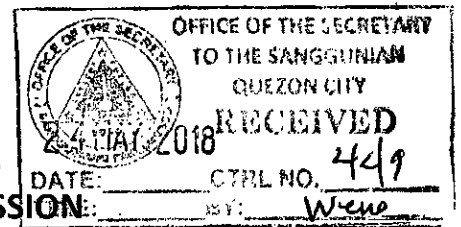


Republic of the Philippines
ENERGY REGULATORY COMMISSION
San Miguel Avenue, Pasig City



**IN THE MATTER OF THE PETITION FOR
THE APPROVAL OF THE PROPOSED NEW
SUBSIDIZED APPROVED GENERATION
RATE (SAGR) WITH PRAYER FOR
PROVISIONAL AUTHORITY**

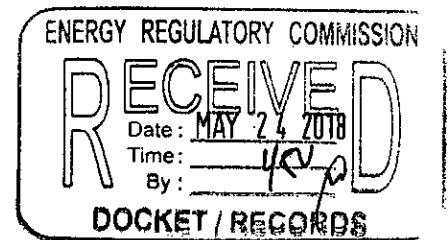
ERC CASE NO. 2018-048-PC

NATIONAL POWER CORPORATION

Petitioner.

X-----X

PETITION



Petitioner **National Power Corporation** (hereafter, "NPC"), through the undersigned counsels, and unto this Honorable Commission respectfully states that:

1. Petitioner NPC is a government owned and controlled corporation created and existing under 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 summons 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 (hereafter, NPC-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. On 22 August 2011, the Honorable Commission approved and issued Resolution No. 21 Series of 2011 entitled "*Amended Guidelines for the Setting and Approval of Electricity Generation Rates and Subsidies for Missionary Electrification Areas*" providing for the guidelines for the setting and approval of electricity generation rates and subsidies for Missionary

Electrification areas, 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 Universal Charge for Missionary Electrification (UC-ME).

4. 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 as provided under Section 2 (a) of the EPIRA Implementing Rules and Regulations.

REPUBLIC ACT NO. 10963 (TRAIN LAW)

5. Republic Act No. 10963, otherwise known as the Tax Reform for Acceleration and Inclusion (TRAIN) is the first package of the comprehensive tax reform program (CTRP) envisioned by the current administration, which seeks to correct deficiencies in the tax system.

6. The Tax Policy Reform is one of the major parts in the government's CTRP. The goal of the reform is to create a more just, simple, and more effective system of tax collection, address the collection gap from high-income earners, and shift the tax burden from low and middle-income households to the high-income sectors. It aims to achieve, among others, a high-income country status but still in keeping with the principles of a sound tax system.

7. The Tax Policy Program includes the adjustment of Excise Tax on Petroleum products which has not been adjusted since 1997. The corresponding excise tax on Manufactured Oils and Other fuels, as stated in Section 43 of the TRAIN LAW, amends Section 148 of the National Internal Revenue Code ("NIRC"). The applicable provision of the TRAIN law provides:

"Section 43. Section 148 of the NIRC, as amended, is hereby further amended to read as follows:

"Sec. 148. Manufactured Oils and Other Fuels.— There shall be collected on refined and manufactured mineral oils and motor fuels, the following excise taxes which shall attach to the goods hereunder enumerated as soon as they are in existence as such:

“Effective January 1, 2018

“(a) Lubricating oils and greases, including but not limited to, basestock for lube oils and greases, high vacuum distillates, aromatic extracts and other similar preparations, and additives for lubricating oils and greases, whether such additives are petroleum based or not, per liter and kilogram, respectively, of volume capacity or weight, Eight pesos (₱8.00): Provided, That lubricating oils and greases produced from basestocks and additives on which the excise tax has already been paid shall no longer be subject to excise tax: Provided, further, That locally produced or imported oils previously taxed as such but are subsequently reprocessed, refined or recycled shall likewise be subject to the tax imposed under this Subsection;

“(b) Processed gas, per liter of volume capacity, Eight pesos (₱8.00);

“(c) Waxes and petrolatum, per kilogram, Eight pesos (₱8.00);

“(d) On denatured alcohol to be used for motive power, per liter of volume capacity, Eight pesos (₱8.00): Provided, That unless otherwise provided by special laws, if the denatured alcohol is mixed with gasoline, the excise tax on which has already been paid, only the alcohol content shall be subject to the tax herein prescribed. For purposes of this Subsection, the removal of denatured alcohol of not less than one hundred eighty degrees (180°) proof (ninety percent (90%) absolute alcohol) shall be deemed to have been removed for motive power, unless shown otherwise;

“(e) Naphtha, regular gasoline, pyrolysis gasoline and other similar products of distillation, per liter of volume capacity, Seven pesos (₱7.00): Provided, however, That naphtha and pyrolysis gasoline, when used as a raw material in the production of petrochemical products, or in the refining of petroleum products, or as replacement fuel for natural-gas-fired-combined cycle power plant in lieu of locally-extracted natural gas during the non-availability thereof, subject to the rules and regulations to be promulgated by the Secretary of Finance, per liter

of volume capacity, zero (₱0.00): Provided, further, That the production of petroleum products, whether or not they are classified as products of distillation and for use solely for the production of gasoline shall be exempt from excise tax: Provided, finally, That the by-product including fuel oil, diesel fuel, kerosene, pyrolysis gasoline, liquefied petroleum gases and similar oils having more or less the same generating power, which are produced in the processing of naphtha into petrochemical products shall be subject to the applicable excise tax specified in this Section, except when such by-products are transferred to any of the local oil refineries through sale, barter or exchange, for the purpose of further processing or blending into finished products which are subject to excise tax under this Section;

“(f) Unleaded premium gasoline, per liter of volume capacity, Seven pesos (₱7.00);

“(g) Aviation turbo jet fuel, aviation gas, per liter of volume capacity, Four pesos (₱4.00);

“(h) Kerosene, per liter of volume capacity, Three pesos (₱3.00): Provided, That kerosene, when used as aviation fuel, shall be subject to the same tax on aviation turbo jet fuel under the preceding paragraph (g), such tax to be assessed on the user thereof;

“(i) Diesel fuel oil, and on similar fuel oils having more or less the same generating power, per liter of volume capacity, Two pesos and fifty centavos (₱2.50);

“(j) Liquefied petroleum gas, per kilogram, One peso (₱1.00): Provided, That liquefied petroleum gas when used as raw material in the production of petrochemical products, subject to the rules and regulations to be promulgated by the Secretary of Finance, shall be taxed zero (₱0.00) per kilogram:

“Provided, finally, That liquefied petroleum gas used for motive power shall be taxed at the equivalent rate as the excise tax on diesel fuel oil;

“(k) Asphalts, per kilogram, Eight pesos (₱8.00);

“(l) Bunker fuel oil, and on similar fuel oils having more or less the same generating power, per liter of volume capacity, Two pesos and fifty centavos (₱2.50): Provided, however, That the excise taxes paid on the purchased basestock (bunker) used in the manufacture of excisable articles and forming part thereof shall be credited against the excise tax due therefrom; and

“(m) Petroleum coke, per metric ton, Two pesos and fifty centavos.(₱2.50): Provided, however, That, petroleum coke, when used as feedstock to any power generating facility, per metric ton, zero (₱0.00).

“Effective January 1, 2019

“(a) Lubricating oils and greases, including but not limited to, basestock for lube oils and greases, high vacuum distillates, aromatic extracts and other similar preparations, and additives for lubricating oils and greases, whether such additives are petroleum based or not, per liter and kilogram, respectively, of volume capacity or weight, Nine pesos (₱9.00): Provided, That lubricating oils and greases produced from basestocks and additives on which the excise tax has already been paid shall no longer be subject to excise tax: Provided, further, That locally produced or imported oils previously taxed as such but are subsequently reprocessed, rerefined or recycled shall likewise be subject to the tax imposed under this Subsection.

“(b) Processed gas, per liter of volume capacity, Nine pesos (₱9.00);

“(c) Waxes and petrolatum, per kilogram, Nine pesos (₱9.00);

“(d) On denatured alcohol to be used for motive power, per liter of volume capacity, Nine pesos (₱9.00): Provided, That unless otherwise provided by special laws, if the denatured alcohol is mixed with gasoline, the excise tax on which has already been paid, only the alcohol content shall be subject to the tax herein prescribed. For purposes of this Subsection, the removal of denatured alcohol of not less than one hundred

eighty degrees (180°) proof (ninety percent (90%) absolute alcohol) shall be deemed to have been removed for motive power, unless shown otherwise;

“(e) Naphtha, regular gasoline, pyrolysis gasoline, and other similar products of distillation, per liter of volume capacity, Nine pesos (₱9.00): Provided, however, That naphtha and pyrolysis gasoline, when used as a raw material in the production of petrochemical products, or in the refining of petroleum products, or as replacement fuel for natural-gas-fired-combined cyclepower plant in lieu of locally-extracted natural gas during the non-availability thereof, subject to the rules and regulations to be promulgated by the Secretary of Finance, per liter of volume capacity, zero (₱0.00): Provided, further, That the production of petroleum products, whether or not they are classified as products of distillation and for use solely for the production of gasoline shall be exempt from excise tax: Provided, finally, That the by-product including fuel oil, diesel fuel, kerosene, pyrolysis gasoline, liquefied petroleum, gases and similar oils having more or less the same generating power, which are produced in the processing of naphtha into petrochemical products shall be subject to the applicable excise tax specified in this Section, except when such by-products are transferred to any of the local oil refineries through sale, barter or exchange, for the purpose of further processing or blending into finished products which are subject to excise tax under this Section;

“(f) Unleaded premium gasoline, per liter of volume capacity, Nine pesos (₱9.00);

“(g) Aviation turbo jet fuel, aviation gas, per liter of volume capacity, Four pesos (₱4.00);

“(h) Kerosene, per liter of volume capacity, Four pesos (₱4.00): Provided, That kerosene, when used as aviation fuel, shall be subject to the same tax on aviation turbo jet fuel under the preceding paragraph (g), such tax to be assessed on the user thereof;

“(i) Diesel fuel oil, and on similar fuel oils having more or less the same generating power, per liter of volume capacity, Four pesos and fifty centavos (₱4.50);

“(j) Liquefied petroleum gas, per kilogram, Two pesos(₱2.00): Provided, That liquefied petroleum gas when used as raw material in the production of petrochemical products, subject to the rules and regulations to be promulgated by the Secretary of Finance, per kilogram, zero (₱0.00): Provided, finally, That liquefied petroleum gas used for motive power shall be taxed at the equivalent rate as the excise tax on diesel fuel oil;

“(k) Asphalts, per kilogram, Nine pesos (₱9.00);

“(l) Bunker fuel oil, and on similar fuel oils having more or less the same generating power, per liter of volume capacity, Four pesos and fifty centavos (₱4.50): Provided, however, That the excise taxes paid on the purchased basestock (bunker) used in the manufacture of excisable articles and forming part thereof shall be credited against the excise tax due therefrom; and

“(m) Petroleum coke, per metric ton, Four pesos and fifty centavos (₱4.50): Provided, however, That, petroleum coke, when used as feedstock to any power generating facility, per metric ton, zero (₱0.00).

“Effective January 1, 2020

“(a) Lubricating oils and greases, including but not limited to, basestock for lube oils and greases, high vacuum distillates, aromatic extracts and other similar preparations, and additives for lubricating oils and greases, whether such additives are petroleum based or not, per liter and kilogram, respectively, of volume capacity or weight, Ten pesos (₱10.00): Provided, That lubricating oils and greases produced from basestocks and additives on which the excise tax has already been paid shall no longer be subject to excise tax: Provided, further, That locally produced or imported oils previously taxed as such but are subsequently reprocessed, refined or recycled shall likewise be subject to the tax imposed under this Subsection.

“(b) Processed gas, per liter of volume capacity, Ten pesos (₱10.00);

“(c) Waxes and petrolatum, per kilogram, Ten pesos (₱10.00);

“(d) On denatured alcohol to be used for motive power, per liter of volume capacity, Ten pesos (₱10.00): Provided, That unless otherwise provided by special laws, if the denatured alcohol is mixed with gasoline, the excise tax on which has already been paid, only the alcohol content shall be subject to the tax herein prescribed. For purposes of this Subsection, the removal of denatured alcohol of not less than one hundred eighty degrees (180°) proof (ninety percent (90%) absolute alcohol) shall be deemed to have been removed for motive power, unless shown otherwise;

“(e) Naphtha, regular gasoline, pyrolysis gasoline and other similar products of distillation, per liter of volume capacity, Ten pesos (₱10.00): Provided, however, That naphtha and pyrolysis gasoline, when used as a raw material in the production of petrochemical products, or in the refining of petroleum products or as replacement fuel for natural-gas-fired-combined cycle power plant in lieu of locally-extracted natural gas during the non-availability thereof, subject to the rules and regulations to be promulgated by the Secretary of Finance, per liter of volume capacity, zero (₱0.00): Provided, further, That the production of petroleum products, whether or not they are classified as products of distillation and for use solely for the production of gasoline shall be exempt from excise tax: Provided, finally, That the by-product including fuel oil, diesel fuel, kerosene, pyrolysis gasoline, liquefied petroleum gases and similar oils having more or less the same generating power, which are produced in the processing of naphtha into petrochemical products shall be subject to the applicable excise tax specified in this Section, except when such by-products are transferred to any of the local oil refineries through sale, barter or exchange, for the purpose of further processing or blending into finished products which are subject to excise tax under this Section;

“(f) Unleaded premium gasoline, per liter of volume capacity, Ten pesos (₱10.00);

“(g) Aviation turbojet fuel, aviation gas, per liter of volume capacity, Four pesos (₱4.00);

“(h) Kerosene, per liter of volume capacity, Five pesos (₱5.00): Provided, That kerosene, when used as aviation fuel, shall be subject to the same tax on aviation turbo jet fuel under the preceding paragraph (g), such tax to be assessed on the user thereof;

“(i) Diesel fuel oil, and on similar fuel oils having more or less the same generating power, per liter of volume capacity, Six pesos (₱6.00);

“(j) Liquefied petroleum gas, per kilogram, Three pesos (₱3.00): Provided, That liquefied petroleum gas when used as raw material in the production of petrochemical products, subject to the rules and regulations to be promulgated by the Secretary of Finance, per kilogram, zero (₱0.00): Provided, finally, That liquefied petroleum gas used for motive power shall be taxed at the equivalent rate as the excise tax on diesel fuel oil;

“(k) Asphalts, per kilogram, Ten pesos (₱10.00);

“(l) Bunker fuel oil, and on similar fuel oils having more or less the same generating power, per liter of volume capacity, Six pesos (₱6.00): Provided, however, That the excise taxes paid on the purchased basestock (bunker) used in the manufacture of excisable articles and forming part thereof shall be credited against the excise tax due therefrom; and

“(m) Petroleum coke, per metric ton, Six pesos (₱6.00): Provided, however, That, petroleum coke, when used as feedstock to any power generating facility, per metric ton, zero (₱0.00).

“Petroleum products, including naphtha, LPG, petroleum coke, refinery fuel and other products of distillation, when used as input, feedstock or as raw material in the manufacturing of petrochemical products, or in the

refining of petroleum products, or as replacement fuel for natural-gas-fired-combined cyclepower plant in lieu of locally-extracted natural gas during the non-availability thereof, subject to the rules and regulations to be promulgated by the Secretary of Finance, per liter of volume capacity, zero (₱0.00): Provided, That the by-product including fuel oil, diesel fuel, kerosene, pyrolysis gasoline, liquefied petroleum gases, and similar oils having more or less the same generating power, which are produced in the processing of naphtha into petrochemical products shall be subject to the applicable excise tax specified in this Section, except when such by-products are transferred to any of the local oil refineries through sale, barter or exchange, for the purpose of further processing or blending into finished products which are subject to excise tax under this Section.

“For the period covering 2018 to 2020, the scheduled increase in the excise tax on fuel as imposed in this Section shall be suspended when the average Dubai crude oil price based on Mean of Platts Singapore (MOPS) for three (3) months prior to the scheduled increase of the month reaches or exceeds Eighty dollars (USD 80) per barrel.

“Provided, That the Department of Finance shall perform an annual review of the implementation of the excise tax on fuel and shall, based on projections provided and recommendations of the Development Budget Coordination Committee, as reconciled from the conditions as provided above, recommend the implementation or suspension of the excise tax on fuel: Provided, further, That the recommendation shall be given on a yearly basis: Provided, finally, That any suspension of the increase in excise tax shall not result in any reduction of the excise tax being imposed at the time of the suspension.”

THE REVISED SAGR FOR THE SPUG AREAS:

8. The existing SAGR is based on CY 2003 cost level which was approved by the Honorable Commission on December 16, 2005 under ERC

CASE No. 2004-449RC for the First Wave Areas and on March 7, 2011 under ERC CASE No. 2006-020 for the remaining NPC-SPUG areas.

9. In compliance with the Order of the Honorable Commission issued in ERC Case No. 2012-085RC mandating NPC to re-file the UCME for CY2015 to 2016 and to include a study and assessment of the existing SAGR of each NPC-SPUG Areas, NPC filed a Consolidated Petition on 15 September 2014 under ERC Case No. 2014-135RC¹ which is still pending for this Honorable Commission's decision.

10. In view of the enactment of the TRAIN Law, the electricity prices will be affected since NPC-SPUG uses diesel and bunker fuels in its power plants. There shall be an increase in fuel cost due to excise tax that must be imposed pursuant to the said law which, in turn, translates to an increase in the operating cost in the SPUG areas;

11. Accordingly, increase in electricity prices is evident since NPC-SPUG uses diesel and bunker fuels in its power plants. The increase in fuel cost due to the new rates of excise tax is tantamount to an increase in the operating cost in the SPUG areas effectively contributing to the increase of the Universal Charge for Missionary Electrification ("UCME"), which the main grid customers also pay along with the off-grid customers.

12. Hence, it is imperative to adjust the SAGR to address the impact of fuel cost due to excise tax on NPC's operating expense in order to mitigate the impact of the TRAIN Law to main grid consumers. The increase in the SAGR will not overburden island consumers since the recovery of the existing 3rd Generation Rate Adjustment Mechanism ("GRAM") and 3rd Incremental Currency Exchange Rate Adjustment ("ICERA") have already been fully implemented. Consequently, the existing island grid rate is reduced by P0.9492/kWh for Luzon, P1.1950/kWh for Visayas, and P1.4680/kWh.

13. The proposed adjustment of SAGR is calculated based on existing SAGR plus the impact of excise tax taking into account NPC's contract with the fuel suppliers for the Supply and Delivery of Oil-Based Fuel to SPUG Power Plants and Barges for CY 2018 and projected fuel cost for CY 2019 and CY 2020 which have yet to include provision for excise tax under the TRAIN Law on Diesel, Bunker, Lube Oil products at the time of bidding of CY 2018 fuel requirement and calculation of projected fuel for 2019 and 2020.

¹ In the Matter of the Consolidated Petition for the Approval of the Proposed SAGR and UCME for the years 2015-2016

14. The following tables will show the proposed increase in SAGR by grid and in the areas with corresponding increases under this instant petition:

Table 1: Proposed Increase in SAGR due to Excise tax

GRID	P / kWh		
	2018	2019	2020
Luzon	0.9392	1.4609	1.9648
Visayas	1.0499	1.6294	2.2084
Mindanao	0.6703	1.4793	1.9835

The above proposed increase in SAGR given the impact of Excise tax is without prejudice to the pending ERC decision on SAGR Petition under ERC Case No. 2014-135 RC filed on 15 September 2014, as mentioned above.

In the event that the pending Petition under ERC Case No. 2014-135 RC is approved, shown below is the total impact on SAGR for CY 2018 to CY 2020:

Table 2: Total impact on SAGR per Area with the approval of ERC Case No. 2014-135RC

Areas	NEW SAGR FOR ELECTRIC COOPERATIVES & LGU CUSTOMERS								
	2018			2019			2020		
	Impact of Excise Tax	Incremental Impact due to pending SAGR Application	TOTAL IMPACT	Impact of Excise Tax	Incremental Impact due to pending SAGR Application	TOTAL IMPACT	Impact of Excise Tax	Incremental Impact due to pending SAGR Application	TOTAL IMPACT
Mindoro	0.9392	0.9492	1.8884	1.4609	0.9492	2.4101	1.9648	0.9492	2.9140
Marinduque	0.9392	0.9492	1.8884	1.4609	0.9492	2.4101	1.9648	0.9492	2.9140
Palawan	0.9392	0.9492	1.8884	1.4609	0.9492	2.4101	1.9648	0.9492	2.9140
Puerto Princesa									
Coron/Busuanga									
Catanduanes	0.9392	0.9492	1.8884	1.4609	0.9492	2.4101	1.9648	0.9492	2.9140
Masbate	0.9392	0.9492	1.8884	1.4609	0.9492	2.4101	1.9648	0.9492	2.9140
Tablas	0.9392	0.9492	1.8884	1.4609	0.9492	2.4101	1.9648	0.9492	2.9140
Romblon	0.9392	0.9492	1.8884	1.4609	0.9492	2.4101	1.9648	0.9492	2.9140
Bantayan	1.0499	1.1950	2.2449	1.6294	1.1950	2.8244	2.2084	1.1950	3.4034
Camotes	1.0499	1.1950	2.2449	1.6294	1.1950	2.8244	2.2084	1.1950	3.4034
Siquijor	1.0499	1.1950	2.2449	1.6294	1.1950	2.8244	2.2084	1.1950	3.4034
Tawi-Tawi	0.6703	1.4680	2.1383	1.4793	1.4680	2.9473	1.9835	1.4680	3.4515
Basilan	0.6703	1.4680	2.1383	1.4793	1.4680	2.9473	1.9835	1.4680	3.4515
Sulu	0.6703	1.4680	2.1383	1.4793	1.4680	2.9473	1.9835	1.4680	3.4515
Other Luzon									
Group 1	0.9392	0.9492	1.8884	1.4609	0.9492	2.4101	1.9648	0.9492	2.9140
Group 2	0.9392	0.9492	1.8884	1.4609	0.9492	2.4101	1.9648	0.9492	2.9140
Other Visayas	1.0499	1.1950	2.2449	1.6294	1.1950	2.8244	2.2084	1.1950	3.4034
Other Mindanao	0.6703	1.4680	2.1383	1.4793	1.4680	2.9473	1.9835	1.4680	3.4515

Note: Coron/Busuanga is included in the PSP Area per MEDP 2012-2016

As shown in Table 2, the total impact on existing SAGR for CY 2018 is P1.8884/kWh, P2.2449/kWh and P2.1383/kWh for Luzon, Visayas and Mindanao, respectively.

Effectively, should the above rate be applied, the Proposed New SAGR for CY 2018 as shown in Table 3 below will be P7.5288/kWh, P8.5002/kWh and P7.2550/kWh for the PSP areas in Luzon, Visayas and Mindanao respectively, except Masbate with Proposed SAGR of P7.0051/kWh, Other Luzon Group 1 of P6.6908/kWh, Other Visayas P7.8853/kWh and Other Mindanao of P6.9407/kWh :

Table 3: Proposed New SAGR per Area

Areas	Existing SAGR	NEWSAGR FOR ELECTRIC COOPERATIVES & LGU CUSTOMERS											
		2018				2019				2020			
		Impact of Excise Tax	Now SAGR with Excise Tax	Incremental Impact due to pending SAGR Application	Now SAGR (With Excise Tax + Incremental)	Impact of Excise Tax	Now SAGR	Incremental Impact due to pending SAGR Application	Now SAGR (With Excise Tax + Incremental)	Impact of Excise Tax	Now SAGR	Incremental Impact due to pending SAGR Application	Now SAGR (With Excise Tax + Incremental)
Mindoro	56404	0.9392	6.5795	0.9492	7.5288	1.4609	7.1013	0.9492	8.0505	1.9648	7.6052	0.9492	8.5544
Marinduque	56404	0.9392	6.5795	0.9492	7.5288	1.4609	7.1013	0.9492	8.0505	1.9648	7.6052	0.9492	8.5544
Palawan	56404	0.9392	6.5795	0.9492	7.5288	1.4609	7.1013	0.9492	8.0505	1.9648	7.6052	0.9492	8.5544
Puerto Princesa													
Coron/Busuanga													
Catanduanes	56404	0.9392	6.5795	0.9492	7.5288	1.4609	7.1013	0.9492	8.0505	1.9648	7.6052	0.9492	8.5544
Masbate	51167	0.9392	6.0692	0.9492	7.0051	1.4609	6.5776	0.9492	7.5268	1.9648	7.0815	0.9492	8.0307
Tatlas	56404	0.9392	6.5795	0.9492	7.5288	1.4609	7.1013	0.9492	8.0505	1.9648	7.6052	0.9492	8.5544
Romblon	56404	0.9392	6.5795	0.9492	7.5288	1.4609	7.1013	0.9492	8.0505	1.9648	7.6052	0.9492	8.5544
Bantayan	62553	1.0499	7.3052	1.1950	8.5002	1.6294	7.8847	1.1950	9.0797	2.2084	8.4637	1.1950	9.6687
Camotes	62553	1.0499	7.3052	1.1950	8.5002	1.6294	7.8847	1.1950	9.0797	2.2084	8.4637	1.1950	9.6687
Siquijor	62553	1.0499	7.3052	1.1950	8.5002	1.6294	7.8847	1.1950	9.0797	2.2084	8.4637	1.1950	9.6687
Tawi-Tawi	51167	0.6703	5.7870	1.4680	7.2550	1.4793	6.5960	1.4680	8.0640	1.9835	7.1002	1.4680	8.5682
Basilan	51167	0.6703	5.7870	1.4680	7.2550	1.4793	6.5960	1.4680	8.0640	1.9835	7.1002	1.4680	8.5682
Sulu	51167	0.6703	5.7870	1.4680	7.2550	1.4793	6.5960	1.4680	8.0640	1.9835	7.1002	1.4680	8.5682
Other Luzon													
Group 1	48024	0.9392	5.7416	0.9492	6.6908	1.4609	6.2633	0.9492	7.2125	1.9648	6.7672	0.9492	7.7164
Group 2	56404	0.9392	6.5795	0.9492	7.5288	1.4609	7.1013	0.9492	8.0505	1.9648	7.6052	0.9492	8.5544
Other Visayas	56404	1.0499	6.6908	1.1950	7.8853	1.6294	7.2658	1.1950	8.4646	2.2084	7.8484	1.1950	9.0434
Other Mindanao	48024	0.6703	5.4727	1.4680	6.9407	1.4793	6.2817	1.4680	7.7497	1.9835	6.7869	1.4680	8.2538

Note: Coron/Busuanga is included in the PSP Area per MDP 2012-2016

15. As basis for future GRAM applications, provided below is the proposed fuel component of the revised SAGR.

TABLE 4:

GRID	Fuel Component of CY 2002 Unbundled Rates	Impact due to pending SAGR application	Impact due to Excise Tax	Proposed Fuel Component of SAGR
2018				
Luzon	2.0285	0.9492	0.9392	3.9169
Visayas	3.8942	1.1950	1.0499	6.1391
Mindanao	3.2787	1.4680	0.6703	5.4170
2019				
Luzon	2.0285	0.9492	1.4609	4.4386
Visayas	3.8942	1.1950	1.6294	6.7186
Mindanao	3.2787	1.4680	1.4793	6.2260
2020				
Luzon	2.0285	0.9492	1.9648	4.9425
Visayas	3.8942	1.1950	2.2084	7.2976
Mindanao	3.2787	1.4680	1.9835	6.7302

16. The proposed increase in SAGR averaging P0.8293/kWh due to excise tax will result to an additional projected SAGR revenue amounting to PhP 463 Mn for CY 2018. This is about 16% of the existing SAGR level.

17. The National Power Board approved the filing of this instant petition pursuant to NP Board Resolution No. 2018-11 dated 22 March 2018, with Excerpts of the minutes of the regular meeting of the National Power Board certified by the Board Secretary which is hereto attached as **ANNEX "A"**.

18. The herein proposed New SAGR is also based on the following pertinent documents attached herewith and correspondingly marked, as follows:

Annex "B"
"B-1" to "B-23" Awards of Contract for the Supply and Delivery of Oil-Based Fuel to SPUG Power Plants and Barges - Fuel Contract for CY 2018 under PR No. HO-FMG18-001 (Excluding Excise tax provision under TRAIN Law)

Annex "C"
"C-1" to "C-22" Projected Fuel Cost for CY 2019 to CY 2020 (Excluding Excise tax under the TRAIN Law)

Annex "D"
"D-1" to "D-25" NPC-SPUG Projected Energy Sales for CY 2018-2020

Annex "E"
"E-1" to "E-2" Calculation of the impact of Excise Tax

ALLEGATIONS SUPPORTING THE APPROVAL OF THE NEW SAGR IN SUPPORT OF THE PRAYER FOR PROVISIONAL AUTHORITY

19. The issuance of a provisional authority under the instant petition is appropriate based on the following justifications:

- a. The fuel cost has increased to about 114% since the last level of SAGR approval in CY2003 even without TRAIN Law.
- b. Due to the TRAIN Law, the fuel cost will increase by P0.8293/kWh in CY2018, P1.4815/kWh in CY2019, P1.9919/kWh in CY2020. The impact of the increase in fuel

cost will greatly affect NPC's power plant operations if the corresponding cost will not be immediately recovered by NPC as incurred

- c. TRAIN Law affects all the electricity end users both main grids and off-grids.
- d. Existing NPC approved budget has provision to cover for the impact of the TRAIN Law. Hence, NPC needs the corresponding funding source.
- e. Charging the financial impact of the TRAIN Law through GRAM mechanism may not be fair and reasonable to NPC as recovery thereof is deferred. On the other hand, if NPC will be allowed to charge the increase real time in the island grid as part of the SAGR, this will reduce the UCME requirement as well as the burden imposed on the main grid consumers. Moreover, real time payment recovery is found imperative especially that the excise tax on fuel will definitely eat up part of NPC's cash flow for operations.
- f. Adjusting the level of SAGR as proposed herein will address the clamor of the main grid consumers on increasing UCME. Higher SAGR will likewise promote energy conservation in the island grid as they become aware that their electricity cost is subsidized.
- g. In order to guarantee continuous power supply and timely payment of fuel purchases to fuel suppliers, it is not only essential but also incumbent upon NPC to limit the disparity between the actual cost and the fuel component of the SAGR.

20. The issuance of a provisional authority is allowed under Section 3 Rule 14 of the Rules of Practice and Procedure. Likewise, the authority of the Honorable Commission to issue a provisional authority is confirmed by the Supreme Court in the case of Freedom from Debt Coalition, et. al. vs. ERC, et. al., G.R. No. 161113 (June 15, 2004), when it held that "the power to approve provisional rate increases is included among the powers transferred to the ERC by virtue of Section 44 since the grant of that authority is not inconsistent with the EPIRA; rather, it is in full harmony with the thrust of the law which is to strengthen the ERC as the new regulatory body."

21. NPC-SPUG is thus imploring the kind consideration of this Honorable Commission and respectfully prays for the issuance of a provisional authority under the foregoing premises.

COMPLIANCE

22. In support of this petition and in compliance with Rule 6 of the ERC Rules of Practice and Procedures under ERC Resolution No. 38, Series of 2006 as well as Section 4(e) Rule 3 of the EPIRA IRR, Petitioner attaches and submits herewith the following:

- a. Proof of Publication of the Petition once in a newspaper of general circulation hereto attached as **ANNEX "F"**.
- b. Proof of service of this Petition to the Legislative Bodies of the Local Government Units where NPC principally operate, hereto attached as **ANNEX "G"**

PRAYER

WHEREFORE, premises considered, petitioner NPC, respectfully prays THAT:

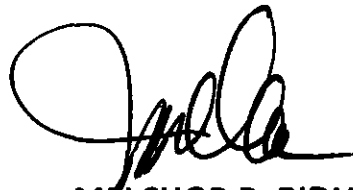
- a. Pending the hearing on the merits, an Order be issued granting PROVISIONAL APPROVAL for the adoption of the New SAGR and the fuel component (Table 3 & Table 4).
- b. After the hearing on the merits, the instant petition be GRANTED by the Honorable Commission.

Other just and equitable reliefs are likewise prayed for.

Quezon City for Pasig City, 02 May 2018.

FOR THE SOLICITOR GENERAL

By:



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Vice President

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

Republic of the Philippines)
Quezon City) SS.

VERIFICATION AND CERTIFICATION

I, **PIO J. BENAVIDEZ**, 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:

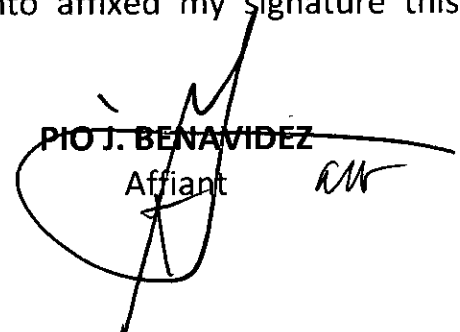
1. I am the President of National Power Corporation, the petitioner herein; I caused the preparation of this Petition, I have read the same and understood the allegations contained therein, and affirm that the contents thereof are true and correct based on authentic records at my disposal and on information 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. 2018-11 is attached in this petition 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 proposed but subject to the approval of the Honorable Commission.

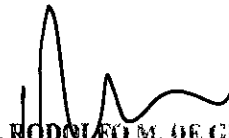
4. If I should hereafter learn that a similar action or proceeding has been filed or is pending before the Supreme Court, the Court of Appeals, or any other tribunal or agency, I undertake to report such fact within five (5) days therefrom to the Honorable Commission.

IN WITNESS WHEREOF I have hereunto affixed my signature this 22 day of May 2018 at Quezon City.

PIO J. BENAVIDEZ
Affiant 

SUBSCRIBED AND SWORN TO before me this 22nd day of May 2018 here at Quezon City, affiant exhibiting to me his NPC identification Card No. 15W120281 which is competent proof of his identity.

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Page No. 67 ;
Book No. 1 ;
Series of 2018.



ATTY. RODOLFO M. DE GUZMAN, JR.
Notary Public for Quezon City
Commission No. NP-190 (2018-2019)
Commission Expires on December 31, 2019
IBP No. 025364; 01/10/18; RSM
PTR No. 5611536; 01/09/18; Quezon City
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