

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

**IN THE MATTER OF THE PETITION
FOR THE AVAILMENTS FROM THE
UNIVERSAL CHARGE OF THE SHARE
FOR MISSIONARY ELECTRIFICATION
FOR THE PERIOD 2009-2013**

ERC Case No. 2009-

**NATIONAL POWER CORPORATION –
SMALL POWER UTILITIES GROUP
(NPC-SPUG)**

Petitioner.

x-----x

PETITION

PETITIONER National Power Corporation-Small Power Utilities Group (NPC-SPUG for brevity), through undersigned counsels and to this Honorable Commission respectfully states that:

1. Petitioner NPC is a government owned and controlled corporation created by and existing under Republic Act No. 6395 as amended ("NPC Charter"), with principal business address at NPC Office Building Complex, corner Quezon Avenue and BIR Road, Diliman, Quezon City where it may be served with the processes of this Honorable Commission.
2. Under Section 70 of Republic Act No. 9136 (Electric Power Industry Reform Act or EPIRA), the NPC, shall remain as a National Government-owned and -controlled corporation to perform the missionary electrification function through the Small Power Utilities Group (SPUG) and shall be responsible for providing power generation and its associated power delivery systems in areas that are not connected to the transmission system.
3. NPC-SPUG is filing this petition in its capacity as the implementing agency for missionary electrification (ME) which function shall be funded from the revenues from sales in missionary areas and from the universal charge (UC) to be

collected from all electricity end-users as determined by the Energy Regulatory Commission (ERC).

4. On 19 January 2009, the Department of Energy (DOE) adopted and approved the Missionary Electrification Development Plan (MEDP) for 2009-2013. Under the 5-year MEDP, NPC-SPUG shall undertake, among others, to:

a. Provide additional capacity of 53.75 MW to improve the power supply and support the expansion of service hours in the SPUG areas. The 2009-2013 MEDP sets out the power generation facilities and associated power delivery systems to be provided in existing NPC-SPUG areas and newly transferred areas. NPC-SPUG will maintain and/or improve the service levels of its existing power facilities through rehabilitation, improvement, replacement of parts and equipment, and will meet the growing demand in its coverage areas through construction of additional capacities, as follows:

Capacity Addition (MW) for Existing & Newly Transferred Areas					
Year	14 Areas for PSP	Other Luzon	Other Visayas	Other Mindanao	Total
2009	14.68	7.43	1.85	2.73	26.69
2010		7.64	0.86	1.00	9.50
2011		1.30	0.15	2.74	4.19
2012	7.00	0.86	0.74	0.50	9.10
2013		2.64	0.65	0.99	4.28
Total	21.68	19.87	4.25	7.96	53.76

b. Transfer to SPUG twenty (20) power generation systems from local government units and electric cooperatives that cannot sustain efficient operations due to high fuel and maintenance costs.

c. Prepare missionary areas to become viable and sustainable for eventual private investment by new power producers (NPPs) and qualified third parties (QTPs).

d. Implement missionary and off-grid electrification under the Expanded Rural Electrification Program, through the extension of distribution lines of electric cooperatives or the installation of mini or micro grids or decentralized systems in small islands and unviable areas, including household electrification programs.

- e. NPC-SPUG will also install power delivery systems to ensure efficiency and reliability of power supply, as follows:

2009-2013 Transmission and Substation Projects					
Year	69 kV T/L (km)	69 kV S/S (MVA)	Substation Expansion	Switching Station	13.2 kV T/L (km)
2009	226.01	50.00	4-69 kV		
2010	214.51	30.00	3-69 kV	3-69 kV	1.20
2011	278.00	17.00	1-69 kV		
2012	106.00	25.00	7-69 kV	3-69 kV	
2013	126.00	8.00	5-69 kV		
TOTAL	950.52	130.00	20-69 kV	6-69 kV	1.20

5. To support the MEDP for 2009-2013, NPC-SPUG must avail of the subsidy from the Missionary Electrification component of the Universal Charge (UC-ME) for its operations and capital projects for the next five (5) years. The projected UC-ME adopts the current subsidized/approved generation rates (SAGR) for the fourteen (14) First Wave Areas approved on 16 December 2006 in ERC Case No. 2004-449 and the existing rates as of January 2006 in the remaining SPUG areas. Estimates for the projected fixed operating expenses are based on actual 2005 results of operation, while the variable/fuel expenses are based on the forecasted gross generation, energy sales and 2005 fuel rates. Increases in fuel prices, as calculated by the NPC Fuel Management Department, have likewise been considered in the UC-ME calculations.
6. For the CY 2009-2013 UC-ME requirements petitioner assumed that the NPPs have taken over NPC-SPUG's generation functions in the 14 First Wave Areas. The UC requirements of these NPPs and QTPs were derived based on the actual subsidies disbursed to the Bantayan Island Power Corporation (BIPCOR) which is the first and so far the lone NPP receiving funds from the UC-ME. BIPCOR's true cost of generation as approved by the Honorable Commission is Php 7.7659/kWh.
7. The petition also includes SPUG's losses which were unsupported by the UC-ME in previous years. These losses, which have been incorporated under the "TRUE UP" account, amount to **Php 10.48 Billion** representing expenses unsupported by subsidy for the years 2003, 2004, 2005, 2006 and 2007 and the uncollected 2nd GRAM and 2nd ICERA accounts.

8. In response to Resolution No. 3, Series of 2008 of the Sangguniang Bayan of Bantayan in the Province of Cebu requesting this Honorable Commission and petitioner NPC-SPUG to reduce the SAGR and generation charges implemented in Bantayan Island, petitioner proposes the inclusion of the reduction of rate in the said area in this petition amounting to Php 0.0007/kWh from 2009 to 2010 and Php 0.0006/kWh from 2011 to 2013 for the approval of the Honorable Commission. In its reply dated 02 March 2009 to Representative Benhur L. Salimbangon of the 4th District of Cebu, NPC-SPUG advised thereat that it will propose the said request in its petition for availment from the UC-ME to the Honorable Commission.

9. To support its operation and the projects under the 2009-2013 MEDP, NPC-SPUG's subsidy requirements for the next five (5) years are summarized as follows:

Subsidy Requirement (in Thousand PhP)	2009	2010	2011	2012	2013
Projected Energy Sales (MWh)*	58,195,499	60,818,520	63,379,667	66,240,881	69,145,088
Missionary Generation	17,566,035	13,413,826	14,543,945	15,528,685	13,650,607
Remote Area Electrification	500,255	464,994	633,739	604,291	172,125
Sub Total	18,066,290	13,878,820	15,177,683	16,132,976	13,822,732
SPUG True Up	10,481,009				
Batayan Request for Rate Redcn.	40,737	42,573	38,028	39,745	41,487
Total	28,588,036	13,921,393	15,215,711	16,172,720	13,864,219

Subsidy Requirement in PhP/KWh

Projected Energy Sales (MWh)*	58,195,499	60,818,520	63,379,667	66,240,881	69,145,088
Missionary Generation	0.3018	0.2206	0.2295	0.2344	0.1974
Remote Area Electrification	0.0086	0.0076	0.0100	0.0091	0.0025
Sub Total	0.3104	0.2282	0.2395	0.2436	0.1999
SPUG True Up	0.1801				
Batayan Request for Rate Redcn.	0.0007	0.0007	0.0006	0.0006	0.0006
Total	0.4912	0.2289	0.2401	0.2442	0.2005

* Power Development Plan for 2008-2017

10. In relation to the instant petition for the availments from the UC-ME, NPC-SPUG prays that this Honorable Commission consider also the following:

- One-time filing and approval of UC-ME for five (5) years, i. e., from 2009 to 2013 (Multi-year petition); and
- Flexibility in the utilization of the UC-ME.

11. The petitioner believes that the *Multi-year* petition would be consistent with the period coverage of the MEDP of the DOE. The same will also complement the flexibility being sought by NPC-SPUG to deal with the dynamic nature of the MEDP, especially the nature of project implementation, which requires funds to be disbursed over a period of time. Moreover, the said *Multi-year* petition will lessen the administrative burden for both NPC and ERC.

12. Petitioner NPC-SPUG also needs some flexibility in utilizing the UC-ME primarily in view of the dynamic nature of the entire MEDP. To reiterate, the following cases illustrated by the dynamism of the MEDP:

- A project included in the original priority list is unexpectedly assumed by the private sector or an LGU for funding and implementation (UC-ME CAPEX funds allocated for the original project can then be reallocated to another project under the MEDP);
- A project in the list has to be deferred due to severe right-of-way problems (UC-ME CAPEX funds allocated for the original project can then be reallocated to another project under the MEDP);
- Efficiency improvements result in OPEX savings ((UC-ME OPEX funds allocated for the original OPEX item can then be reallocated to a CAPEX under the MEDP); and
- Higher OPEX due to higher actual sales than the projected level.

13. Petitioner submits the following documents in support of the instant petition:

- Calculations for the UC-ME subsidy (**Annex "A"**)
- Calculations for the increase in fuel prices (**Annex "B"**)
- Details of capital expenditures (projected costs):
 - Generation Projects in Existing Areas (**Annex "C"**)
 - Generation Projects in New Areas (**Annex "D"**)
 - Transmission Line Projects (**Annex "E"**)
- Copy of the 2009-2013 MEDP (**Annex "F"**)
- NP Board Resolution No. 2009-16 (**Annex "G"**)
- Proof of Service of the petition on the Secretary of the Sangguniang Panglungsod of Quezon City, where NPC-SPUG principally operates (**Annex "H"**)
- Proof of Service of the petition on the Secretary of the Sangguniang Panglungsod of San Jose Del Monte City, Bulacan where NPC-SPUG – Luzon principally operates (**Annex "I"**)
- Proof of Service of the petition on the Secretary of the Sangguniang Panglungsod of Cebu City, where NPC-SPUG-Visayas principally operates (**Annex "J"**)
- Proof of Service of the petition on the Secretary of the Sangguniang Panglungsod of Zamboanga City, where NPC-SPUG-Mindanao principally operates (**Annex "K"**)

14. Petitioner therefore respectfully prays that the Honorable Commission, after notice and hearing, allow NPC-SPUG to avail of the UC-ME subsidy as indicated above to enable it to sustain its operations and to implement the projects under the DOE-approved MEDP for 2009-2013.

PRAYER

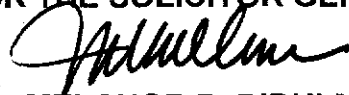
WHEREFORE, premises considered, NPC-SPUG, through undersigned counsel respectfully prays before the Honorable Commission that the proposed multi-year UC-ME for 2009-2013 be APPROVED, along with the suggested flexibility in the utilization of the UC-ME enabling petitioner to avail of the UC-ME subsidy for the next five (5) years as follows:

Year	2009	2010	2011	2012	2013
Php/kWh	0.4912	0.2289	0.2401	0.2442	0.2005

Petitioner prays for other just and equitable relief.

Quezon City for Pasig City. 28 April 2009.

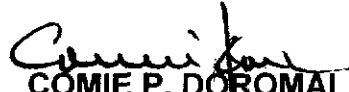
FOR THE SOLICITOR GENERAL:



MELCHOR P. RIDULME

VP-General Counsel
Special Attorney-OSG

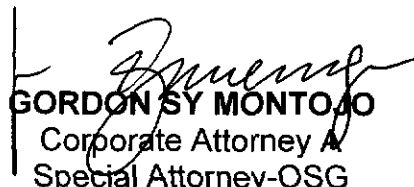
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PTR No. 1196560/01.09.09/Q.C.
Roll No. 37784



COMIE P. DOROMAL

Department Manager-LITBID
Special Attorney-OSG

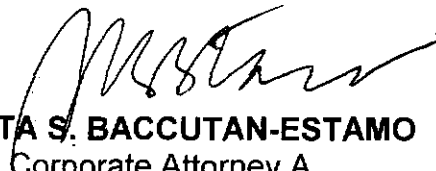
IBP OR No. No. 594567/Lifetime/Q.C.
MCLE Compliance No. II-0003913/07-10-2008
Roll No. 24988



GORDON SY MONTOJO

Corporate Attorney A
Special Attorney-OSG

IBO OR No. 772931/1-09-2009/Q.C.
PTR No. 1195953/1-08-2009/Q.C.
MCLE Compliance No. II-0003923/6-10-2008
Roll No. 44910



JULIETA S. BACCUTAN-ESTAMO

Corporate Attorney A
Special Attorney-OSG

IBP No. 776084 / 1-15-2009 / Bulacan
PTR No. 1238824 / 1-16-2009 Q.C.
MCLE Compliance No. II-00039147/7-10-2008
Roll No. 39024

**Counsels for
NATIONAL POWER CORPORATION**

Office of the General Counsel
National Power Corporation
BIR Road cor. Quezon Avenue
Diliman, Quezon City
Tel. No. 02-921-9670

VERIFICATION AND CERTIFICATION

REPUBLIC OF THE PHILIPPINES)
QUEZON CITY) S. S.

I, **FROILAN A. TAMPINCO**, of legal age, married with office address at NPC Office Building Complex, corner Quezon Avenue and Agham Road, Diliman, Quezon City, after having been sworn to in accordance with law, hereby depose and say;

1. That I am the President of the National Power Corporation, the petitioner herein;
2. I have caused the preparation of the foregoing Application and that I have read and understood the allegations contained therein and that they are true and correct to my personal knowledge; and
3. I have not therefore commenced any action or filed any claim involving the same issues in any court, tribunal or quasi-judicial agency and, to the best of my knowledge, no other such action or claim is pending therein; and that I should thereafter learn that the same or similar action or claim has been filed or is pending in any court, tribunal or quasi-judicial agency, I hereby undertake to report the same within five (5) days therefrom to this court.

Quezon City for Pasig City, Philippines, APR 30 2009, 2009.

Froilan A. Tampinco
FROILAN A. TAMPINCO
 Affiant *FT*

SUBSCRIBED AND SWORN TO before this day of APR 30 2009, 2009, affiant, **FROILAN A. TAMPINCO** presented to me his Community Tax Certificate No. 16797358 issued on January 30, 2009 at Quezon City, known to me and to me known-to be the same person who executed the foregoing Application:

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 Book No. 111
 Series of 2009

Dexter Tito Q. Tualla
ATTY. NYERSON DEXTER TITO Q. TUALLA
 Notary Public for Quezon City
 Appointment No. 530
 Commission until December 31, 2009
 Roll of Attorney No. 52294
 PTR No. 1238826 Quezon City
 IBP Lifetime No. 07135, Quezon City
 4th Flr., OGC, National Power Corp.,
 BIR Road cor. Quezon Ave.,
 Diliman, Quezon City