

Republic of the Philippines  
ENERGY REGULATORY COMMISSION  
Pacific Center Building, San Miguel Avenue  
Ortigas Center, Pasig City

PETITION FOR THE AVAILMENT  
OF THE NATIONAL POWER  
CORPORATION'S (NPC)  
STRANDED CONTRACT COSTS  
(SCC) PORTION OF THE  
UNIVERSAL CHARGE (UC) FOR  
CALENDAR YEAR (CY) 2017 AND  
TRUE-UP ADJUSTMENTS OF  
THE NPC SCC PORTION OF THE  
UC FOR CYs 2007-2013, WITH  
PRAYER FOR PROVISIONAL  
AUTHORITY

ERC CASE NO. 2018-\_\_\_\_\_

POWER SECTOR ASSETS AND  
LIABILITIES MANAGEMENT  
(PSALM) CORPORATION

*Petitioner.*

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PETITION

Petitioner POWER SECTOR ASSETS AND LIABILITIES  
MANAGEMENT CORPORATION (hereinafter, "PSALM"), by  
counsel, respectfully states:

I.  
NATURE OF THE PETITION

1. This is a Petition for the availment from the Universal Charge (hereinafter, "UC") of the National Power Corporation's (hereinafter, "NPC") Stranded Contract Costs (hereinafter, "SCC") for Calendar Year (hereinafter, "CY") 2017 and submission of the True-Up Adjustment of the NPC SCC Portion of the UC for CYs 2007-2013 pursuant to Republic Act No. 9136 or the "Electric Power Industry

Reform Act of 2001" (hereinafter, "EPIRA"), its Implementing Rules and Regulations (hereinafter, "EPIRA-IRR") and the Amended Rules for Recovery of NPC Stranded Contract Costs and Stranded Debts Portion of the Universal Charge (hereinafter, "Amended Rules for Recovery") as adopted by the Energy Regulatory Commission (hereinafter, "ERC") Resolution No. 02-2011 dated 07 February 2011.

2. Section 4(b), Rule 18 of the EPIRA-IRR provides that petitions for availment under the UC for the succeeding years shall be submitted to the Honorable Commission on or before 15 March of every year.

3. Under Article IV, Section 9 of the Amended Rules for Recovery, PSALM shall file the petition for availment from the UC for NPC's SCC in accordance with Section 4 (e), Rule 3 of the EPIRA-IRR and the Honorable Commission's Rules of Practice and Procedure.

4. Under Article II of the Amended Rules of Recovery, true up adjustments of the UC for NPC SCC for subsequent years shall be submitted to the Honorable Commission on or before the 15<sup>th</sup> of March every year thereafter. True up adjustments shall be done on an annual basis to be initiated by Petitioner through submission of the Variance Analysis Report (hereinafter, "VAR")<sup>1</sup> certified by an Independent Third Party auditor on or before the 15<sup>th</sup> day of March of every year.<sup>2</sup>

## II. TIMELINESS OF THE PETITION

5. In a letter dated 02 February 2018, Petitioner requested for an extension of the deadline to file/submit, among others, the : (i) the petition for the availment of the UC-SCC for CY 2017, (ii) the true-up adjustment of the UC-SCC for CYs 2007-2010; and (iii) the update/VAR on the implementation of the UC-SCC for CYs 2011-2013, from 15 March 2018 to 31 July 2018, on the ground that the 15 March original deadline is no longer feasible considering that the CY 2017 certified financial statements of PSALM which serve as the bases in calculating the UC-SCC is still subject for approval of the PSALM Board of Directors and the data contained in the financial statement needs to be analyzed and processed to identify and properly classify the components that are eligible for recovery under the UC-SCC. In a letter dated 13 March 2018, the Honorable Commission granted

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<sup>1</sup> Article VIII, Amended Rules for Recovery

<sup>2</sup> Article VIII, Section 1, Amended Rules for Recovery

Petitioner's request and directed it to file/submit the UC-SCC petition for CY 2017, true-up adjustments for CYs 2007-2010 and update/VAR on the implementation of the UC-SCC for CYs 2011-2013 on or before 31 July 2018. Copies of the said letter request for extension and the approval of the Honorable Commission are attached hereto and made integral parts hereof as Annexes "A" and "B", respectively.

6. Hence, the instant Petition and True-Up Adjustments is timely filed/submitted.

### III. PETITIONER

7. Petitioner is a government-owned and controlled corporation created by virtue of the EPIRA, with principal office address at 3/F National Transmission Corporation Building, Power Center, Quezon Avenue corner BIR Road, Diliman, Quezon City. It may be served with notices, orders, and other processes of the Honorable Commission through the undersigned counsel with office address of PSALM.

8. The principal mandate of Petitioner is to manage the orderly sale, disposition, and privatization of NPC generation assets, real estate and other disposable assets, and Independent Power Producer (hereinafter, "IPP") contracts with the objective of liquidating all NPC financial obligations and stranded contract costs in an optimal manner.<sup>3</sup> To attain its objectives, Petitioner shall, among others: (i) calculate the amount of the stranded contract costs of NPC which shall form the basis for the Honorable Commission in the determination of the universal charge, and (ii) liquidate the NPC stranded contract costs, utilizing the proceeds from sales and other property contributed to it, including the proceeds from the universal charge.<sup>4</sup>

### IV. NPC'S STRANDED CONTRACT COSTS

9. Stranded Contract Costs of NPC refer to the "excess of the contracted cost of electricity under eligible contracts over the actual selling price of the contracted energy output of such contracts in the market." Market as defined in the Amended Rules for Recovery refers to the "Wholesale Electricity Spot Market (WESM) where electricity

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<sup>3</sup> Sec. 50, EPIRA

<sup>4</sup> Sec. 51, EPIRA

traded includes, but is not limited to, Spot Sales, Transition Supply Contracts (TSCs), Bilateral Contracts, One Day Power Sale (ODPS), Default Wholesale Supplier (DWS) service, and Ancillary Services.”<sup>5</sup> To be eligible for recovery under the UC, such contracts shall have been approved by the Energy Regulatory Board (hereinafter, “ERB”) as of 31 December 2000.<sup>6</sup>

10. For purposes of the UC-SCC calculation, IPP Contracts of NPC eligible for recovery under the UC-SCC (hereinafter, “Eligible IPP Contracts”) shall refer to “generation capacities developed under the Build-Operate-Transfer scheme and any such generation asset whose construction was not financed by NPC but whose output is bought by NPC under Purchase Power Agreements (PPAs), Energy Conversion Agreements (ECAs) or any other similar contractual relationship. The IPP Contracts shall also include Rehabilitate Operate Lease (ROL) and Rehabilitate Operate Maintain types of IPP Contracts.”<sup>7</sup> In accordance with Section 32 of the EPIRA, only contracts duly approved by the ERB as of 31 December 2000 shall be entitled for recovery through the UC-SCC.

11. On 26 December 2010, the commercial operation of the WESM in the Visayas Grid and its integration with the Luzon Grid commenced.<sup>8</sup>

12. Based on the above definition and for the purpose of this filing, the following are the Eligible IPP Contracts, which are eligible for recovery under UC-SCC:

- a. Benguet Mini-Hydros (Ampohaw and Bakun);
- b. Pagbilao I & II;
- c. Sual I & II; and
- d. Unified Leyte (Leyte A and B)

13. The annual UC-SCC shall be computed as the difference between the Gross Annual Contract Costs (hereinafter, “GACC”) and combined amounts derived from the Revenues from the Sale of Contracted Energy of Eligible IPP Contracts (hereinafter, “RSCE”) and the Privatization proceeds of the Eligible IPP Contracts (hereinafter, “PP”).<sup>9</sup>

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<sup>5</sup> Article I, Section 2, Amended Rules for Recovery

<sup>6</sup> Sec. 4 [uu] and Sec. 32, EPIRA

<sup>7</sup> Article III, Amended Rules for Recovery

<sup>8</sup> DOE Department Circular No. 2010-11-0012

<sup>9</sup> Article IV, Section 6 in relation to Sections 3, 4 and 5, Amended Rules for Recovery

**IV - A.**  
**GROSS ANNUAL CONTRACT COSTS**

14. For purposes of this filing, the GACC is composed of capacity fees, fixed operating and maintenance fee (hereinafter, "FOM")-other power supply (hereinafter, "OPS"), other Operating Expenses (hereinafter, "OPEX"), variable-OPS (when purchased power cost varies with volume of energy), and energy purchased from Philippine Electricity Market Corporation (hereinafter, "EPFP").

15. For CY 2017, the GACC amounted to a total of PhP34.029 Billion with details as follows:

<b>GACC Component</b>	<b>Benguet Mini-Hydros (in PhP)</b>	<b>Unified Leyte (in PhP)</b>	<b>Pagbilao (in PhP)</b>	<b>Sual (in PhP)</b>	<b>TOTAL (in PhP)</b>
Capacity Fees	-	-	9,564,078,157.27	8,268,288,013.15	17,832,366,170.42
FOM-OPS	-	6,918,356,436.62	1,503,494,836.59	1,349,139,884.02	9,770,991,157.23
Other OPEX	1,026,240.27	76,418,867.78	76,146,941.91	120,143,363.04	273,735,413.00
<b>Sub-Total, Fixed Fees</b>	<b>1,026,240.27</b>	<b>6,994,775,304.40</b>	<b>11,143,719,935.77</b>	<b>9,737,571,260.21</b>	<b>27,877,092,740.65</b>
Variable - OPS	569,720,636.73	4,413,926,377.46	668,005,395.37	462,396,488.21	6,114,048,897.77
EPFP (to meet TSC)	37,470,424.36	-	-	-	37,470,424.36
EPFP (Station Use)	0.37	815,628.48	-	-	815,628.85
<b>Sub-Total, Variable Fees</b>	<b>607,191,061.46</b>	<b>4,414,742,005.94</b>	<b>668,005,395.37</b>	<b>462,396,488.21</b>	<b>6,152,334,950.98</b>
<b>TOTAL</b>	<b>608,217,301.73</b>	<b>11,409,517,310.34</b>	<b>11,811,725,331.14</b>	<b>10,199,967,748.42</b>	<b>34,029,427,691.63</b>

Table 1. Gross Annual Contract Costs

16. For Benguet Mini Hydros, the components of GACC were lifted from the Operating Results of Eligible IPPS or Results of Operation (hereinafter, "ROO"). As to Unified Leyte, the FOM-OPS was lifted from the ROO, the Variable-OPS was sourced from the monthly IPP payment vouchers less the FOM-OPS, while Other OPEX was lifted from the ROO and Other OPEX of Eligible Plants under IPP Administrator Agreement (hereinafter, "IPPAA"). For Sual and Pagbilao, which are under IPPAA, components of GACC were sourced from the monthly IPP payment vouchers and Other OPEX of Eligible Plants under IPPA. Copies of the ROO, Summary of Fixed and Variable Costs of Eligible IPPs under IPPAA and Other OPEX of Eligible Plants under IPPAA are attached hereto and made integral parts hereof as Annexes "C," "D" and "E," respectively.

**IV- B.  
 REVENUES FROM THE SALE OF CONTRACTED ENERGY  
 OF ELIGIBLE IPP CONTRACTS**

17. For purposes of this filing, the RSCE refers to the following sources of revenue: (i) Sales in WESM, including net settlement surplus (hereinafter, "NSS"); and (ii) Sales under Transition Supply Contracts (hereinafter, "TSC"), including penalties imposed on customers which drew power lower than or in excess of their contracted level of energy.

18. For CY 2017, the RSCE amounted to a total of PhP5.333 Billion with details as follows:

<b>RSCE Component (in PhP)</b>	<b>Benguet Mini- Hydros (in PhP)</b>	<b>Unified Leyte (in PhP)</b>	<b>TOTAL (in PhP)</b>
Sales in WESM	319,474,554.90	4,895,364,190.65	5,214,838,745.55
Sales in TSC	95,340,556.94	22,762,299.53	118,102,856.47
<b>Total</b>	<b>414,815,111.84</b>	<b>4,918,126,490.18</b>	<b>5,332,941,602.02</b>

Table 2. Revenues from the Sale of Contracted Energy

19. Components of the RSCE were lifted from the Net Utility Revenue portion of the ROO. RSCE excludes the Power Act Reduction and Prompt Payment Discount adjustments which have been disallowed for recovery by the Honorable Commission in its Decision dated 28 January 2013 in ERC Case No. 2011-091 RC.

**IV - C.  
 PROCEEDS FROM PRIVATIZATION OF ELIGIBLE IPP  
 CONTRACTS**

20. For purposes of this filing, the PP includes cash inflows arising from the IPPAA, namely, monthly payments and generation payments/energy fee of Unified Leyte Strips, Pagbilao and Sual IPP Administrators. This also includes the forfeiture of Performance Bond in relation to the termination of IPPAA between FDC Utilities, Inc. and PSALM for 40 MW UL Strips on 04 September 2017.

21. For CY 2017, PP amounted to a total of PhP23.468 Billion with details as follows:

Privatization Proceeds	Unified Leyte (in PhP)	Pagbilao (in PhP)	Sual (in PhP)	Total (in PhP)
Monthly Payments of IPPA	-	6,936,051,228.16	7,593,314,684.32	14,529,365,912.48
Forfeiture of Performance Bond	151,200,200.00	-	-	151,200,200.00
Generation Payments/Energy Fee	7,656,123,656.62	668,683,219.34	462,434,744.71	8,787,241,620.67
<b>TOTAL</b>	<b>7,807,323,856.62</b>	<b>7,604,734,447.50</b>	<b>8,055,749,429.03</b>	<b>23,467,807,733.15</b>

Table 3. Privatization Proceeds

22. For Pagbilao and Sual, Monthly Payments from its IPPAs which are Therma Luzon, Inc. and San Miguel Energy Corporation, respectively, were lifted from the Schedule of IPPAA Monthly Payment while Energy Fees are based on the Summary of IPPA Billings-Energy Fees. For Unified Leyte, Generation Payments from its IPPAs or the Strip Owners which are Aboitiz Energy Solutions, Inc., FDC Utilities, Inc., Good Friends Hydro Resources Corporation, Phinma Energy Corporation, Unified Leyte Geothermal Energy, Inc., Vivant Energy Corporation and Waterfront Mactan Casino Hotel, Inc. were lifted from the Summary of IPPA Billings - UL Strips Generation Payments.

23. Copy of the IPPAA Monthly Payments of Eligible Plants for SCC calculation is attached hereto and made an integral part hereof as **Annex "F"**, the IPPAA Monthly Payments of Eligible Plants as **Annex "F-1"** and the VAT on Privatization Proceeds as **Annex "F-2"**. Copies of the Summary of IPPAA Billings-UL Strips Generation Payments and Summary of IPPA Billings-Energy Fees are attached hereto as **Annexes "G"** and **"H"**, respectively.

24. The PP is net of Value Added Tax (hereinafter, "VAT"), consistent with the Bureau of Internal Revenue (BIR) Revenue Memorandum Circular No. 11-2012<sup>10</sup> which states, among others, that: "[c]onsidering that the sale of electricity is now subject to VAT, the real properties sold by PSALM are regarded as real properties *used in the trade or business*. While it is clear under the Tax Code of 1997 that such sale is not subject to income tax, there is no provision under the same Code that exempts it from VAT nor subject it to VAT at zero rate."

25. Considering further that the IPPAAs between PSALM and the IPP Administrators provide that, "[i]n the event that the Monthly Payments are determined with finality to be subject to value added tax, all applicable value added tax on such payments shall be for the

<sup>10</sup> Tax Consequences of Power Sector Assets and Liabilities Management Corporation (PSALM) Transactions

account of PSALM...”, for purposes of SCC calculations, the IPP Administrator Monthly Payments received by PSALM were reduced by the VAT shouldered by PSALM.

**V.**  
**NPC’s STRANDED CONTRACT COSTS**

26. Based on the foregoing, the SCC for CY 2017 amounts to PhP5.229 Billion computed as the difference between the GACC and the combined amounts derived from the RSCE and PP, with details as follows:

2017 UC-SCC	Benguet Mini-Hydros (in PhP)	Unified Leyte (in PhP)	Pagbilao (in PhP)	Sual (in PhP)	TOTAL (in PhP)
GACC	608,217,301.73	11,409,517,310.34	11,811,725,331.14	10,199,967,748.42	34,029,427,691.63
Less: RSCE	414,815,111.84	4,918,126,490.18	-	-	5,332,941,602.02
Less: PP	-	7,807,323,856.62	7,604,734,447.50	8,055,749,429.03	23,467,807,735.15
<b>SCC</b>	<b>193,402,189.89</b>	<b>(1,315,933,036.46)</b>	<b>4,206,990,883.64</b>	<b>2,144,218,319.39</b>	<b>5,228,678,356.46</b>

Table 4. Details of Stranded Contract Cost

27. Consistent with the Honorable Commission’s Decision in ERC Case No. 2011-091 RC mentioned above, wherein the Honorable Commission used four (4) years’ forecast of electricity sales based on the Department of Energy’s (hereinafter, “DOE”) Power Development Plan (hereinafter, “PDP”) in determining the four (4) year 2007-2010 UC-SCC rate, the UC-SCC rate for CY 2017 is derived by dividing the calculated CY 2017 SCC by one (1) year Electricity Sales Forecast for CY 2019 based on the PDP (2016-2030). The calculated SCC rate is PhP0.0582/kWh with details as follows:

UC-SCC For CY 2016 (in PhP)	Energy Sales Forecast (GWh)	UC-SCC Rate (PhP/kWh)
5,228,678,356.46	89,767	0.0582

Table 5. UC-SCC for CY 2017

28. A copy of the Electricity Sales Forecast, PDP (2016-2030) as sourced from the DOE is attached hereto and made an integral part hereof as Annex “I”.

**VI.**  
**VARIANCE ANALYSIS REPORT FOR CYs 2007-2013**

29. Article VIII of the Amended Rules for Recovery provides, among others, that true-up adjustments shall be done on an annual



basis to be initiated by Petitioner through submission to the Honorable Commission of a detailed VAR certified by an Independent Third Party auditor. The VAR shall be the basis by which the Honorable Commission will approve inclusion of any under recovery in the current year's level of UC-SCC or mandate a reimbursement due to over recovery by way of reduction in the current year's level of UC-SCC.<sup>11</sup>

30. Under Section 2, Article VIII of the Amended Rules for Recovery, the VAR to be submitted by the Petitioner to the Honorable Commission for the UC-SCC recovery shall contain, at the minimum, the following:

- a. The variance analysis that would show a positive or negative Quantity Variance (hereinafter, "QV"), which refers to the difference between the energy sales used in determining the ERC-approved level of NPC SCC in PhP/kWh (billing determinant) and the actual energy (kWh) sales to end-users; and
- b. The over or under recovery for the stranded contract costs which shall be calculated by multiplying the QV by the PhP/kWh SCC approved by the ERC.

#### VI - A.

#### CYS 2007-2010 UC-SCC QV AND UNDER/(OVER) RECOVERY FOR THE REMITTANCE PERIOD 01 APRIL 2013 - 31 JULY 2017

31. In the Honorable Commission's Decision dated 28 January 2013 in ERC Case No. 2011-091 RC<sup>12</sup>, Petitioner was authorized to recover the total UC-SCC for CYs 2007-2010 amounting to PhP53.851 Billion, equivalent to PhP0.1938/kWh for the Luzon, Visayas and Mindanao Grids, to be collected from the consumers starting March 2013 billing period (26 February 2013 - 25 March 2013).

32. The billing determinant utilized by the Honorable Commission is 277,875 GWh, which corresponds to the four (4) year electricity sales under the DOE's PDP.

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<sup>11</sup> Section 1

<sup>12</sup> In the Matter of the Petition for the Recovery of NPC's SCC Portion of the UC, With Prayer for Provisional Authority

33. On 22 February 2017, Petitioner filed an Urgent Motion for the continuous implementation of the ERC-approved UC-SCC for CYs 2007-2010 considering that there is still an under recovery amounting to PhP5,476,093,375.50 as of 15 February 2017 which is the end of the four (4)-year implementation of UC- SCC for CYs 2007-2010. Further, uninterrupted implementation of the UC-SCC rate would ensure continuous revenue streams for Petitioner; otherwise, Petitioner may be forced to resort to borrowings to finance portion of its maturing obligations which cannot be covered by its privatization proceeds and revenues from operations.

34. The Honorable Commission, in its Order dated 06 March 2017, granted Petitioner's Motion and authorized Petitioner to continuously implement the UC-SCC rate of PhP0.1938/kWh until the approved amount of PhP53.851 Billion UC-SCC is fully recovered.

35. For the period 01 April 2013 to 31 July 2017, the total UC-SCC remittances made by the collecting entities to Petitioner amounted to PhP54,350,777,897.18 with an equivalent energy sales billed/remitted of 280,453.89 GWh which was derived by dividing the remittance amount of PhP54,350,777,897.18 by the ERC-approved UC-SCC rate of PhP0.1938/kWh (PhP53.851 Billion/277,875 GWh).

36. In accordance with the Amended Rules for Recovery, the QV, calculated as the difference between the billing determinant (277,875.00 GWh) and the equivalent energy sales billed/remitted (280,453.89 GWh), is negative 2,578.89 GWh.

37. The under/over recovery, pursuant to the Amended Rules for Recovery, is calculated by multiplying the QV of negative 2,578.89 GWh by the PhP0.1938/kWh SCC rate approved by the Honorable Commission (PhP53.851 Billion/277,875.47 GWh). The result is an over recovery of PhP499,777,897.18 for the CYs 2007-2010 UC-SCC for the period of 01 April 2013 to 31 July 2017, with details as follows:

PARTICULARS	QUANTITY VARIANCE (GWh)	AMOUNT (PhP)	RATE (PhP/kWh)
Billing Determinant and Approved Level of CYs 2007-2010 UC-SCC	277,875.00	53,851,000,000.00	0.1938
Less: Energy Sales Billed/Remitted covering 1 April 2013 to 31 July 2017 Remittance Period	280,453.89	54,350,777,897.18	0.1938
<b>True-Up Adjustments/Under or (Over) Recovery</b>	<b>(2,578.89)</b>	<b>(499,777,897.18)</b>	<b>0.1938</b>

Table 6. CYs 2007-2010 UC-SCC VAR

**VI - B.**  
**CYS 2011-2013 UC-SCC QV AND UNDER/(OVER) RECOVERY**  
**FOR THE REMITTANCE PERIOD 01 AUGUST 2017 - 31**  
**DECEMBER 2017**

38. In the Honorable Commission's Decision dated 06 July 2017 in ERC Case Nos. 2013-160 RC<sup>13</sup> and 2014-111 RC<sup>14</sup>, Petitioner was authorized to recover the UC-SCC for CYs 2011-2013 amounting to PhP12.878 Billion, at the rate of PhP0.1938/kWh for the Luzon, Visayas and Mindanao Grids to be collected from the consumers for a period of ten (10) months starting July 2017 billing period (26 June 2017 - 25 July 2017).

39. The equivalent billing determinant of the ERC-approved CYs 2011-2013 UC-SCC is 66,449.17 GWh which was derived by dividing the approved amount of PhP12,877.85 Million by the rate of PhP0.1938/kWh.

40. Section 3, Article VII of the Amended Rules for Recovery provides that "[i]n the event that the total amount collected for the NPC SCC is greater than actual disbursements from the proceeds of the corresponding share in the UC, PSALM shall retain the balance within the specific Special Trust Fund to pay for periods where a shortfall occurs. However, in cases where over-recovery occurs, PSALM shall use the previous year's plus amount to reduce the corresponding required NPC SCC in the UC for the current year."

41. Considering that the remittance of UC-SCC for CYs 2007-2010 posted an over-recovery amounting to PhP499,777,897.18, said over-recovery was used to reduce the CYs 2011-2013 UC-SCC from PhP12,877,850,000.00 to PhP12,378,072,102.82. Accordingly, the billing determinant for the CYs 2011-2013 UC-SCC was also reduced from 66,449.17 GWh to 63,870.28 GWh.

42. For the period 01 August 2017 to 31 December 2017, the total UC remittances made by the collecting entities to Petitioner amounted to PhP6,424,786,029.55 with an equivalent energy sales billed/remitted of 33,151.63 GWh which was derived by dividing the remittance amount of PhP6,424,786,029.55 by the ERC-approved UC-SCC rate of PhP0.1938/kWh.

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<sup>13</sup> Petition for True-Up Adjustments for the NPC's SCC Portion of the UC for CYs 2011 and 2012

<sup>14</sup> Petition for the Availment of the NPC's SCC Portion of the UC for CY 2013 and True-Up Adjustments for the NPC's SCC Portion of the UC for CYs 2007-2010

43. In accordance with the Amended Rules for Recovery, the QV, calculated as the difference between the billing determinant (63,870.28 GWh) and the equivalent energy sales billed/remitted (33,151.63), is 30,718.65 GWh.

44. The over/under recovery pursuant to the Amended Rules for Recovery, is calculated by multiplying the QV of 30,718.65 GWh by the PhP0.1938/kWh SCC rate approved by the Honorable Commission; thus, resulting to an under-recovery for the CYs 2011-2013 UC-SCC amounting to PhP5,953,286,073.27, details of which are shown below:

PARTICULARS	QUANTITY VARIANCE (GWh)	AMOUNT (PhP)	RATE (PhP/kWh)
Billing Determinant and Approved Level of CYs 2011-2013 SCC	66,449.17	12,877,850,000.00	0.1938
Less: Over Recovery from CYs 2007-2010 UC-SCC Remittances	2,578.89	499,777,897.18	0.1938
<b>UC-SCC for CYs 2011-2013</b>	<b>63,870.28</b>	<b>12,378,072,102.82</b>	<b>0.1938</b>
Less: Energy Sales Billed/Remitted covering 01 August 2017 to 31 December 2017 Remittance Period	33,151.63	6,424,786,029.55	0.1938
<b>True-Up Adjustment /Under or (Over) Recovery</b>	<b>30,718.65</b>	<b>5,953,286,073.27</b>	<b>0.1938</b>

Table 7. CYs 2011-2013 UC-SCC VAR

45. A copy of the detailed VAR for the UC-SCC for CYs 2007-2013 covering the period 01 April 2013 to 31 December 2017, certified by the Commission on Audit, is attached hereto and made an integral part hereof as **Annex "J"**.

46. In compliance with Section 4(e) of Rule 3 of the EPIRA-IRR and Rule 6 of the ERC Resolution No. 38-2006, a copy of the instant Petition (including Annexes) was furnished the Sangguniang Panlungsod of Quezon City. A copy of the Certification of Posting/ Affidavit of Service is attached hereto and made an integral part hereof as **Annex "K"**. The Petition (excluding Annexes) was also published in a newspaper of general circulation. A copy of the Affidavit of Publication is attached hereto and made an integral part hereof as **Annex "L"**.

**VII.**  
**ALLEGATIONS IN SUPPORT OF**  
**THE ISSUANCE OF PROVISIONAL AUTHORITY**

47. The instant petition covers the UC-SCC for CY 2017. The issuance of provisional authority for this petition would enable PSALM to immediately recover SCC, and use the UC-SCC proceeds to service maturing loan obligations that were incurred for the eligible IPP contracts. Provisional approval of this SCC will also reduce refinancing requirements of PSALM to service these maturing obligations, thus lessening additional borrowing costs.

48. Pursuant to the Honorable Commission's Rules of Practice and Procedure, the Honorable Commission may exercise its discretion by granting provisional authority (hereinafter, "PA") or interim relief prior to a final decision.

49. In support of the prayer for the issuance of Provisional Authority, the Affidavit of Ms. Luisa A. Esteban, Manager of Petitioner's Universal Charge and Administration Department, establishing certain facts and circumstances that would justify the Honorable Commission's exercise of discretion by granting PA or interim relief prior to a final decision is attached hereto and made an integral part hereof as **Annex "M"**.

50. It is understood that the interim relief sought by Petitioner, that may be granted by the Honorable Commission, shall be subject to adjustments and other conditions that the Honorable Commission may impose after hearing and final determination of the Honorable Commission.

**PRAYER**


**WHEREFORE**, premises considered, Petitioner respectfully prays, after due notice and hearing, for the **APPROVAL** of the following:

1. The calculated NPC SCC Portion of the UC for CY 2017 in the amount of PhP5,228,678,356.46, which is equivalent to PhP0.0582/kWh covering a one-year recovery period;

2. The True-Up Adjustment of the NPC SCC Portion of the UC for CYs 2007-2013 which resulted to an under recovery in the amount of PhP5,953,286,073.27 for the remittance period 01 April 2013 to 31 December 2017.
3. Provisional Authority or interim relief allowing Petitioner to charge and collect the computed NPC SCC Portion of the UC for CY 2017 or such amount determined by the Honorable Commission.

Other reliefs just and equitable are likewise prayed for.

Quezon City for Pasig City, 24 July 2018.



**GEOFFRY DL. MASANCAY**

*OIC, Office of the Vice President and General Counsel*

IBP No. 025765 (01-09-18, Quezon City)

MCLE Compliance No. V-0012426 (12-10-15)

Roll of Attorney No. 52696

**MARIA ILYN C. GERONIMO-ALBITO**

*OIC-Corporate Legal Counsel*

IBP No. 025766 (01-09-2018, RSM)

MCLE Compliance No. V-0012416 (12-10-2015)

Roll of Attorney No. 58287



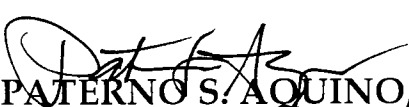
**LALAINÉ MAE C. PARLADE**

*OIC-Corporate Legal Counsel*

IBP Lifetime No. 012817

MCLE Compliance No. V-0021249 (04-14-2016)

Roll of Attorney No. 63192



**PATERNO S. AQUINO, JR.**

*Corporate Attorney*

IBP Lifetime No. 016963 (05-15-2017)

MCLE Compliance No. VI-0004732 (12-08-2017)

Roll of Attorney No. 68011

**POWER SECTOR ASSETS AND LIABILITIES  
MANAGEMENT CORPORATION**

3/F National Transmission Corporation Building,  
Power Center, Quezon Avenue corner BIR Road,  
Diliman, Quezon City Telefax No. (+632) 840-3960

Email address: [mardelacruz@psalm.gov.ph](mailto:mardelacruz@psalm.gov.ph)

(Republic of the Philippines )  
(Quezon City ) S.S.

VERIFICATION AND CERTIFICATION

I, **IRENE JOY BESIDO - GARCIA**, of legal age, married, with office address at the Power Sector Assets and Liabilities Management (PSALM) Corporation, 3/F National Transmission Corporation Building, Power Center, Quezon Avenue corner BIR Road, Diliman, Quezon City, after having been duly sworn to in accordance with law, do hereby depose and state for myself and for PSALM, that:

- (1) I am the designated President and Chief Executive Officer of the Power Sector Assets and Liabilities Management (PSALM) Corporation with authority to commence, initiate, sign and file the foregoing Petition for the Stranded Contract Costs pursuant to PSALM Board Resolution No. 2018-0619-03 dated 19 June 2018;
- (2) I have read the Petition and the allegations therein are true and correct based on my personal knowledge or the authentic records available to PSALM;
- (3) I or PSALM have not commenced any other action or proceeding involving the same issues in the Supreme Court, the Court of Appeals or any court, tribunal, or quasi-judicial agency and, to the best of my knowledge, no such other action or claim is pending therein; and
- (4) If I or PSALM should hereinafter learn that the same or a similar action or claim has been filed or is pending in the Supreme Court, the Court of Appeals or any court, tribunal, or quasi-judicial agency, I shall report the said fact within five (5) days from discovery thereof to the Honorable Commission.

**JUL 27 2018** July 2018, Quezon City, Philippines.

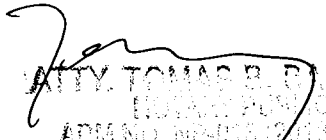
  
**IRENE JOY BESIDO - GARCIA**  
Affiant

**JUL 27 2018**

**SUBSCRIBED and SWORN TO** before me this \_\_\_\_\_ day of July 2018, with affiant **IRENE JOY BESIDO - GARCIA** presenting to me her Philippine Passport I.D. No. EC203, issued at DFA Manila on 03 September 2014, valid until 02 September 2019, known to me and to me known to be the same person who executed the foregoing Verification and Certification.

**NOTARY PUBLIC**

Doc. No. 01 ;  
Page No. 20 ;  
Book No. XIX ;  
Series of 2018.

  
**ATTY. TOMAS B. P. GARCIA, JR.**  
BAR NO. 2014  
ADM. NO. 104016 (2014-2019)  
UNTIL DECEMBER 31, 2019  
ATTYS. ROLL NO. 1384  
IBP NO. 01702-15-20-17  
PTR NO. 15200675-A-10-COT.  
ROLL NO. IV-15-10-03  
NIA 0100, SOL. OFF. ES, Q.C.  
CELL # 09200474724