

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

IN THE MATTER OF THE 9th
APPLICATION FOR THE TRUE-UP
ADJUSTMENTS OF FUEL AND
PURCHASED POWER COSTS
(TAFPPC), AND FOREIGN
EXCHANGE-RELATED COSTS
(TAFxA) UNDER THE RULES FOR
THE AUTOMATIC RECOVERY OF
MONTHLY FUEL AND
PURCHASED POWER COSTS
AND FOREIGN EXCHANGE-
RELATED COSTS BY THE
NATIONAL POWER
CORPORATION, AS AMENDED,

RECEIVED BY: *[Signature]*

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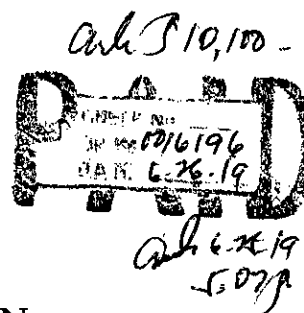


2019-049 *re*
ERC CASE NO. 2019-_____

POWER SECTOR ASSETS
AND LIABILITIES MANAGEMENT
CORPORATION (PSALM),

Applicant

X-----X



APPLICATION

Applicant POWER SECTOR ASSETS AND LIABILITIES
MANAGEMENT (PSALM) CORPORATION, through the
undersigned counsel and unto this Honorable Commission, most
respectfully states that:

1. Applicant PSALM is a government-owned and controlled
corporation created by virtue of Republic Act No. 9136 or the "Electric
Power Industry Reform Act of 2001" (EPIRA), with principal office
address at 24/F Vertis North Corporate Center 1, Astra corner Lux
Drives, North Avenue, 1105 Quezon City.

2. The instant application is being filed by PSALM pursuant to Section 4(e), Rule 3 of the Implementing Rules and Regulations of the EPIRA (EPIRA-IRR), Rule 6 of the Energy Regulatory Commission (ERC) Rules of Practice and Procedure, and Article V of ERC Resolution No. 19, Series of 2009 entitled "A Resolution Adopting the Rules for the Automatic Recovery of Monthly Fuel and Purchased Power Costs and Foreign Exchange-Related Costs by the National Power Corporation (NPC)", as amended by ERC Resolution No. 25, Series of 2009 (ACRM Rules).

3. Article V of the ACRM Rules requires the submission of an application for the TAFPPC and TAFxA at least every twelve (12) months in order for the ERC to verify the recovery of fuel and purchased power costs adjustments (FPPCA) and foreign exchange-related cost adjustment (FxA) by comparing the actual allowable costs incurred for the period with the actual revenues for the same period generated by the fuel and purchased power costs components under the Basic Generation Charge¹ (BGC) and the FPPCA and FxA under the monthly ACRM.

4. The BGC is an ERC-approved generation rate imposed by NPC/PSALM for the sale of electric energy to its customers with Transition Supply Contract (TSC) or Contract for the Supply of Electric Energy (CSEE).

5. The existing BGC, pegged at CY 2007 test period, was provisionally approved by the ERC pursuant to Orders dated 16 February 2009 and 23 March 2009 under Case No. 2009-004 RC², broken down as follows:

Particulars	Luzon	Visayas	Mindanao
	In Peso per Kilowatt Hour (PhP/kWh)		
Fuel Costs Base (FCB) ³	1.6811	1.2789	0.8961
Purchased Power Costs Base (PPCB) ⁴	2.2791	1.8834	1.0446
Other Components ⁵	0.4046	0.5632	0.8770
TOTAL	4.3648	3.7255	2.8177

Table 1: Basic Generation Charge per Component

¹ Provisional Approval issued by the ERC on 16 February 2009 and 23 March 2009 under ERC Case No. 2009-004 RC

² In the Matter of the Application for the Proposed New Basic Generation Rates for Luzon, Visayas and Mindanao Grids with Prayer for Provisional Authority

³ Page 8, ERC Order dated 14 December 2009 under ERC Case No. 2008-019 RM in relation to ERC Resolution 19, as amended

⁴ Page 11, ERC Order dated 14 December 2009 under ERC Case No. 2008-019 RM in relation to ERC Resolution 19, as amended

⁵ Other components are NPC's O&M costs, depreciation and return on rate base

6. Considering that the BGC is pegged at CY 2007 costs, to enable NPC/PSALM to reflect the current year's actual/allowable fuel and purchased power costs (PPC) in accordance with prevailing market prices and capture the change in generation mix brought about by privatization of PSALM's generating assets and Independent Power Producer (IPP) contracts, the ERC approved the implementation of the Fuel and Purchased Power Cost Adjustments (FPPCA) under the Automatic Cost Recovery Mechanism (ACRM) Rules.

7. Further, the ERC set the base foreign exchange rate (FX) covering the principal portion of debt at PhP 44.0494/USD⁶. Since the FX varies at the time of debt payment, the ERC allowed an adjustment under the ACRM to cover FX fluctuations (FxA).

8. Similar to the BGC, cost adjustments namely the FPPCA and the FxA are collected from regular TSC/CSEE customers via i) Monthly ACRM and ii) ACRM True-up Adjustments, by virtue of the ACRM Rules.

9. With the effectivity of the ACRM Rules on 27 February 2010, fifteen (15) days after its publication in a newspaper of general circulation in the Philippines, PSALM implemented the ACRM Rules starting March 2010 billing period and calculated the monthly FPPCA and FxA, or the Monthly ACRM, using economic indices to reflect the movement in the fuel, purchased power, and foreign exchange-related costs. This Monthly ACRM was however set to zero (0) beginning June 2016 billing period in the Luzon, Visayas and Mindanao Grids in accordance with ERC Order dated 28 June 2016.

10. Article V of the ACRM Rules requires the submission of an application for the TAFPPC and TAFxA (collectively referred as ACRM True-Up Adjustments), at least every twelve (12) months, in order for the ERC to verify the recovery of FPPCA and FxA by comparing the actual allowable costs incurred for the period with the actual revenues for the same period generated by the FCB and PPCB under the BGC and the FPPCA and FxA under the Monthly ACRM.

11. Since the implementation of the ACRM Rules, PSALM filed before the ERC annual petitions for TAFPPC and TAFxA, details are as follows:

⁶ Page 12, ERC Order dated 14 December 2009 under ERC Case No. 2008-019 RM

LUZON	VISAYAS	MINDANAO
0.4046%	1.9517%	100%

Table 3: TSC/CSEE Energy Sales Ratio

21. Attached as **Annex “B”** is the TSC/CSEE Energy Sales Ratio for January- December 2018 based on **Annex “B-1”**, the Monthly Energy Sales per Plant (TSC/CSEE and WESM).

II. TRUE-UP ADJUSTMENT OF FUEL AND PURCHASED POWER COSTS (TAFPPC)

22. Pursuant to Article V, Section 4 of the ACRM Rules, PSALM determined the TAFPPC based on the following formula:

$$TAFPPC = FPPCA_{afppc} - FPPCA_{billed} - FPPCA_{peso}$$

where:

TAFPPC = True-up Adjustment of Fuel and Purchased Power Costs, in PhP

FPPCA_{afppc} = Actual allowable fuel and purchased power costs for the test period, in PhP

FPPCA_{billed} = Fuel and purchased power costs billed through the last ERC-approved base rate for the test period, in PhP

FPPCA_{peso} = Recovered/billed fuel and purchased power costs monthly from customers under the ACRM, in PhP

A. First Component of the TAFPPC: FPPCA_{afppc}

23. **FPPCA_{afppc}** refers to the Actual Allowable Fuel and Purchased Power Costs covering the test period January to December 2018.

24. There were no Allowable Fuel Costs (AFC) considered in the calculation of FPPCA. In the Luzon Grid, considering that Malaya Thermal Power Plant (MTPP), the only remaining fuel-based plant, was not used to supply the energy requirement of TSC/CSEE customers in view of its designation as Must-Run Unit (MRU) in the Wholesale Electricity Spot Market (WESM) in accordance with the Department of Energy (DOE) Circular No. DC2014-01-003, its fuel costs were not considered in the Luzon Grid’s AFC and the TAFPPC.

25. In the Visayas and Mindanao Grids, PSALM has no remaining fuel-fired plants. Thus, AFC for both Grids is likewise zero (0).

26. Allowable Purchased Power Costs (APPC) of the following IPPs, based on ERC’s approval of the IPP contracts, that supplied energy to TSC/CSEE customers during the test period were considered in the calculation:

LUZON		VISAYAS		MINDANAO	
Ampohaw-Hedcor	ERB Case No. 93-13	Leyte A and B (Unified Leyte Bulk Portion)	ERB Case No. 98-55	Mt. Apo I	ERB Case No. 98-54
Casecanan	ERC Case No. 2001-457			Mt. Apo II	ERC Case No. 2001-714
Caliraya-Botocan - Kalayaan	ERC Case No. 2007-159 RC			Mindanao Coal	ERC Case No. 2001-811

Table 4: IPPs supplying TSC/CSEE Customers

27. In accordance with the ERC directives, APPC corresponds to whichever is lower between the actual purchased power costs (PPC) paid to the IPPs vis-a-vis calculated PPC based on the ERC approval of the IPP contracts.

28. Considering that Leyte A and B (Unified Leyte) are now dedicated to supplying the Visayas Grid energy requirements, APPC of Unified Leyte (UL) was pegged at PhP1.45/kWh base energy rate (BER) plus inflation factor (IF) in line with the ERB Decision dated 27 December 1999 under Case No. 98-55. The APPC of Unified Leyte (UL) is calculated by determining the capacity administered by PSALM during the period over the total contracted capacity of the plant (440 MW) multiplied by the total APPC. PSALM awarded the 200 MW UL capacity to its IPP Administrators (IPPA)/Strips Owners on 26 December 2014. During 2017, PSALM terminated the IPPA Administration Agreement with Good Friends Hydro Resources Corporation, PHINMA Energy Corporation and FDC Utilities, Inc. effective 10 August 2017, 04 September 2017, and 04 September 2017, corresponding to the awarded strips equivalent to 20 MW, 40 MW and 40 MW, respectively, increasing by 100 MW the capacity being administered by PSALM.

29. Further, out of the Total APPC, only the portion used to supply the Regular TSC/CSEE customers is considered in the TAFPPC. This is derived by multiplying the Total APPC of the grid by the TSC/CSEE Energy Sales Ratio.

30. The $FPPCA_{afppc}$ is the sum of AFC and APPC, as summarized below:

PARTICULARS	LUZON	VISAYAS	MINDANAO
	In Peso		
AFC	0.00	0.00	0.00
APPC	19,360,639.76	179,232,551.08	5,684,886,284.08
FPPCA_{afppc}	19,360,639.76	179,232,551.08	5,684,886,284.08

Table 5: Actual Allowable Fuel and Purchased Power Costs

31. The schedule of Allowable Fuel and Purchased Power Costs per Grid - TSC/CSEE Share is hereto attached as Annex "C".

B. Second component of the TAFPPC: FPPCA_{billed}

32. $FPPCA_{billed}$ is the Fuel and PPC billed to TSC/CSEE customers through the ERC-approved base rate. Fuel cost billed is calculated by multiplying Regular TSC/CSEE Energy Sales (in kWh) with the FCB (in PhP/kWh) of the provisionally approved BGC, while the PPC billed is derived by multiplying Regular TSC/CSEE Energy Sales (in kWh) with the PPCB (in PhP/kWh) of the provisionally approved BGC.

33. Below are the fuel and purchased power cost components of the provisionally-approved BGC used in the calculation:

Grid	Fuel Cost Component ^{7/}	Purchased Power Cost Component ^{7/}
	In Peso per Kilowatt Hour (PhP/kWh)	
Luzon	1.6811	2.2791
Visayas	1.2789	1.8834
Mindanao	0.8961	1.0446

Table 6: Fuel and PPC Component of the ERC-approved BGC

34. The summary of $FPPCA_{billed}$ is shown below:

PARTICULARS	LUZON	VISAYAS	MINDANAO
	In Peso		
FCB _{billed}	13,149,542.35	59,581,245.40	4,135,722,414.65
PPCB _{billed}	17,827,090.57	87,743,621.54	4,821,086,524.20
FPPCA_{billed}	30,976,632.92	147,324,866.93	8,956,808,938.85

Table 7: Fuel and Purchased Power Costs Billed under the BGC

⁷ Based on Provisional Approval of the BGC dated 16 February 2009 and 23 March 2009 under ERC Case No. 2009-004 RC and ERC Order dated 14 December 2009 under ERC Case No. 2008-019 RM.

C. Third component of the TAFPPC: FPPCA_{peso}

35. FPPCA_{peso} refers to the recovered or billed fuel and PPC adjustment from TSC/CSEE customers through the monthly ACRM. Considering that PSALM has ceased billing the monthly FPPCA and FxA beginning June 2016 billing period in the Luzon, Visayas and Mindanao Grids pursuant to the ERC Order dated 28 June 2016, the FPPCA_{peso} is equivalent to zero (0) for all Grids.

D. TOTAL TAFPPC

36. Following the formula approved by the ERC in Article V of the ACRM Rules, the TAFPPC for Luzon, Visayas, and Mindanao grids covering the test period, January to December 2018, are as follows:

PARTICULARS	LUZON	VISAYAS	MINDANAO
	In Peso		
FPPCA _{afppc}	19,360,639.76	179,232,551.08	5,684,886,284.08
Less: FPPCA _{billed}	30,976,632.92	147,324,866.93	8,956,808,938.85
Less: FPPCA _{peso}	0.00	0.00	0.00
TAFPPC	(11,615,993.15)	31,907,684.14	(3,271,922,654.78)

Table 8: True-Up Adjustment of Fuel and Purchased Power Costs

37. Attached hereto as Annex “D” is the monthly computation of the above TAFPPC.

III. TRUE-UP ADJUSTMENT OF FOREIGN EXCHANGE-RELATED COSTS (TAFxA)

38. In accordance with Article V, Section 5 of the ACRM Rules, PSALM shall calculate the TAFxA based on the following formula:

$$TAFxA = FxA_{afxc} - FxA_{peso}$$

where:

- TAFxA = True-up Adjustment of Foreign Exchange-Related Costs, in PhP
- FxA_{afxc} = Actual Foreign Exchange-Related Costs for the test Period, in PhP
- FxA_{peso} = Recovered/billed Foreign Exchange-Related Costs from Customers under the monthly ACRM, in PhP

A. First Component of TAFxA: FxA_{afxc}

39. FxA_{afxc} is calculated as the difference between: 1) principal debt payments made during the test period converted into Peso using the actual exchange rate at the time of payment and 2) principal payments during the same period converted to Peso using the ERC-approved base foreign exchange rate of PhP44.0494/USD.

40. The FxA_{afxc} is adjusted to reflect costs incurred only for Regular TSC/CSEE customers. This is derived by multiplying the Total FxA_{afxc} with the TSC/CSEE Energy Sales Ratio. The summary of FxA_{afxc} for regular TSC/CSEE customers is as follows:

PARTICULARS	LUZON	VISAYAS	MINDANAO
	In Peso		
FxA_{afxc}	1,457,701.69	889,710.68	62,883,210.80

Table 9: Actual Foreign Exchange-Related Costs

41. The schedule of Actual Foreign Exchange-Related Costs – TSC/CSEE Share is hereto attached as **Annex “E”**.

B. Second Component of TAFxA: FxA_{peso}

42. FxA_{peso} refers to the recovered/billed foreign exchange-related costs from customers through the monthly ACRM. As stated above, the implementation of monthly ACRM is set to zero starting June 2016, thus, the FxA_{peso} for Luzon, Visayas and Mindanao Grids is zero (0).

C. Total TAFxA

43. Following the formula approved by the ERC in Article V of the ACRM Rules, TAFxA for Luzon, Visayas, and Mindanao grids covering the test period January to December 2018 is as follows:

PARTICULARS	LUZON	VISAYAS	MINDANAO
	In Peso		
FxA_{afxc}	1,457,701.69	889,710.68	62,883,210.80
Less: FxA_{peso}	0.00	0.00	0.00
TAFxA	1,457,701.69	889,710.68	62,883,210.80

Table 10: True-Up Adjustment on Foreign Exchange-Related Costs

44. Attached hereto as **Annex "F"** is the monthly computation of the above TAFxA.

IV. TOTAL TRUE-UP ADJUSTMENT

45. In summary, the TAFPPC and TAFxA for the test period January to December 2018, are as follows:

PARTICULARS	LUZON	VISAYAS	MINDANAO
	In Peso		
TAFPPC	(11,615,993.15)	31,907,684.14	(3,271,922,654.78)
TAFxA	1,457,701.69	889,710.68	62,883,210.80
TOTAL	(10,158,291.47)	32,797,394.83	(3,209,039,443.98)

Table 11: Total ACRM True-up Adjustment

46. Details of the above TAFPPC and TAFxA covering each Eligible and Ineligible Plant and Independent Power Producer are shown in **Annex "G"** hereof.

V. REFUND/RECOVERY TO PSALM TSC/CSEE CUSTOMERS

47. Below are the equivalent rates, in PhP/kWh, of the above ACRM True-Up Adjustments covering a one (1) year recovery/(refund) period, which were derived by dividing the ACRM True-up Adjustment amount by the 2018 Regular TSC/CSEE Energy Sales:

PARTICULARS	LUZON	VISAYAS	MINDANAO
	In Peso per Kilowatt Hour (PhP/kWh)		
TAFPPC	(1.4850)	0.6849	(0.7089)
TAFxA	0.1864	0.0191	0.0136
TOTAL	(1.2986)	0.7040	(0.6953)

Table 12: Total True-up Adjustment, in PhP/kWh

48. To implement the recovery/(refund) scheme under the ACRM, PSALM proposes that for TSC/CSEE customers of PSALM in 2018 who have transferred thereafter to other power suppliers, it shall directly recover/refund the TAFPPC and TAFxA True-Up Adjustments by issuing the corresponding Debit/Credit Memo, regardless of the expiration. For TSC/CSEE customers who are still sourcing their power requirements from PSALM at the time of issuance or implementation of ERC Decision/Order on the TAFPPC and TAFxA, the same shall be reflected in their power bill.

49. Attached hereto as **Annex "H"** is the Schedule of 9th TAFPPC and TAFxA allocated per PSALM customer covering January - December 2018 based on **Annex "H-1"**, the Schedule of Energy Sales per Customer.

50. In compliance with Section 4(e) of Rule 3 of the EPIRA-IRR and ERC Resolution No. 19, Series of 2009 as amended by ERC Resolution No. 25, Series of 2009, a copy of this instant application (including Annexes, other documents and compact discs) was furnished to the Sangguniang Panlungsod of Quezon City. A copy of the Certification of Posting/ Affidavit of Service is hereto attached as **Annex "I"**. The Petition (excluding Annexes) was also published in a newspaper of general circulation. A copy of the Affidavit of Publication is hereto attached as **Annex "J"**.

PRAYER

WHEREFORE, premises considered, it is most respectfully prayed to this Honorable Commission that consistent with ERC Resolution No. 19, Series of 2009, as amended, adopting the Rules for the Automatic Recovery of Monthly Fuel and Purchased Power Costs and Foreign Exchange-Related Costs by the National Power Corporation, and Section 4 (e), Rule 3 of the Implementing Rules and Regulations of the Electric Power Industry Reform Act, the following Total True-Up Adjustment amounts (TAFPPC + TAFxA) per Grid and corresponding True-up Adjustment rates (PhP/kWh) with one (1) year refund period for the Luzon and Mindanao Grids and one (1) year recovery period for the Visayas Grid, covering the test period January 2018 to December 2018 be **APPROVED**:

Particulars	Luzon	Visayas	Mindanao
	In Peso		
TAFPPC	(11,615,993.15)	31,907,684.14	(3,271,922,654.78)
TAFxA	1,457,701.69	889,710.68	62,883,210.80
TOTAL	(10,158,291.47)	32,797,394.83	(3,209,039,443.98)

The rates in PhP/kWh corresponding to the above recovery/refund for one (1) year are as follows:

Particulars	Luzon	Visayas	Mindanao
	In Peso per Kilowatt Hour (PhP/kWh)		
TAFPPC	(1.4850)	0.6849	(0.7089)
TAFxA	0.1864	0.0191	0.0136
TOTAL	(1.2986)	0.7040	(0.6953)


Other reliefs as may be deemed just and equitable under the premises are likewise prayed for.

Quezon City for Pasig City, 21 June 2019.


-Signatories on the following page-


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**POWER SECTOR ASSETS AND LIABILITIES
MANAGEMENT CORPORATION**

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(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.

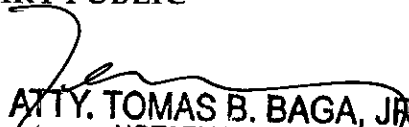
JUN 21 2019 June 2019, Quezon City, Philippines.


IRENE JOY BESIDO - GARCIA
Affiant

JUN 21 2019
SUBSCRIBED and SWORN TO before me this 21 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. 44;
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. 8327889 / 1-3-19 N. COT.
MCLE NO. IV-0026098
RGH BLDG. TIMOG COR. PANAY AVE. QC