docket@erc.ph](mailto:docket@erc.ph), copy furnish the Legal Service through [legal@erc.ph](mailto:legal@erc.ph). The Commission shall give priority to the stakeholders who have duly submitted their respective comments and/or clarifications, to discuss the same and propound questions during the expository presentation.

Moreover, all persons who have an interest in the subject matter of the instant case may become a party by filing with the Commission via e-mail at [docket@erc.ph](mailto:docket@erc.ph), copy furnish the Legal Service through [legal@erc.ph](mailto:legal@erc.ph), a verified Petition to Intervene at least five (5) calendar days prior to the date of the initial virtual hearing and subject to the requirements under Rule 9 of the ERC Revised Rules of Practice and Procedure, indicating therein the docket number and title of the case and stating the following:

- The petitioner's name, mailing address, and e-mail address;
- The nature of petitioner's interest in the subject matter of the proceeding and the way and manner in which such interest is affected by the issues involved in the proceeding; and
- A statement of the relief desired.

Likewise, all other persons who may want their views known to the Commission with respect to the subject matter of the case may file through e-mail at [docket@erc.ph](mailto:docket@erc.ph), copy furnish the Legal Service through [legal@erc.ph](mailto:legal@erc.ph), their Opposition or Comment thereon at least five (5) calendar days prior to the initial virtual hearing and subject to the requirements under Rule 9 of the ERC Revised Rules of Practice and Procedure. No particular form of Opposition or Comment is required, but the document, letter, or writing should contain the following:

- The name, mailing address, and e-mail address of such person;
- A concise statement of the Opposition or Comment; and
- The grounds relied upon.

Any of the persons mentioned in the preceding paragraphs may access the copy of the *Application* on the Commission's official website at [www.erc.gov.ph](http://www.erc.gov.ph).

Finally, all interested persons may be allowed to join the scheduled initial virtual hearing by providing the Commission, thru [legal.virtualhearings@erc.ph](mailto:legal.virtualhearings@erc.ph), with their respective e-mail addresses and indicating therein the case number of the instant *Application*. The Commission will send the access link/s to the aforementioned hearing platform within five (5) working days prior to the scheduled hearing.

WITNESS, the Honorable Commissioners ALEXIS M. LUMBATAN, CATHERINE P. MACEDA, FLORESINDA G. BALDO-DIGAL, and MARKO ROMEO L. FUENTES, Energy Regulatory Commission, this 2<sup>nd</sup> day of December 2021 in Pasig City.

AGNES VST DEVANADERA  
Chairperson and CEO

LS/COA/18/19/2021

<sup>1</sup> A Resolution Adopting the Guidelines Governing Electronic Applications, Filings and Virtual Hearings Before the Energy Regulatory Commission.  
<sup>2</sup> A Resolution Adopting the Revised Rules of Practice and Procedure of the Energy Regulatory Commission.