

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) 2018 AND
TRUE-UP ADJUSTMENTS OF
THE NPC SCC PORTION OF THE
UC FOR CYs 2007-2013, WITH
PRAYER FOR PROVISIONAL
AUTHORITY

RECEIVED BY: JTS

19 JUN 25 P5:20



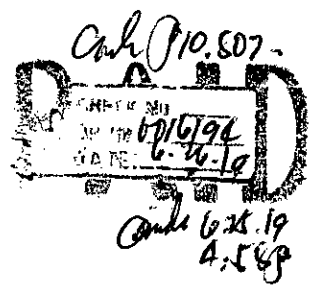
2019-048 re

ERC CASE NO. 2019-_____

POWER SECTOR ASSETS AND
LIABILITIES MANAGEMENT
(PSALM) CORPORATION

Petitioner.

X ----- X



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") 2018 and True-Up Adjustments 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 SCC and Stranded Debts Portion of the UC (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 for Recovery, true up adjustments of the UC for NPC SCC for subsequent years shall be submitted to the Honorable Commission on or before the 15th 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”)¹ certified by an Independent Third Party auditor on or before the 15th day of March of every year.²

II. TIMELINESS OF THE PETITION

5. In letters dated 25 January 2019 and 14 February 2019, 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 2018, (ii) an update/VAR on the implementation of the UC-SCC for CYs 2011-2013; and (iii) an update/VAR on the implementation of the UC-SCC for CYs 2007-2010 Motion for Reconsideration (MR), from 15 March 2019 to 31 July 2019, on the ground that the 15 March original deadline is no longer feasible considering that the CY 2018 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. Copies

¹Article VIII, Amended Rules for Recovery

²Article VIII, Section 1, Amended Rules for Recovery

of the said letters are attached hereto and made integral parts hereof as **Annexes "A" and "B"**, respectively.

6. In a letter dated 04 March 2019, the Petitioner followed-up its request for extension stating that it is impossible to file the petition, together with the VAR certified by an Independent Third Party auditor, the Commission on Audit (hereinafter, "COA"), before the 15 March deadline since COA ordinarily issues the VAR after it has completed the Annual Audit Report which is after 15 March.

This same reason constrained PSALM in the past to seek an extension of time in filing its petitions. A copy of the follow-up letter dated 04 March 2019 is attached hereto and made an integral part hereof as **Annex "C"**.

7. In a letter dated 12 March 2019, the Honorable Commission granted Petitioner's request and directed it to file/submit the UC-SCC petition for CY 2018 and update/VAR on the implementation of the UC-SCC for CYs 2011-2013 and CYs 2007-2010 MR on or before 30 June 2019. A copy of the letter approval of the Honorable Commission dated 12 March 2019 is attached hereto and made an integral part hereof as **Annex "D"**.

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

III. PETITIONER

9. Petitioner is a government-owned and controlled corporation created by virtue of the EPIRA, with principal office address at 24th Floor Vertis North Corporate Center 1, Astra corner Lux Drives, North Avenue, 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.

10. 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.³ To attain its objectives, Petitioner shall, among others:(i)

³Sec. 50, EPIRA

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.⁴

IV. NPC'S STRANDED CONTRACT COSTS

11. Stranded Contract Costs of NPC refer to the "excess of the contracted cost of electricity under eligible IPP 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 (hereinafter, "WESM") where electricity traded includes, but is not limited to, Spot Sales, Transition Supply Contracts (hereinafter, "TSC"), Bilateral Contracts, One Day Power Sale (ODPS), Default Wholesale Supply (DWS) service, and Ancillary Services."⁵ 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 2000.⁶

12. 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 (hereinafter, "PPA"), 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."⁷ 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.

13. On 26 June 2006, the commercial operation of the WESM in the Luzon Grid commenced.⁸

⁴Sec. 51, EPIRA

⁵ Article I, Section 2, Amended Rules for Recovery

⁶Sec. 4 [uu] and Sec. 32, EPIRA

⁷Article III, Amended Rules for Recovery

⁸DOE Department Circular No.2006-06-0008

14. On 26 December 2010, the commercial operation of the WESM in the Visayas Grid and its integration with the Luzon Grid commenced.⁹

15. 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:

Eligible Plants	End of Cooperation Period
Benguet Mini-Hydros a. Ampohaw b. Bakun	a. 31 January 2018 b. 31 January 2018
Pagbilao a. Pagbilao Unit I b. Pagbilao Unit II	a. 13 June 2025 b. 14 August 2025
Sual a. Sual Unit I b. Sual Unit II	a. 25 October 2024 b. 05 October 2024
Unified Leyte a. Leyte A b. Leyte B	a. 25 July 2025 b. 25 July 2022

Table 1. Eligible IPP Contracts

16. With the expiration of the IPP contract covering the Benguet Mini-Hydros Power Plant on 31 January 2018, the IPP costs considered for the calculation correspond only to one (1) month of operation.

17. 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").¹⁰

IV - A. GROSS ANNUAL CONTRACT COSTS

18. 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").

⁹DOE Department Circular No. 2010-11-0012

¹⁰ Article IV, Section 6 in relation to Sections 3, 4 and 5, Amended Rules for Recovery

19. For CY 2018, the GACC amounted to a total of PhP37.768 Billion, with details as follows:

GACC Component	Benguet Mini-Hydros (in PhP)	Unified Leyte (in PhP)	Pagbilao (in PhP)	Sual (in PhP)	TOTAL (in PhP)
Capacity Fees			9,985,248,300.32	9,858,943,689.92	19,844,191,990.24
FOM-OPS		4,687,768,605.77	1,566,641,878.86	1,608,742,369.75	7,863,152,854.38
Other OPEX	26,376.90	62,212,935.74	65,886,726.73	126,328,200.91	254,454,240.28
Sub-Total, Fixed Fees	26,376.90	4,749,981,541.51	11,617,776,905.91	11,594,014,260.58	27,961,799,084.90
Variable - OPS	15,276,246.46	8,093,566,202.20	556,261,039.87	1,068,618,471.32	9,733,721,959.85
EPPF (Station Use)	1,635.37	72,001,756.04			72,003,391.41
Sub-Total, Variable Fees	15,277,881.83	8,165,567,958.24	556,261,039.87	1,068,618,471.32	9,805,725,351.26
TOTAL	15,304,258.73	12,915,549,499.75	12,174,037,945.78	12,662,632,731.90	37,767,524,436.16

Table 2. Gross Annual Contract Costs

20. Considering that Benguet Mini-Hydros are hydro-electric power plants and Unified Leyte is under PPA, both power plants did not entail fuel costs. Likewise, both Pagbilao and Sual power plants have no fuel costs since the procurement of fuel were assumed by their respective administrators, pursuant to the IPP Administration Agreements (hereinafter, "IPPAA").

21. Details of the Purchased Power Costs of both Benguet Mini-Hydros and Unified Leyte showing their allocation between TSC/Contract for the Sale of Electric Energy (CSEE) and WESM customers is attached hereto and made an integral part hereof as Annex "E". The Purchased Power Cost allocations are based on the proportion of each IPP's sales to said markets.

22. 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 lifted from the ROO and the monthly IPP payment vouchers, less the FOM-OPS, while Other OPEX was lifted from the ROO and Other OPEX of Eligible Plants under 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 IPPAA. Copies of the ROO, Summary of Fixed and Variable Costs of Eligible IPPs under IPPAA, Other OPEX of Eligible Plants under IPPAA and Schedule of Adjustment on Energy Fees are attached hereto and made integral parts hereof as Annexes "F", "G", "H", and "I", respectively.

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

23. 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 TSC, including penalties imposed on customers which drew power lower than or in excess of their contracted level of energy.

24. For CY 2018, the RSCE amounted to a total of PhP8.075 Billion, with details as follows:

RSCE (in PhP)	Benguet Mini-Hydros (in PhP)	Unified Leyte (in PhP)	TOTAL (in PhP)
Sales in WESM	7,021,989.73	7,894,670,448.98	7,901,692,438.71
Sales in TSC	161,031.10	173,299,998.51	173,461,029.61
Total	7,183,020.83	8,067,970,447.49	8,075,153,468.32

Table 3. Revenues from the Sale of Contracted Energy

25. Components of the RSCE were lifted from the Net Utility Revenue portion of the ROO. RSCE includes revenue from electricity sales of 100 MW strips of Unified Leyte whose IPP AA with three (3) strip owners were terminated in CY 2017, with details as follows:

Strip Owners	Awarded Strips (MW)	Date of Termination	Date of Assumption by PSALM
Good Friends Hydro Resources Corporation	20	10 August 2017	11 August 2017
PHINMA Energy Corporation	40	04 September 2017	05 September 2017
FDC Utilities, Inc.	40	04 September 2017	05 September 2017

Table 4. Terminated IPPAA of UL Strips

26. On the other hand, RSCE excludes the Power Act Reduction (PAR) and Prompt Payment Discount (PPD) 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.

PROCEEDS FROM PRIVATIZATION OF ELIGIBLE IPP CONTRACTS

27. 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.

28. For CY 2018, PP amounted to a total of PhP23.571 Billion, with details as follows:

Privatization Proceeds	Unified Leyte (in PhP)	Pagbilao (in PhP)	Sual (in PhP)	Total (in PhP)
Monthly Payments	-	7,142,642,170.55	10,302,334,347.93	17,444,976,518.48
Generation Payments/Energy Fee	5,019,681,254.57	545,586,941.40	560,951,684.92	6,126,219,880.89
TOTAL	5,019,681,254.57	7,688,229,111.95	10,863,286,032.85	23,571,196,399.37

Table 5. Privatization Proceeds

29. 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 the four (4) remaining Strip Owners, namely, Aboitiz Energy Solutions, Inc., 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.

30. Copy of the IPPAA Monthly Payments of Eligible Plants for SCC calculation, which are net of value-added tax (hereinafter, “VAT”), is attached hereto and made an integral part hereof as **Annex “J”**, which is based on the IPPAA Monthly Payments of Eligible Plants attached as **Annex “K”** and the VAT on Privatization Proceeds attached as **Annex “L”**. Copies of the Summary of IPPAA Billings–UL Strips Generation Payments, Summary of IPPA Billings–Energy Fees and Adjustment on Energy Fees billed by IPPAs are attached hereto and made integral parts hereof as **Annexes “M”, “N” and “O”**, respectively.

31. The PP is net of VAT, consistent with the Bureau of Internal Revenue (BIR) Revenue Memorandum Circular No. 11-2012¹¹ 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

¹¹Tax Consequences of Power Sector Assets and Liabilities Management Corporation (PSALM) Transactions

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.”

32. 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 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

33. Based on the foregoing calculation, the SCC for CY 2018 amounts to PhP6.121 Billion, computed as the difference between the GACC and the combined amounts derived from the RSCE and PP, with details as follows:

2018 UC-SCC	Benguet Mini-Hydros (in PhP)	Unified Leyte (in PhP)	Pagbilao (in PhP)	Sual (in PhP)	TOTAL (in PhP)
GACC	15,304,258.73	12,915,549,499.75	12,174,037,945.78	12,662,632,731.90	37,767,524,436.16
Less: RSCE	7,183,020.83	8,067,970,447.49	0.00	0.00	8,075,153,468.32
Less: PP	0.00	5,019,681,254.57	7,688,229,111.95	10,863,286,032.85	23,571,196,399.37
SCC	8,121,237.90	(172,102,202.31)	4,485,808,833.83	1,799,346,699.05	6,121,174,568.47

Table 6. Details of Stranded Contract Cost

34. Consistent with the Honorable Commission’s Decision in ERC Case No. 2011-091 RC, wherein the Honorable Commission used four (4) years’ forecast 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 2018 is derived by dividing the calculated CY 2018 SCC by the one (1) year electricity sales for CY 2020 based on the DOE’s Electricity Sales Forecast (2019-2040). The calculated SCC rate is PhP0.0620/kWh with details as follows:

UC-SCC For CY 2018 (in PhP)	Energy Sales Forecast (GWh)	UC-SCC Rate (PhP/kWh)
6,121,174,568.47	98,753	0.0620

Table 7. UC-SCC for CY 2018

35. A copy of the Electricity Sales Forecast (2019-2040) as sourced from the DOE is attached hereto and made an integral part hereof as **Annex "P"**.

VI.
VARIANCE ANALYSIS REPORT FOR CYs 2007-2013

36. 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.¹²

37. 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 2011-2013 UC-SCC QV AND UNDER/(OVER)RECOVERY
FOR THE REMITTANCE PERIOD 01 AUGUST 2017 - 31 MAY
2018

38. Based on the certification issued by the COA as embodied in its Independent Auditor's Report dated 17 July 2018, the ERC-approved CYs 2011-2013 UC-SCC posted a quantity variance (QV) of

¹²Section 1

30,718.65 GWh, which is equivalent to an under-recovery amounting to PhP5,953,286,073.27 as of 31 December 2017.

39. For the period 01 January to 31 May 2018, the total UC remittances made by the collecting entities to Petitioner amounted to PhP6,135,783,220.41 with an equivalent energy sales billed/remitted of 31,660.39 GWh, which was derived by dividing the remittance amount of PhP6,135,783,220.41 by the ERC-approved UC-SCC rate of PhP0.1938/kWh. Deducting these actual sales of 31,660.39 GWh from the 30,718.65 GWh mentioned above translates to negative 941.73 GWh. Multiplying this QV by the PhP0.1938/kWh SCC rate approved by the Honorable Commission translates to an over-recovery for the CYs 2011-2013 UC-SCC amounting to PhP182,497,147.14, as shown below:

PARTICULARS	QUANTITY VARIANCE (GWh)	AMOUNT (PhP)	RATE (PhP/kWh)
Quantity Variance/Under or (Over) Recovery as of 31 December 2017	30,718.65	5,953,286,073.27	0.1938
Less: Energy Sales Billed/Remitted covering 01 January to 31 May 2018 Remittance Period	31,660.39	6,135,783,220.41	0.1938
True-Up Adjustment/Under or (Over) Recovery	(941.73)	(182,497,147.14)	0.1938

Table 8. CYs 2011-2013 UC-SCC VAR

VI - B.

CYS 2007-2010 UC-SCC MOTION FOR RECONSIDERATION (MR) QV AND UNDER/(OVER) RECOVERY FOR THE REMITTANCE PERIOD 01 JUNE 2018 - 31 DECEMBER 2018

40. In the Honorable Commission's Order dated 22 May 2018 in ERC Case No. 2011-091 RC¹⁵, Petitioner was authorized to recover additional UC-SCC for CYs 2007-2010 amounting to PhP8.547 Billion, at the rate of PhP0.1938/kWh for the Luzon, Visayas and Mindanao Grids to be collected from the consumers for an estimated six (6) months period starting May 2018 billing period (26 April - 25 May 2018). This has an equivalent billing determinant of 44,103.35 GWh.

41. In accordance with the Amended Rules for Recovery, the posted over-recovery for CYs 2011-2013 amounting to PhP182,497,147.14 was used to reduce the CYs 2007-2010 UC-SCC MR from PhP8,547,230,000.00 to PhP8,364,732,852.86.

¹⁵ Petition for True-Up Adjustments for the NPC's SCC Portion of the UC for CYs 2011 and 2012

42. For the period 01 June to 31 December 2018, the total UC remittances made by the collecting entities to Petitioner amounted to PhP9,441,673,470.85 with an equivalent energy sales billed/remitted of 48,718.65 GWh. Deducting these actual sales from 43,161.62 GWh translated to a QV equivalent to negative 5,557.03 GWh, and multiplying it by the PhP0.1938/kWh SCC rate approved by the Honorable Commission resulted to an over-recovery for the CYs 2007-2010 UC-SCC MR amounting to PhP1,076,940,617.99, details of which are shown below:

PARTICULARS	QUANTITY VARIANCE (GWh)	AMOUNT (PhP)	RATE (PhP/kWh)
Billing Determinant and Approved Level of CYs 2007-2010 SCC MR	44,103.35	8,547,230,000.00	0.1938
Less: Over Recovery from CYs 2011-2013 UC-SCC Remittances	941.73	182,497,147.14	0.1938
SCC in the UC for CYs 2007-2010 MR	43,161.62	8,364,732,852.86	0.1938
Less: Energy Sales Billed/Remitted covering 01 June to 31 December 2018 Remittance Period	48,718.65	9,441,673,470.85	0.1938
Quantity Variance/Under or (Over) Recovery	(5,557.03)	(1,076,940,617.99)	0.1938

Table 9. CYs 2007-2010 UC-SCC MR VAR

43. A copy of the detailed VAR for the UC-SCC for CYs 2007-2013 covering the period 01 January to 31 December 2018, duly certified by the COA, is attached hereto and made an integral part hereof as **Annex "Q"**.

44. 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 "R"**. 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 "S"**.

VII. ALLEGATIONS IN SUPPORT OF THE ISSUANCE OF PROVISIONAL AUTHORITY

45. The instant petition covers the UC-SCC for CY 2018. The issuance of provisional authority for this petition would enable PSALM to immediately recover SCC, and use the UC-SCC proceeds to

service maturing loans and IPP obligations of eligible IPP contracts. Provisional approval of this SCC will also reduce the refinancing requirements of PSALM to service these maturing obligations, thus lessening additional borrowing costs.

46. 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.

47. 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 "T".

48. It is understood that the interim relief sought by Petitioner in the instant petition 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 thereof.

PRAYER

WHEREFORE, premises considered, Petitioner respectfully prays, after due notice and hearing that the:

1. Calculated NPC SCC Portion of the UC for CY 2018 in the amount of PhP6,121,174,568.47, which is equivalent to PhP0.0620/kWh covering a one-year recovery period, be **APPROVED**;
2. Provisional Authority or interim relief allowing Petitioner to charge and collect the computed NPC SCC Portion of the UC for CY 2018 or such amount determined by the Honorable Commission be **GRANTED**; and
3. True-Up Adjustments of the CYs 2011-2013 UC-SCC and CYs 2007-2010 UC-SCC MR, which resulted to an over-recovery in the amount of PhP1,076,940,617.99, as of 31 December 2018 be

duly **NOTED** and deemed in **FULL COMPLIANCE** with the Amended Rules for Recovery.

Other reliefs just and equitable are likewise prayed for.

Quezon City for Pasig City, 21 June 2019.

**POWER SECTOR ASSETS AND LIABILITIES
MANAGEMENT CORPORATION**

24th Floor, Vertis North Corporate Center 1,
Astra corner Lux Drives, North Avenue
1105 Quezon City
Telefax: (632) 902-9000
E-mail: mardelacruz@psalm.gov.ph



JULIUS M. LOTILLA

General Counsel

IBP Lifetime No. 010574 (Antique)
MCLE Compliance No. VI-0023624 (4-14-2019)
Roll of Attorney No. 47461



GEOFFREY D. MASANCAY

Corporate Legal Counsel


IBP No 064493 (01-08-2019, Quezon City)
MCLE Compliance No. VI-0020686 (03-25-19)
Roll of Attorney No. 52696



MARIA ILYN C GERONIMO-ALBITO

Corporate Legal Counsel

IBP No. 064494 (01-08-2019, RSM)
MCLE Compliance No. VI-0015994 (12-7-18)
Roll of Attorney No. 58287



LALAINÉ MAE C. PARLADE

Corporate Attorney

IBP Lifetime No. 012817
MCLE Compliance No. VI-0020703 (03-25-19)
Roll of Attorney No. 63192

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

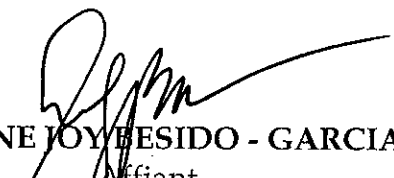
VERIFICATION AND CERTIFICATION

I, **IRENE JOY BESIDO - GARCIA**, of legal age, married, with office address at the Power Sector Assets and Liabilities Management (PSALM) Corporation, 24th Floor, Vertis North, Corporate Center I, Astra corner Lux Drives, North Avenue, 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 Petitions for the Stranded Debt, Stranded Contract Costs and Ninth (9th) True-Up Adjustment of Fuel, Purchased Power, and Foreign Exchange-Related Costs Covering January to December 2018 Test Period, pursuant to the Secretary's Certificates for PSALM Board Resolutions Nos. 2019-0524-01, 2019-0524-02 and 2019-0524-03 all dated 24 May 2019, respectively;
- (2) I have read the Petitions 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.

June 2019, Quezon City, Philippines.

JUN 21 2019

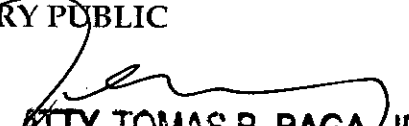

IRENE JOY BESIDO - GARCIA
Affiant

JUN 21 2019

SUBSCRIBED and SWORN TO before me this _____ day of June 2019, with affiant **IRENE JOY BESIDO-GARCIA** presenting to me her Philippine Passport I.D. No. P0087701B, issued at DFA Manila on 03 January 2019, valid until 02 January 2029, known to me and to me known to be the same person who executed the foregoing Verification and Certification.

NOTARY PUBLIC

Doc. No. 40;
Page No. 11;
Book No. LXXVI
Series of 2019.


ATTY. TOMAS B. BAGA JR.
NOTARY PUBLIC
UNTIL DECEMBER 31, 2019
ADM. NO. NP-013 (2018-2019)
ATTYS. ROLL NO. 13003
IBP NO. 058254, 01/03/19
PTR NO. 8827969 / 1-3-19 N. COT.
MCLE NO. IV-0026098
RGH BLDG. TIMOG COR. PANAY AVE. QC