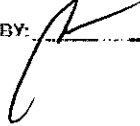


ENERGY REGULATORY COMMISSION
DOCKET / RECORD

Republic of the Philippines
ENERGY REGULATORY COMMISSION '17 ENE 27 A10 :33
San Miguel Avenue, Pasig City

RECEIVED BY: 

**IN THE MATTER OF THE
PETITION FOR THE APPROVAL
OF THE RECOVERY FROM THE
UNIVERSAL CHARGE OF THE
SHORTFALL IN THE
MISSIONARY
ELECTRIFICATION SUBSIDY
FOR CY 2015 AND THE
CORRESPONDING
ADJUSTMENT OF THE
UNIVERSAL CHARGE FOR
MISSIONARY
ELECTRIFICATION (UC-ME)**

ERC CASE NO. 2017-006 RC

**NATIONAL POWER
CORPORATION,
Petitioner.**

X- ----- X

PETITION

Petitioner National Power Corporation (NPC), through the undersigned counsels, and unto this Honorable Commission, most respectfully states, as follows:

1. National Power Corporation (NPC) is a government owned and controlled corporation created and existing under and by virtue of Republic Act No. 6395 as amended ("NPC Charter") with principal address at NPC Office Building Complex corner Quezon Avenue and BIR Road, Diliman, Quezon City where it may be served with orders and other processes of the Honorable Commission.
2. Pursuant to Section 70 of Republic Act No. 9136 (Electric Power Industry Reform Act or "EPIRA"), NPC shall remain as a National-Government owned and controlled corporation to perform the missionary electrification function through its 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 is filing this Petition in its capacity as the implementing agency for Missionary Electrification (ME) which function shall be funded from the revenue 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) and in line with Section 2 (a) of the RA 9136 Implementing Rules and Regulations or EPIRA IRR.
4. Pursuant to Section 4 of Republic Act No. 6395, as amended, and Executive Order No. 86¹, issued by virtue of the authority granted to the President of the Republic of the Philippines under R.A. 7684², Petitioner NPC is duly authorized to charge twelve percent (12%) return on its rate base composed of the sum of its net assets in operation plus two (2) months operating capital.
5. On 22 August 2011, the ERC approved and issued Resolution No. 21, Series of 2011³, which provides for the guidelines for the setting and approval of electricity generation rates and subsidies for Missionary Electrification areas and for the fixing of and availment of subsidies for Missionary Electrification areas as well as the cash incentives for the Renewable Energy (RE) Developers for Missionary Electrification from the UC-ME.

Said resolution allows NPC and the New Power Providers (hereafter, NPPs) to recover the TCGR as approved by the ERC. In cases where the TCGR is higher than the SAGR, then NPC and the NPP shall be allowed to recover the difference between the TCGR and the SAGR from the UC-ME⁴. Further, in the same resolution, it is provided that if the reconciliation results in the NPC having a deficiency, as confirmed by the ERC, NPC shall be entitled to an increase in the UC-ME to cover the shortfall caused by several factors as therein specified (*i.e.* adjustments due to GRAM and ICERA, adjustments in the NPP TCGR and other analogous cases)⁵.

6. The Honorable Commission likewise issued ERC Resolution No. 22, Series of 2006⁶ on 03 May 2006 which mandates NPC to file a quarterly application, if necessary, with the ERC to recover any shortfall in the UC-ME caused by factors such as collection shortfall, adjustments in the FCRR and other

¹ "Fixing the Rate of Return on Rate Base of the National Power Corporation at twelve percent (12%) of the Rate Base as Defined in Section 4 of Republic Act No. 6395, as Amended"

² "Electric Power Crises Act of 1993"

³ Amended Guidelines for the Setting and Approval of Electricity Generation Rates and Subsidies for Missionary Electrification Areas

⁴ Article II Section 4

⁵ Article V, Section 2 (c)

⁶ Rules for the Regulation of the Qualified Third Parties Performing Missionary Electrification in Areas Declared Unviable by the Department of Energy

analogous cases⁷. Also, it is provided therein that “if the reconciliation results in the NPC experiencing deficiency, it shall be entitled to file an application with the ERC for an increase in the UC-ME to cover the shortfall⁸.”

7. NPC is filing this petition pursuant to Rule 20 (A) of the ERC Rules of Practice of Procedure as approved by this Honorable Commission on 22 June 2006 in Resolution No. 38, Series of 2006.

**ABSTRACT OF THE PROPOSED RECOVERY OF
THE SHORTFALL IN THE UC-ME**

8. **Reconciliation of Actual UC-ME.** Based on CY 2015 test period, NPC utilizes in its calculation the following documents:
 - a. Certified CY 2015 NPC Financial Statements;
 - b. Actual Results of Operation;
 - c. The actual disbursements of UC-ME to NPPs, QTP and RED-CI;
9. **Total UC-ME Shortfall.** Based on the foregoing documents and as a result of the calculations made, the total shortfall that NPC proposes to recover from the UC-ME is equivalent to **PhP1,111,902,576.28**. It has an equivalent proposed monthly rate of **PhPo.0134/kWh** based on the twelve (12) - month recovery period as summarized in Table 1 below.

Table 1: Summary of Shortfall

Particulars	TOTAL
REVENUE REQUIREMENT	12,975,367,971.20
Less: REVENUE FROM SALES	5,731,168,529.37
REQUIRED REVENUE FROM UC-ME	7,244,199,441.82
CY 2015 ACTUAL UC-ME REVENUE (Basic)	6,211,057,121.24
UC-ME SHORTFALL, in PhP	1,033,142,320.58
Add: Renewable Energy Developer's Cash Incentive Balance as of Dec 2015	78,760,255.70
UC-ME SHORTFALL, in PhP	1,111,902,576.28
Rate Impact, P/kWh	0.0134
Projected Energy Sales, MWh (CY 2017)	82,726,573.85

⁷ Article IV, Section 3 (b)

⁸ Article IV Section 3 (d)

10. In the reconciliation, the resulting shortfall in the revenue from UC-ME was calculated based on the following formula:

UC-ME True-Up Shortfall/(Surplus)

$$= \text{Total UC-ME Requirement} - \text{Approved UC-ME}$$

Where:

Total UC-ME Requirement =

$$\begin{aligned} & (\text{NPC Revenue Requirement} - \text{Revenue from Sales}) + \\ & (\text{NPPs, QTP and RED-CI}) \end{aligned}$$

11. The total revenue considered was based on the amount granted and accrued from the UC-ME as well as from the revenue from sales based on approved SAGR. Likewise considered were all the allowable expenses incurred by NPC as well as total UC-ME paid to NPPs, QTP and RED-CI.
12. In the calculation of the NPC revenue requirement, the following accounts and actual costs were considered:
- a. Actual Fuel Costs
 - b. Other Operating Expenses, which includes Personal Services and Maintenance and Other Operating Expense
 - c. Depreciation
 - d. The foreign exchange fluctuation on debt servicing
 - e. Rate Base as of December 2015
 - f. Revenues from Sales
13. The amount of UCME for NPPs, QTP and RED-CI were based on the actual disbursements and payment made consistent with the UC-Settlement Agreement (SA) between NPC and respective power providers taking into account their respective ERC-approved Power Supply Agreement (PSA).
14. The Projected Energy Sales Forecast under DOE's Power Development Plan (PDP) for CY 2017 was utilized to determine the proposed UC-ME true-up charges in P/kWh.
15. As shown in Table 1 above, the CY 2015 actual revenue received from UC-ME was not sufficient to cover the total UC-ME requirements for NPC, NPPs and QTP.
16. The following documents are submitted in support of the proposed recovery of shortfall in the UC-ME:
- Annex "A" - National Power (NP) Board Resolution No. 2016-34 dated 22 September 2016.
 - Annex "B" - Summary of Shortfall and Adjustment

Calculation

- Annex "C " - NPC Results of Operations (ROO)
- Annex "D " - NPC Income Statement and Balance Sheet
- Annex "E " - Discussion on Revenue Requirement and Rate Base Components
- Annex "F" - Summary of UC-ME Subsidy Fees Paid to NPPs and QTP
- Annex "F-1" - Summary of RED-CI Availments
- Annex "G" - Summary of Actual UC-ME Received from PSALM
- Annex "H" - Projected Philippines Energy Sales

RATE IMPLICATIONS OF THE PROPOSED RECOVERY OF UC-ME SHORTFALL

17. Under the foregoing premises, the recovery of PhP1,111,902,576.28 or an equivalent monthly rate impact of PhP0.0134/kWh is proposed to be collected from the nationwide electricity end-consumers within the period of twelve (12) months and be charged over and above the existing UC-ME rate.
18. The recovery of shortfall within one (1) year or twelve months would be reasonable and timely in order for NPC to augment its financial requirements and to provide up to date recovery and adjustment of the ensuing years' subsidy requirements.
19. The costs proposed for recovery are merely reimbursement of actual expenses made for CY 2015 and although the recovery scheme is deferred in nature, there are no carrying charges calculated and being proposed herein.
20. NPC's Subsidized Approved Generation Charge (SAGR), is not reflective of the TCGR or the Revenue Requirement in the island grid. It is only 67% of the total fuel cost for CY 2015.

Table 2: Actual Fuel Costs vis-a vis Revenue from Sales

Particulars	Amount	Percentage
Actual Fuel Costs	3,041,974,066.62	100%
Average, P/kWh	7.7277	
Actual Revenue from Sales	2,048,427,875.00	67%
Average, P/kWh	2,5240	
Difference	993,546,191.62	33%
PkWh	2,5240	
Actual Energy Sales, kWh	393,646,871.40	

21. The amount proposed for recovery is already an incurred cost of NPC and within the reasonable cost of servicing the consumers in the missionary areas considering the nature of operation and the level of demand in the off-grid areas.
22. An additional funding thru the approval of this instant Petition will ensure an uninterrupted electricity supply as this would fully augment the funding requirements of NPC, NPPs, QTP and RED-CI. Given the increasing demand for energy and in line with the government thrust of economic development in the off-grid areas, availability of funding thru the UC-ME more particularly for fuel requirements will enable NPC, NPPs, QTP and RED-CI to optimize the use of available plant capacity.
23. The Department of Budget and Management (DBM) allows only NPC augmentation of its Corporate Budget if it can source guaranteed funding through the approval of the cost recoveries. The approval therefore of this Petition will enable NPC to support and meet its projected budgetary requirements for CY 2016 and 2017 especially its funding requirement for fuel and UCME to NPPs, QTP and RED-CI.
24. The corresponding Basic Rate for the CY 2015 to CY 2016 was filed under ERC Case No. 2014-135RC last September 15, 2014 where NPC proposed for the UC-ME rate adjustment from PhPo.0454/kWh to PhPo.1476/kWh and PhPo.1467/kWh including RE Cash Incentive for CY 2015 and CY 2016, respectively, to cover NPC's operating cost requirement including guaranteed sufficient subsidy payment for NPP and RE Developers.
25. With the proposed Basic UCME adjustment, the Honorable Commission on November 3, 2014 issued a Provisional Approval (PA) under ERC Case No. 2014-135 RC authorizing NPC to extend the implementation of the current CY 2014 UC-ME subsidy amounting to PhPo.1561/kWh (or PhPo.1544/kWh excluding RED-CI) from January to August 2015. On August 17, 2015, the Honorable Commission extended the PA granted as shown in its Order dated November 3, 2014.
26. In compliance with the above orders, NPC implemented the UC-ME for CY2015 of PhP927Mn per month or equivalent to PhPo.1544/kWh. The total 2015 UC-ME of PhP11.135Bn was reconciled with NPC's Corporate Operating Budget (COB) for FY 2015 and the same was presented and approved by the National Power Board on 21 April 2015. Details of the UCME rates and its corresponding amount are shown below:

Table 3: 2015 UC-ME Rates (in P/kWh)

Particulars	Jan to May 2015	Jun to Aug 2015	Sep to Dec 2015	Remarks
Basic UCME	0.0454	0.1163	0.1163	
CY 2010 True-up	0.0381			effective Jan-Apr
CY 2011 True-up	0.0709			effective Jan-Mar
CY 2012 True-up			0.0381	effective May-Dec
TOTAL	0.1544	0.1544	0.1544	

Table 4: 2015 UC-ME (in Absolute Amount)

Particulars	Amount
Basic UCME	6,211,057,121.24
CY 2010 True-up	1,907,271,986.78
CY 2011 True-up	1,185,655,605.22
CY 2012 True-up	1,831,947,377.68
TOTAL	11,135,932,090.92

COMPLIANCE WITH PRE-FILING REQUIREMENTS

27. In Compliance with Rule 6 of the ERC Rules of Practice and Procedure, Petitioner has furnished the legislative bodies of each of the local government units where it principally operates, a copy of this petition including all its annexes and accompanying documents.

Proof of receipts by the Sangguniang Panlungsod is attached hereto as **Annex "I"**. Proof of service to the legislative bodies of the local government units where NPC also operates is attached hereto as **Annex "J"**.

28. Furthermore, Petitioner caused the publication of the subject Petition in its entirety in the newspaper of general circulation and copies of the newspaper and corresponding affidavit of publication are attached hereto as **Annexes "K" and "L"**, respectively.

PRAYER

WHEREFORE, premises considered, petitioner NPC respectfully prays that, after notice and hearing, (1) the Honorable Commission approved the recovery of the CY 2015 shortfall in UCME of **PhP1,111,902,576.28** based on the equivalent rate of PhPo.0134/kWh; and (2) thereafter, directing PSALM to remit monthly to NPC the actual UC-ME collected from all electricity end-consumers.

Other just and equitable reliefs are likewise prayed for.

Quezon City for Pasig City. 12 January 2017.

- Signatures on the next page -

FOR THE SOLICITOR GENERAL:



MELCHOR P. RIDULME

VP-Legal Counsel

Special Attorney-OSG

IBP No. 01748/Lifetime/Ilocos Sur

PTR No. 2181526/1-05-2016/Q.C.

MCLE Compliance No. V-0004048

Roll No. 37784



DELFIN L. BUENAFE II

Department Manager

Legal Services Department

Special Attorney-OSG

IBP No. 012829/Lifetime/Q.C.

PTR No. 2145675 dated 1-05-2016/Q.C.

MCLE Compliance No. V-0004030

Roll No. 48636

MAY ROSE C. PINTOR

Corporate Attorney

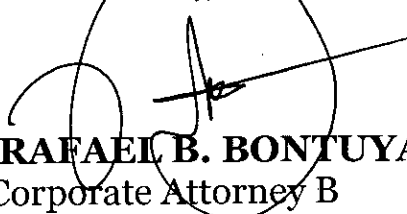
Special Attorney-OSG

IBP Lifetime No. 03387/Cebu City

PTR No. 2181527 dated 01-05-16/Q.C.

MCLE Compliance No. V-0004045

Roll No. 47811



DIWA RAFAEL B. BONTUYAN

Corporate Attorney B

Special Attorney - OSG

IBP No. 1006807/Quezon City

Roll of Attorney No. 64390

PTR No. 1290725 dated 01-05-2015/Q.C.

Exempt from MCLE Compliance pursuant to
MCLE Governing Board Order No. 1, S.2008

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

cc: **ATTY. JOHN THOMAS S. ALFEROS III**
City Government Asst. Dept. Head III
Office of the City Secretary, Quezon City
3/F, Quezon City Hall

HON. EFREN BARTOLOME, Jr.
Vice-Mayor/Secretary to the
Sangguniang Panglungsod
San Jose Del Monte City Hall
San Jose Del Monte, Bulacan

HON. EDGAR LABELLA
Vice-Mayor/City Secretary
Cebu City Hall
Cebu City

HON. PAOLO Z. DUTERTE
Vice Mayor/
Secretary to the Sangguniang Panglungsod
San Pedro St., Davao City

HON. CESAR S. ITURRALDE
Vice Mayor/
Secretary to the Sangguniang Panglungsod
Office of Sangguniang Panglungsod
R. T. Lim Boulevard, Zamboanga City

Republic of the Philippines)
Quezon City.)SS.

VERIFICATION AND CERTIFICATION

I, **GLADYS CRUZ – STA. RITA**, of legal age, Filipino, with office address at NPC Office Building Complex cor. Quezon Ave. and Agham Road, Diliman, Quezon City, after being duly sworn hereby affirm and state that:

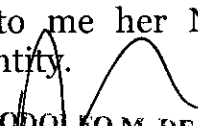
1. I am the President and CEO of the National Power Corporation, the petitioner herein; I caused the preparation of this Petition, I have read the same and understood the allegations contained therein, and affirm that the contents thereof are true and correct based on authentic records at my disposal and on information of my own personal knowledge;
2. I am duly authorized by the Board of Directors to certify that petitioner NPC has not heretofore commenced any other action or proceeding involving the same issues before the Supreme Court, Court of Appeals or any other judicial, quasi-judicial or administrative tribunal. A copy of Resolution No. 2001-134 is attached as required by Rule 3, Section 4 of the Rules of Practice and Procedure.
3. To the best of my knowledge and belief, no such similar action or proceeding is pending before the Supreme Court, Court of Appeals, or any other tribunal or agency. However, as stated above, this petition includes the costs that will be proposed for recovery under 15th and 16th GRAM/ICERA, but subject to the approval of the Honorable Commission.
4. If I should hereafter learn that a similar action or proceeding has been filed or is pending before the Supreme Court, the Court of Appeals, or any other tribunal or agency, I undertake to report such fact within five (5) days therefrom to the Honorable Commission.

IN WITNESS WHEREOF I have hereunto affixed my signature this 17th day of January 2017 here at Quezon City.


MA. GLADYS CRUZ - STA. RITA
Affiant

SUBSCRIBED AND SWORN TO before me this 18th day of January 2017 here at Quezon City, affiant exhibiting to me her NPC ID No. APW13-0001 which is competent proof of her identity.

Doc. No. 364 ;
Page No. 73 ;
Book No. 11 ;
Series of 2017.


ATTY. RODOLFO M. DE GUZMAN, JR.
Notary Public for Quezon City
Commission No. NP-229
Commission Expires on December 31, 2017
IBP No. 1023936; 01/09/16; RSM
PTR No. 2389348; 02/04/16; Quezon City
Roll No. 44291
4th Floor NPC Office Building,
Quezon Ave. cor. BIR Road,
Diliman, Quezon City