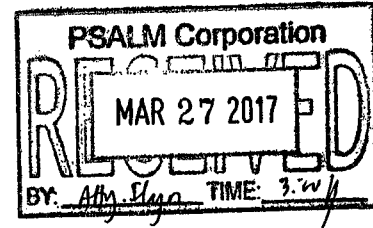


Republic of the Philippines
ENERGY REGULATORY COMMISSION
San Miguel Avenue, Pasig City

IN THE MATTER OF THE
PETITION FOR THE
AVAILMENT OF THE
NATIONAL POWER
CORPORATION'S STRANDED
CONTRACT COST PORTION OF
THE UNIVERSAL CHARGE FOR
CALENDAR YEAR 2007-2010



ERC CASE NO. 2011-091 RC

**POWER SECTOR ASSETS AND
LIABILITIES MANAGEMENT
CORPORATION (PSALM)**

Petitioner.

X-----X

D O C K E T E D
Date: MAR 27 2017
By: pc

ORDER

Before the Commission for resolution is the "Urgent Motion for the Continuous Implementation of the Approved National Power Corporation's Stranded Contract Costs Portion of the Universal Charge for Calendar Years 2007-2010" filed on 22 February 2017.

In said Urgent Motion, Power Sector Assets and Liabilities Management Corporation (PSALM), alleged among others, that:

1. In compliance with the Amended Rules for Recovery, Petitioner submitted the UC-SCC VAR's certified by the Commission on Audit to the Honorable Commission to provide the Honorable Commission with an update on the implementation of the recovery of PhP53.851 Billion approved UC-SCC from 01 April 2013 to 31 December 2015, summarized as follows:

Period Covered	Remittances (PhP)	Quantity Variance (GWh)	VAR/Under-Recovery (PhP)
1 Apr 2013–17 June 2013	1,859,256,657.28	268,281.10	51,991,743,343.71 ¹
18 June 2013–31 Dec 2013	5,909,546,643.07	237,788.08	46,082,196,699.64 ²
1 Jan 2014–31 Dec 2014	11,713,422,288.19	177,345.33	34,368,774,411.45 ³
1 Jan 2015–31 Dec 2015	12,644,710,941.30	112,097.72	21,724,063,470.15 ⁴

- For the period 01 January 2016 to 31 December 2016 additional remittances were made by the collecting entities of the UC-SCC to the Petitioner amounting to PhP13,943,254,802.37 thereby updating the total remittances to PhP46,070,191,332.22;
- The resulting under-recovery /VAR of the UC-SCC for CY's 2007-2010 as of 31 December 2016 is PhP7,780,808,667.78, details of which are shown below:

Particulars	Remittances (PhP)
Approved Level of Stranded Contract Costs pursuant to the ERC Decision	53,851,000,000.00
Less: Remitted Covering 1 April 2013 to 31 December 2016 Remittance Period	46,070,191,332.22
Under Recovery/VAR	7,780,808,667.78

- In addition, for the period 01 January 2017 to 15 February 2017, PSALM received UC-SCC remittances in the total amount of PhP2,304,715,292.28 effectively **reducing the under-recovery/VAR to PhP5,476,093,375.50** as of 15 February 2017;
- The Honorable Commission's Decision dated 28 January 2013 for the recovery of the UC-SCC for CYs 2007-2010 does not indicate a specific recovery period. It only provides:

"WHEREFORE, the foregoing premises considered, the petition filed by the Power Sector Assets and Liabilities Management Corporation (PSALM) for the recovery of the National Power Corporation's (NPC) Stranded Contract Costs (SCC) of the Universal Charge (UC) is hereby APPROVED with Modification.

¹ As Certified by COA in its Independent Auditor's Report Dated 29 July 2013

² As Certified by COA in its Independent Auditor's Report Dated 23 July 2014

³ As Certified by COA in its Independent Auditor's Report Dated 13 July 2015

⁴ As Certified by COA in its Independent Auditor's Report Dated 20 June 2016

Accordingly, PSALM is hereby authorized to recover the following UC-SCC for Luzon, Visayas and Mindanao Grids:

Total Stranded Contract Cost	UC - SCC Rate
PhP53.581 Billion (sic)	PhPo.1938/kWh

All Distribution Utilities (DUs) and the National Grid Corporation of the Philippines (NGCP) are directed to collect from the consumers the above UC-SCC charge starting March 2013 billing period (February 26 to March 25, 2013 billing period).

SO ORDERED.”

6. Nevertheless, assuming that the recovery period is four (4) years considering that the Honorable Commission utilized the four (4) year electricity sales under the DOE's PDP as the billing determinant in the calculation of the UC-SCC, the said period will expire on the February 2017 billing period;
7. Considering the under-recovery/VAR in the amount of PhP5,476,093,375.50 as of 15 February 2017, Petitioner respectfully requests the Honorable Commission to allow Petitioner to continuously implement the existing UC-SCC rate of PhPo.1938/kWh until the approved PhP53.851 is fully recovered;
8. Uninterrupted implementation of the PhPo.1938/kWh approved UC-SCC rate would ensure continuous revenue streams for the Petitioner, enabling it to fulfill its mandate under Republic Act No. 9136⁵ of liquidating all NPC's financial obligations; and
9. On the other hand, if the collection of the UC-SCC will be discontinued, Petitioner will be forced to resort to borrowings to refinance portion of its maturing obligations which cannot be covered by its privatization proceeds and revenues from operations. This will increase Petitioner's borrowing cost resulting to an increased debt burden to the government.

ISSUE

Thus, the Commission is confronted with the issue of whether or not PSALM should be allowed to continuously implement the

⁵ Electric Power Industry Reform Act of 2011 or EPIRA

existing UC-SCC rate of PhPo.1938/kWh until the approved PhP53.851 Billion is fully recovered.

DISCUSSION

The Commission, in its Decision resolved to authorize PSALM to recover PhP53.581 Billion as UC-SCC for CYs 2007 to 2010 at the rate of PhPo.1938/kWh.

Further, a four (4) year recovery period was assumed considering that the Commission utilized in its calculation of the UC-SCC rate a four (4) year electricity sales under the PDP of the DOE as the billing determinant.

PSALM in its Urgent Motion alleged that the implementation of the approved UC-SCC rate will expire on February 2017 billing period, however, as of February 15, 2017 PSALM still has under-recovery of PhP5.476 Billion.

Under the Rules, PSALM shall file for true-up adjustment on an annual basis through submission of the Variance Analysis Report (VAR) certified by a Third Party Auditor.

Accordingly, on May 31, 2016 PSALM submitted its UC-SCC VAR to provide the Commission with an update on the implementation of the recovery of the PhP5.851 Billion approved UC-SCC from April 1, 2013 to December 31, 2015, to wit:

Period Covered	Remittances (PhP)	VAR/Under-Recovery (PhP)
April 1, 2013 – June 17, 2013	1,859,256,657.28	51,991,743,343.71
June 18, 2013 – December 31, 2013	5,909,546,643.07	46,082,196,699.64
January 1, 2014 – December 31, 2014	11,713,422,288.19	34,368,774,411.45
January 1, 2015 – December 31, 2015	12,644,710,941.30	21,724,063,470.15

Further, in its Urgent Motion PSALM manifested that for the period of 1 January 2016 to February 15, 2017 additional remittances were made to PSALM as summarized below:

Period Covered	Remittances (PhP)	VAR/Under-Recovery (PhP)
1 Jan 2016-Dec 31 2016	13,943,254,802.37	7,780,808,667.78
1 Jan 2017-15 Feb 15 2017	2,304,715,292.28	5,476,093,375.50

The Commission was able to confirm the remittances made to PSALM for the period 1 January 2016 to 31 December 2016 thru the Compliances made by PSALM under ERC Case No. 2003-187⁶.

Based on the above, the total UC-SCC remittances as of 15 February 2017 amounts to PhP48.375 Billion, with this, the under-recovery of the approved UC-SCC of PhP53.851 Billion as of February 15, 2017 is amounting to PhP5.476 Billion. Hence, PSALM is requesting the Commission to continuously implement the UC-SCC rate of PhP0.1938/kWh until the approved UC-SCC is fully recovered.

Further, PSALM manifested the following:

- Uninterrupted implementation of the UC-SCC rate would ensure continuous revenue streams for PSALM; and
- If the collection of the UC-SCC will be discontinued, PSALM will be forced to result to borrowings to refinance portion of its maturing obligations which cannot be covered by its privatization proceeds and revenues from operations.

WHEREFORE, the foregoing premises considered, the Commission hereby **authorize PSALM to continuously implement the UC-SCC rate of PhP0.1938/kWh until the approved amount of PhP53.851 Billion UC-SCC is fully recovered.**

Accordingly, all Distribution Utilities and National Grid Corporation of the Philippines (NGCP) are directed to continue to collect from the consumers the above UC-SCC charge starting March 2017 billing period (February 26 to March 25, 2017 billing period) and remit the same to PSALM.

PSALM shall inform/advice all the collecting entities to stop implementation of the same upon its full recovery.

SO ORDERED.

Pasig City, 6 March 2017.

⁶ In the Matter of the Approval of the Guidelines and Procedures Governing Remittances and Disbursements of the Universal Charge (UC Guidelines)


JOSE VICENTE B. SALAZAR
Chairman and CEO

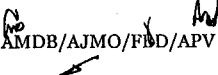


(On Leave)
ALFREDO J. NON
Commissioner


GLORIA VICTORIA C. YAP-TARUC
Commissioner


JOSEFINA PATRICIA A. MAGPALE-ASIRIT
Commissioner


GERONIMO D. STA. ANA
Commissioner


AMDB/AJMO/EBD/APV

Copy Furnished:

1. **Atty. Cecilio B. Gellada, Jr.**
General Counsel
Power Sector Assets and Liabilities Management Corporation
3rd Floor, Transco Building
Quezon Avenue corner BIR Road
Diliman, Quezon City 1101
2. **Atty. Donna Diana Dumpit**
Office of the Solicitor General
134 Amorsolo Street, Legaspi Village
1229 City of Makati
3. **NASECORE**
No. 10 Bayside Court Compound
680, Quirino Avenue, Tmabo
Parañaque City
4. **Atty. Fidel T. Valeros, Jr.**
Counsel for MPPCL and AESI
Puyat Jacinto & Santos
12/F VGP Center
Ayala Makati

5. **Atty. Dionisio A. Tejero**
Counsel for PASAR
D.A. Tejero and Amoranto Law Offices
Unit 2210 Jollibee Plaza Condominium
F. Ortigas Jr. Rd., Ortigas Center
Pasig City
6. **Atty. Jose Ronald V. Valles**
Counsel for MERALCO
MERALCO Compound
Ortigas Avenue, Pasig City
7. **Atty. Renecio S. Espiritu, Jr.**
Counsel for FDC
Guevarra Mendoza & Espiritu Law Offices
Suite 602, Richmonde Plaza Hotel
San Miguel Ave., Ortigas Center
Pasig City
8. **Atty. Jessica Kristine F. Hilado**
Puyat Jacinto & Santos
12/F VGP Center,
Ayala, Makati
9. **Office of the Solicitor General**
134 Amorsolo Street, Legaspi Village
1229 City of Makati
10. **Commission on Audit**
Commonwealth Avenue
1121 Quezon City
11. **Senate Committee on Energy**
GSIS Building, Roxas Boulevard
Pasay City 1307
12. **House Committee on Energy**
Batasan Hills, Quezon City 1126
13. **All Distribution Utilities**
14. **National Grid Corporation of the Philippines**
15. **The City Mayor**
Makati City

- 16. The City Mayor**
Cebu City
- 17. The City Mayor**
Davao City
- 18. The Provincial Governor**
Province of Cebu
- 19. The Provincial Governor**
Province of Davao