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

ENERGY REGULATORY COMMISSION
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IN THE MATTER OF THE PETITION FOR THE TRUE-UP ADJUSTMENTS OF THE NATIONAL POWER CORPORATION'S STRANDED DEBTS PORTION OF THE UNIVERSAL CHARGE FOR THE LUZON, VISAYAS AND MINDANAO GRIDS FOR CALENDAR YEAR 2014, WITH PRAYER FOR THE ISSUANCE OF PROVISIONAL AUTHORITY

ERC CASE NO. 2015-144 RC

POWER SECTOR ASSETS AND LIABILITIES MANAGEMENT CORPORATION (PSALM),
Petitioner.

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DOCKETED
Date: AUG 27 2015

ORDER

On July 30, 2015, the Power Sector Assets and Liabilities Management Corporation (PSALM) filed a petition for the true-up adjustments of the National Power Corporation's (NPC) Debts Portion of the Universal Charge (UC) for Luzon, Visayas and Mindanao Grids for Calendar Year (CY) 2014, with prayer for the issuance of provisional authority.

In the said petition, PSALM alleged, among others, the following:

1. The instant petition is pursuant to Republic Act No. 9136 (R. A. No. 9136) or the Electric Power Industry Reform Act of 2001 (EPIRA), its Implementing Rules and Regulations (IRR) and the Amended Rules for Recovery of NPC Stranded Contract Costs and Stranded Debts Portion of the Universal Charge (Amended Rules for Recovery) adopted by the Commission in its Resolution No. 02-2011 dated February 7, 2011;

2. Article VIII of said Amended Rules for Recovery provides that true-up adjustment shall be done on an annual basis through submission to the Commission (ERC) on or before the 15th day of March of every year of a detailed Variance Analysis Report (VAR) certified by an Independent Third Party auditor as well as the relevant documents to support true-up adjustments as part of the VAR. The VAR shall be the basis by which the Commission will approve inclusion of any under recovery in the current year's level of NPC Stranded Debts (SD) availment of the Universal Charge (UC) or mandate a reimbursement due to over recovery by way of reduction in the current year's level of NPC's SD of the UC (UC-SD);

3. In its letter dated March 3, 2015, it requested from the Commission for the extension of the deadline to file the true-up adjustment for the CY 2014, from March 15, 2015 to July 31, 2015, on the ground that the March 15 original deadline is no longer feasible considering that its CY 2014 certified financial statements, which include the financial performance of its Independent Power Producer (IPP) plants and owned generating plants under an Operation and Maintenance Agreement with NPC will only be available by April 2015. Further, as the VAR is required to be certified by an Independent Third Party auditor, ample time should be afforded to the Commission on Audit (COA) to enable it to verify and validate the VAR before it can issue the certification, which is required to support the true-up adjustment;

4. In its letter-reply dated March 12, 2015, the Commission granted the said request and directed it to file the UC-SD true-up adjustment petition for CY 2014 on or before July 31, 2015;

5. Its principal mandate is to manage the orderly sale, disposition, and privatization of NPC generation assets, real estate and other disposable assets, and IPP contracts with the objective of liquidating all NPC financial obligations and stranded contract costs in an optimal manner[1]. To attain its objectives, it shall, among others, [i] calculate the amount of the stranded debts and stranded contract costs of NPC which shall form the basis for the

[1] Sec. 50, EPIRA

Commission to determine 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;

6. Its responsibility is to calculate the amount of SD of NPC that can be recovered through the UC, subject to the review and approval by the Commission.[2] The recovery of NPC SD through the UC shall be uniform to all the end-users[3];

7. It is likewise responsible for initiating true-up adjustments through the submission of the VAR certified by an Independent Third Party Auditor as well as the calculation and collation of supporting documents for UC-SD[4];

Antecedents

8. On February 7, 2011, the Commission approved and adopted ERC Resolution No. 2, Series of 2011 entitled "Amended Rules for the Recovery of NPC Stranded Contract Costs and Stranded Debts Portion of the Universal Charge" which, among others, established the procedure and manner in which it shall file its petitions for availment from the UC with respect to NPC Stranded Contract Costs (SCC) and SD recovery, and defined the parameters in calculating said SCC and SD;

9. On June 28, 2011, it filed a petition for the recovery of NPC's SD portion of the UC as of December 31, 2010, docketed under ERC Case No. 2011-092 RC, seeking the Commission's approval to charge and collect a UC-SD amounting to PhP65,019.05 Million which translates to a UC-SD charge of PhP0.0313/kWh;

10. On January 28, 2013, the Commission rendered its Decision in ERC Case No. 2011-092 RC disapproving the petition for the recovery of NPC's SD portion of the UC and setting the recoverable SD to zero (0) "*since the allowable SD for CY 2011 can be fully covered and paid from the proceeds of NPC's operation. This is without prejudice to the filing of annual true-up adjustments for the recovery of succeeding SD.*";

[2] Article V, Amended Rules for Recovery
[3] Section 1, Article V, Amended Rules for Recovery
[4] Article VIII, Amended Rules for Recovery

11. On September 30, 2013, it filed the petition for true-up adjustments of the NPC's SD Portion of the UC for CYs 2011 and 2012 docketed under ERC Case No. 2013-195 RC, with prayer for the issuance of provisional authority. In the said petition, it sought the Commission's approval to collect the UC-SD for the years 2011 and 2012 amounting to an aggregate of PhP41,138.89 Million over a 12.5-year period, which translates to a UC-SD charge of PhP0.0382/kWh. The detailed VAR for this UC-SD True-up Adjustments, duly audited by the COA in its Independent Auditor's Report dated 27 September 2013, was submitted to support its true-up adjustment application;

12. The Commission conducted hearings on the CYs 2011 and 2012 UC-SD true-up adjustment application starting March 19, 2014 which were concluded on May 20, 2014. PSALM thereafter filed its Formal Offer of Evidence (FOE) on July 25, 2014 and submitted the case for resolution;

13. On July 31, 2014, it submitted to the Commission, as its compliance with the Amended Rules for Recovery, the UC-SD true-up adjustment for CY 2013 amounting to negative PhP49,590.95 Million. The detailed VAR for the true-up adjustment, duly audited by the COA in its Independent Auditor's Report dated July 25, 2014, was submitted to support its compliance with the true-up adjustment;

14. In a letter dated March 3, 2015, it requested for an extension of the deadline to file the true-up adjustment of the NPC's SD portion of the UC for CY 2014 from March 15, 2015 to July 31, 2015, considering that its CY 2014 certified financial statements will only be available by April 2015. This is aside from the unavailability of the VAR that would be used to support the true-up adjustment;

15. The Commission, in its letter-reply dated March 12, 2015, granted PSALM's request and directed PSALM to file the UC-SD true-up adjustment petition for CY 2014 on or before July 31, 2015;

Variance Analysis Report to Support the UC-SD True-Up Adjustment

16. The SD of NPC refers to "any unpaid financial obligations which have not been liquidated by the proceeds from the sales and privatization of NPC assets". The NPC SD shall be equivalent to the Gross Debt Service (GDS)[5], net of the calculated projected Privatization Proceeds[6] (PP), projected cash flow from NPC's operations[7] (PO) and National Government absorption[8] shown in the formula below:

$$UCSDR = \left\{\frac{GDS - PP - NGA}{\sum_{i=B+1}^{n} ProjectedEnergySales_{Di}}\right\} - \left\{\frac{PO}{Projected\ Sales_{t}}\right\}$$

Where:

UCSDR	=	UC-SD rate base, in PhP/kWh
GDS	=	Gross Debt Service
PP	=	Privatization Proceeds
NGA	=	National Government Absorption
PO	=	One-year projected net proceeds from operations of NPC and TRANSCO
B	=	Base year, i.e. 2010
N	=	Number of years of recovery
t	=	Filing year, i.e. B+1

17. Under Section 3, Article VIII of the Amended Rules for Recovery, the VAR to be submitted to the Commission shall contain, at the minimum, the following:

    a. Quantity Variance (QV), which refers to the difference between the billing determinant used pursuant to the Commission's Decision and the actual kWh sales to end-users;

    b. Cost Variance (CV), which refers to the difference in the estimated costs considered in establishing the approved level of stranded debts and actual costs incurred covering Gross Debt Service, Privatization

[5] Article V, Section 2
[6] Article V, Section 4
[7] Ibid
[8] Article V, Section 5

Proceeds, and Projected Net Cash Flow from NPC Main Grid Operations; and

c. The over/under recovery for the stranded debts shall be equivalent to the sum of CV and QV translated in absolute peso amount (QV multiplied by the PhP/kWh stranded debt approved by the Commission);

Financial Obligations Serviced in CY 2014

18. Its total financial obligations serviced/paid in CY 2014 consist of i) regular debt maturities of NPC, NPC-Small Power Utilities Group (NPC-SPUG), PSALM, and the National Transmission Corporation (TRANSCO) due for the said year, ii) BOT lease obligations pertaining to eligible and ineligible IPP contracts due for the said year, and iii) prepayments of debts and buyback of PSALM bonds in advance of maturity (debt prepayments) implemented in CY 2014;

19. For CY 2014, total debts and BOT lease obligations serviced, including debt prepayments, are summarized in the table below:

TOTAL FINANCIAL OBLIGATIONS	AMOUNT (In PhP)
i) NPC's outstanding financial obligations as of effectivity of EPIRA	53,090,829,573.76
- *Debts*	*21,262,538,229.43*
- *Lease Obligation of all IPPs*	*31,828,291,344.33*
ii) New loans contracted by NPC after the effectivity of EPIRA	5,665,018,434.05
iii) Loans incurred by PSALM in behalf of NPC	30,693,878,355.90
Total Financial Obligations Serviced/Paid for CY 2014	**89,449,726,363.71**

20. The PhP89,449.73 Million total financial obligations serviced in CY 2014 includes the following:

a. PhP16,960.33 Million payment for the current portion of new loans availed in CYs 2011 and 2012 (principal portion, corresponding interest, guarantee fee and other charges) which were contracted to pay off or refinance other debt maturities (new loans for refinancing) in said years, namely: LBP 75Bn Syndicated Term Loan, ROP Relending Facility and ROP Relent-$500M Onshore Dollar Bond;

b. PhP31,828.29 Million BOT lease obligations consisting of payment for capacity fees of eligible IPP contracts for Sual and Pagbilao Coal plants and non-eligible IPP contracts for San Roque Multi-Purpose Hydro, Bakun Hydro, Ilijan Natural Gas, Kalayaan 3 and 4 Hydro, and Mindanao Coal plants; and

c. PhP11,424.37 Million debt prepayments consisting of the principal portion of various loans and PSALM bonds paid in advance of their maturity in CY 2014 which were funded from the privatization proceeds received by PSALM in July 2013 from the National Grid Corporation of the Philippines (NGCP) as a result of the latter's prepayment of TRANSCO's Concession Fee;

Gross Debt Service (GDS)

21. Pursuant to Section 2, Article V of the Amended Rules for Recovery, the financial obligations that shall be included as part of the GDS for purposes of the SD true-up calculations are as follows:

    i) NPC's outstanding financial obligations as of the effectivity of the Electric Power Industry Reform Act (EPIRA);
    ii) New loans contracted by NPC after the effectivity of the EPIRA;
    iii) Loans incurred by PSALM in behalf of the NPC; and
    iv) Loans contracted by TRANSCO prior to its privatization;

22. On the other hand, the financial obligations that shall be excluded for purposes of the SD true-up calculations are as follows:

i) Capacity fees and debt service related to eligible IPP contracts;
ii) All other loans incurred by PSALM; and
iii) All loans pertaining to NPC-SPUG;

23. Consistent with the Commission's Decision on the recovery of UC-SD, Capacity Fees/Lease Obligations of IPP contracts not eligible for recovery under SCC (Lease obligations of ineligible IPPs) shall be included as part of GDS under NPC's outstanding financial obligations as of the effectivity of the EPIRA;

Allowable GDS

24. Out of the total financial obligations it serviced, the SD share in debt service or the allowable GDS was calculated by applying to each component of debt service (principal repayment, interest, guarantee fee, and other charges) the percentage share of SD in the loan proceeds. The percentage share of SD is based on the extent of loan proceeds that was utilized for generation/ transmission/other power assets and ineligible IPPs which are all eligible as SD (SD Percentage). In case the proceeds of a particular loan have not yet been fully utilized, the SD Percentage may vary year-on-year and will only be fixed once the loan proceeds have been fully utilized. This will apply particularly to new loans incurred by it in behalf of NPC in which the proceeds have not yet been fully utilized;

25. The allowable GDS also includes the capacity fees/lease obligations for ineligible IPP contracts, namely: San Roque, Bakun, Ilijan, Kalayaan 3 and 4, and Mindanao Coal/STEAG. In other words, allowable GDS excludes capacity fees/lease obligations of eligible IPP contracts for Sual and Pagbilao Coal plants which are eligible for recovery under SSCs;

26. Out of the PhP89,449.73 Million total financial obligations serviced in CY 2014, actual Allowable GDS amounts to PhP60,291.46 Million, as shown below:

GROSS DEBT SERVICE	AMOUNT (In PhP)
i) NPC's outstanding financial obligations as of effectivity of EPIRA	33,260,801,941.31
- *Debts*	*19,549,800,318.01*
- *Lease Obligation of non-eligible IPPs*	*13,711,001,623.30*
ii) New loans contracted by NPC after effectivity of EPIRA	4,520,656,647.54
iii) Loans incurred by PSALM in behalf of NPC	22,510,001,030.21
Total GDS for CY 2014	**60,291,459,619.06**

27. The total actual allowable GDS of PhP60,291.46 Million requires further qualification as to the inclusion in the GDS of the debt service for the new loans used for refinancing and debt prepayments;

28. The inclusion in the GDS of the debt service for new loans used for refinancing may be allowed pursuant to Section 3, Article V of the Amended Rules for Recovery. This is also supported by Section 8, Article V of the Amended Rules for Recovery which provides that the cost of refinancing may be included as obligations provided that such refinancing of unpaid obligations shall not result in increasing the UC burden. Guided by these provisions, it is deemed that, only the cost of refinancing, namely, the interest and other charges portions serviced in CY 2014 for the new loans shall be included in the allowable GDS while the principal repayment portion for these new loans serviced in CY 2014 in the amount of PhP8,757.47 Million shall be carved out of the allowable GDS to avoid double recovery since effectively, said principal repayment portion of new loans were used to service the debt maturities included in the CYs 2011 and 2012 GDS;

29. Further, the debt prepayments in CY 2014 which were funded from the balance of the NGCP prepayment proceeds in CY 2013, effectively do not constitute stranded debts, as such, debt prepayments amounting to PhP11,118.17 Million shall be carved out of the allowable GDS;

30. Hence, the allowable GDS net of the principal repayment portion of the loans for refinancing and debt prepayments amounts to PhP40,415.82 Million, as shown below:

NET GROSS DEBT SERVICE	AMOUNT (in PhP)
Allowable GDS	60,291,459,619.06
LESS: Principal Repayment Portion of New Loans for Refinancing	8,757,468,607.00
LESS: Debt Prepayment	11,118,172,529.72
NPC's outstanding financial obligations as of the effectivity of EPIRA	*9,696,373,857.35*
New loans contracted by NPC after the effectivity of EPIRA	*1,269,419,241.49*
New loans contracted by PSALM in behalf of NPC	*152,379,430.88*
Net GDS for CY 2014	**40,415,818,482.34**

Privatization Proceeds (PP)

31. Consistent with the EPIRA and the UC-SD formula, the PP shall be used to reduce the allowable GDS. The actual cash inflows from privatization include the following:

    i) Proceeds from the sale of assets or equity in the privatized entities;
    ii) Proceeds from the privatization of non-eligible IPP contracts; and
    iii) Proceeds from the concession of operations of the transmission system;

32. Guided by the considerations on PP in the Commission's Decision, the detailed PP for CY 2014 is shown below:

PRIVATIZATION PROCEEDS	AMOUNT (In PhP)
Sale of Generation Assets	17,710,428,546.80
IPP Administrator Monthly Payment	11,274,755,771.77
TRANSCO Concession Fee	4,605,610,254.72
Other Privatization-Related Transactions	755,073,908.76
TOTAL PP	**34,345,868,482.05**

33. The details of the privatization proceeds for CY 2014 are as follows:

   a. Sale of generation assets amounting to PhP17,710.43 Million from the privatization of Angat Hydroelectric Power Plant and Naga Power Plant Complex, both of which were remitted to PSALM in full by the winning bidders and which is net of Value Added Tax (VAT) expense amounting to PhP2,415.06 Million;

   b. IPP administrator monthly payments amounting to PhP11,274.76 Million for the Bakun, San Roque and Ilijan IPPAs, the latter of which is net of VAT expense in the amount of PhP880.84 Million;

   c. Deferred payment on interest amounting to PhP4,605.61 Million representing the semi-annual interest payments made by the NGCP corresponding to the interest on the balance of the concession fee under the Concession Agreement; and

   d. Additional income on other privatization-related transactions amounting to PhP755.07 Million realized by PSALM as a consequence of its privatization activities net of VAT expense amounting to PhP81.60 Million;

Proceeds from Operations (PO)

34. Consistent with the Amended Rules for Recovery and Commission's Decision on the UC-SD recovery, the PO shall be used to reduce the allowable GDS. Below are the details of the actual PO of the remaining generating assets and ineligible IPP contracts for CY 2014 that were considered in the SD true-up calculations:

PROCEEDS FROM OPERATIONS	AMOUNT (In PhP)
REVENUES	
Net Utility Revenue (NUR)	32,459,718,031.77
Generation Payment Billings	34,456,304,593.13
Net, Other Income	624,092,780.67
Total Revenues	**67,540,115,405.57**
COSTS	
Fuel	39,762,937,478.35
Purchased Power Cost (PPC)	12,492,812,901.01
Fixed Costs of Plants under IPPA	2,236,855,397.34
Variable Costs of Plants under IPPA	725,774,651.03
Energy Purchased from PEMC	101,161,228.57
Station Use	104,821,346.31
Pumping Cost	4,345,371,716.31
Other OPEX (Genco and IPPs)	2,834,764,511.44
Other OPEX of Plants under IPPA	239,211,927.53
Total Costs	**62,843,711,157.90**
RPT Adjustment	21,318,818.47
NET CASH FLOW / PO	**4,717,723,066.14**

35. The components of the PO for CY 2014 are as follows:

a. Net Utility Revenues (NUR) refer to the revenues generated from the provision by its remaining generating assets and ineligible IPP plants (ineligible plants) of energy and ancillary service to customers and the spot market, as well as from the implementation of the monthly automatic cost recovery mechanism (ACRM). These exclude revenue deduction items such as Prompt Payment Discount and Mandatory Rate Reduction. These revenues were based on the Operating Results, Cash Flow or the Results of Operation (ROO) for CY 2014 broken down into Ineligible and Eligible Plants.

In addition to the revenues reflected in the ROO, the revenues from monthly foreign exchange adjustments (FxA) for ineligible plants, which is part of the ACRM, were added to the NUR. This is based on the total FxA revenue per grid allocated using the Transition Supply Contract (TSC) energy sales of these ineligible plants as provided in the Operating Results, Cash Flow or ROO for CY 2014 Per Grid;

b. Generation Payments represent billings made to IPP Administrators (IPPA) of ineligible IPP plants, namely: Bakun, San Roque and Ilijan;

c. Net Other Income consists of other income less other expenses not directly attributable to the operations of existing power plants. This is based on the ROO;

d. Costs incurred for its remaining generating assets and ineligible IPP plants include fuel, purchased power costs such as fixed O&M-other power supply, variable costs-other power supply, energy purchased from Philippine Electricity Market Corporation (PEMC), station use, pumping costs and other plant operating expenses (Other OPEX). Real Property Tax (RPT) payments due to the local government units where the remaining generating assets and ineligible IPP plants are located, are part of other OPEX. These cost components are based on the ROO;

e. For IPP plants under IPPA, costs incurred include fixed operating and maintenance fee, other OPEX, fuel and energy fees. The schedules of Fixed Cost of Ineligible Plants under IPPAA and Variable Cost of Ineligible Plants under IPPAA for CY 2014. The VAT Expense under the schedule of Fixed Cost of Ineligible Plants under IPPA was not included in the PO since this was netted out in the PP as these represent VAT of the IPPA Monthly Payments;

f. Lastly, RPT Adjustment refers to the 2014 RPT that was paid in advance in 2013 and is included under other OPEX. To avoid double recovery, this was added in the PO since this was already included in the CY 2013 UC-SD True-Up Adjustment that was submitted to the Honorable Commission as PSALM's compliance; and

g. It should be noted that the calculated UC-SD for CY 2014 does not include the downward adjustment in revenues for November and December 2013 issued by the PEMC in 2014 as a result of market suspension during the Malampaya natural gas pipeline shutdown, which was directed by the

Commission in its Order dated March 3, 2014 in ERC Case No. 2014-021 MC, entitled *"In the Matter of the Prices in the (Wholesale Electricity Spot Market (WESM) for the Supply Months of November and December 2013 and the Exercise by the Commission of its Regulatory Powers to Intervene and Direct the Imposition of Regulated Prices therein without prejudice to the Ongoing Investigation on the Allegation of Anti-Competitive Behavior and Possible Abuse of Market Power by some WESM Participants"*. In the event the PEMC adjustments are reflected, the UC-SD would have increased by PhP3,598.09 Million, representing the amount returned by PSALM to PEMC under dispute in CY 2014 for the traded energy of the ineligible IPPs;

NPC's Stranded Debts

36. The NPC Stranded Debts shall be equivalent to the Allowable GDS net of the calculated PP and PO. The calculated Stranded Debts for CY 2014 amounts to PhP1,352.23 Million as shown below:

STRANDED DEBTS	**CY 2014 (In PhP)**
GDS	40,415,818,482.34
Less: PP	34,345,868,482.05
PO	4,717,723,066.14
SD	**1,352,226,934.15**

Cost Variance

37. As mentioned above, Cost Variance (CV) refers to the difference in the:

i) Estimated costs covering GDS, PP and PO considered in establishing the approved level of stranded debts; and

ii) Actual costs covering GDS, PP and PO;

38. In arriving at the Cost Variance, the two (2) items mentioned above need to be established. Since there is no approved level of SD when the Commission set the recoverable SD to zero, it follows that the value of estimated cost shall also be zero. As such, actual costs (GDS less PP and PO) for the year 2014 will necessarily be equivalent to the CV for 2014, amounting to PhP1,352.23 Million as summarized below:

Particulars	**Actual (In PhP)**	**SD Approved for Recovery**	**Cost Variance (In PhP)**
Gross Debt Service	40,415,818,482.34	0	40,415,818,482.34
Less: Privatization Proceeds	34,345,868,482.05	0	34,345,868,482.05
Proceeds from Operation	4,717,723,066.14	0	4,717,723,066.14
SD	**1,352,226,934.15**	**0**	**1,352,226,934.15**

Quantity Variance

39. Quantity Variance (QV), as stated earlier, refers to the difference between the billing determinant used pursuant to the Commission's Decision and the actual kWh sales to end-users. This will be the QV in kWh sales;

40. To determine the QV in absolute amount, QV is multiplied by the PhP/kWh SD approved by the Commission. Since the Commission set the recoverable SD in PhP/kWh to zero, QV in absolute amount will also be zero regardless of the QV in kWh sales that will be computed;

True-Up Adjustment

41. In accordance with the Commission's Amended Rules for Recovery, the true-up adjustment for CY 2014 representing the sum of CV and the peso value of the QV amounted to PhP1,352.23 Million, as shown below:

Particulars	**Amount (In PhP)**
Cost Variance	1,352,226,934.15
Add: Quantity Variance	0.00
True-up Adjustment	**1,352,226,934.15**

42. A copy of the CY 2014 Variance Analysis Report (VAR) to support the above true-up adjustments, certified by the Commission on Audit (COA), the Third Party Auditor is attached to the instant application;

43. The equivalent rate of the CY 2014 UC-SD true-up adjustment is PhP0.0013/kWh calculated by dividing PhP1,352,226,934.15 with the projected energy sales for January 2016 to June 2026 based on the Department of Energy's (DOE) Power Development Plan (2014-2030) with details as follows:

UC-SD True-Up Adjustment for CY 2014 (in PhP)	**Energy Sales Forecast (GWh)**	**UC-SD Rate (PhP/kWh)**
1,352,226,934.15	**1,058,288.14**	**0.0013**

Actual Outstanding Debt Service as of December 31, 2014

44. Pursuant to Section 3, Article V of the Commission's Amended Rules for Recovery, PSALM shall include in the petition for cost recovery under the UC for Stranded Debts, the actual outstanding Debt Service as of the current year to account for any adjustment on the Debt Service for reasons, such as, but not limited to, its refinancing of existing debts. Such recalculated Debt Service shall be used in the true-up computation as provided under Article VIII of the Amended Rules for Recovery;

45. Shown below is the actual outstanding GDS as of December 31, 2014 as compared with the outstanding GDS as of December 31, 2010 considered in the Commission's Decision, as of December 31, 2011 and 2012 as reported in its petition under ERC Case No. 2013-195 RC, and as of December 31, 2013 as submitted in its compliance to the Commission dated July 30, 2014, to wit:

Particulars	**As of 31 Dec. 2010 (PhP Million)**	**As of 31 Dec. 2011 (PhP Million)**	**As of 31 Dec. 2012 (PhP Million)**	**As of 31 Dec. 2013** (PhP Million	**As of 31 Dec. 2014 (PhP Million)**
NPC's outstanding financial obligations as of effectivity of EPIRA (including Lease Obligations of non-eligible IPPs)	254,599.31	224,948.36	188,538.81	173,044.82	140,879.39
New loans contracted by NPC after the effectivity of EPIRA	84,198.97	55,879.99	38,520.28	37,200.56	32,612.93
Loans incurred by PSALM in behalf of NPC	201,117.09	260,665.13	311,414.89	268,359.69	260,494.00
Outstanding GDS	**539,915.37**	**541,493.49**	**538,473.98**	**478,605.06**	**433,986.34**

46. In compliance with Section 4(e) of Rule 3 of the EPIRA-IRR and Commission's Resolution No. 38-2006, a copy of the instant Petition (including Annexes) was furnished the Sangguniang Panlungsod of Makati City. The Petition (excluding Annexes) was also published in a newspaper of general circulation;

Allegations in Support for the Issuance of Provisional Authority

47. The petition covers the true-up adjustment for the UC-SD for CY 2014. The aggregate amount, if collected, would lessen additional loans to be incurred by it in behalf of the NPC. The provisional approval of this UC-SD will also keep it from resorting to refinancing to service its maturing debt and lease obligations, thus reducing, if not totally eliminating, additional borrowing costs so as not to increase the UC burden;

48. Pursuant to its Rules of Practice and Procedures, the Commission may exercise its discretion by granting provisional authority or interim relief prior to a final decision;

49. It is understood that the interim relief sought by it that may be granted by the Commission, shall be subject to adjustments and other conditions that the Commission may impose after hearing and final determination; and

Prayer

50. It prays that after due notice and hearing, the following be approved by the Commission:

    a. The calculated aggregate true-up adjustment/under recovery for the NPC Stranded Debts portion of the UC for CY 2014 amounting to PhP1,352,226,934.15 Million, equivalent to PhP0.0013/kWh based on a ten and one half (10 ½) years recovery period;

    b. The provisional authority allowing it to charge, collect the computed UC-SD true-up rate or such amount determined by the Commission; and

    c. The submission of the following documents be deemed in full compliance to the directive of the Commission in its Resolution No. 02, Series of 2011:

        i. Inventory of Financial Obligations (Principal) as of December 31, 2014;

        ii. Inventory of Financial Obligations (Interest, Guarantee Fee and Other Charges) as of December 31, 2014;

        iii. Outstanding Lease Obligations of Eligible and Ineligible IPPs as of December 31, 2014;

        iv. Details of Outstanding GDS as of December 31, 2014; and

v. Outstanding Lease Obligations of Ineligible IPP Plants as of December 31, 2014.

Finding the said petition to be sufficient in form and in substance with the required fees having been paid, the same is hereby set for hearing on the following dates and venues:

Date	Proceedings	Venue
October 5, 2015 (Monday) at two o'clock in the afternoon (2:00 P.M.)	Jurisdictional Hearing and Expository Presentation	ERC Hearing Room, 15^{th} Floor, Pacific Center Building, San Miguel Avenue, Pasig City
October 12, 2015 (Monday) at two o'clock in the afternoon (2:00 P.M.)	Pre-Trial Conference and Evidentiary Hearing	

PSALM is hereby directed to cause the publication of the attached Notice of Public Hearing, at its own expense, twice (2x) for two (2) successive weeks in two (2) newspapers of general circulation in the Philippines, with the date of the last publication to be made not later than ten (10) days before the date of the scheduled initial hearing. It is also directed to inform the consumers, by any other means available and appropriate, of the filing of the instant petition, its reasons therefor, and of the scheduled hearing thereon.

Let copies of the petition, this Order, and the attached Notice of Public Hearing be furnished the Office of the Solicitor General (OSG), the Commission on Audit (COA) and the Committees on Energy of both Houses of Congress. They are hereby requested, if they so desire, to send their duly authorized representatives at the scheduled hearing.

Likewise, let copies of this Order and the attached Notice of Public Hearing be furnished the Offices of the Mayor of Makati City, and all Provincial Governors for the appropriate posting thereof on their respective bulletin boards.

PSALM is hereby directed to furnish all those making requests therefor with copies of the petition and its attachments, subject to reimbursement of reasonable photocopying costs.

On the date of the initial hearing and pre-trial conference, PSALM must submit to the Commission its written Compliance with the jurisdictional requirements attaching therewith, methodically arranged and duly marked, the evidence of the actual posting and publication of the Notice of Public Hearing consisting of certifications issued to that effect, signed by the afore-mentioned Mayor and Governors or their duly authorized representatives, bearing the seals of their offices, and the affidavits of the Editors or Business Managers of the newspapers where said Notice of Public Hearing were published together with the complete issues of the said newspapers, and such other proofs of compliance with the requirements of the Commission.

PSALM and all interested parties are directed to submit, at least five (5) days before the date of initial hearing and pre-trial conference, their respective Pre-Trial Briefs containing, among others:

(a) A summary of admitted facts and proposed stipulation of facts;

(b) The issues to be tried or resolved;

(c) The documents or exhibits to be presented, stating the purposes thereof and proposed markings therefore; and

(d) The number and names of the witnesses, with their written testimonies in an individual affidavit form, to be attached to the Pre-Trial Brief.

Failure of PSALM to submit the required Pre-Trial Brief and Judicial Affidavits of its witnesses within the prescribed period shall be a ground for cancellation of the scheduled hearing, and the resetting of which shall be six (6) months from said date of cancellation.

As part of the pre-trial conference, PSALM must also be prepared to make an expository presentation of its petition, aided by whatever communication medium that it may deem appropriate for the purpose, in order to put in plain words and explain, for the benefit of the consumers and other concerned parties, what the petition is all about and the reasons and justifications being cited in support thereof.

SO ORDERED.

Pasig City, August 17, 2015.

FOR AND BY AUTHORITY
OF THE COMMISSION:

JOSE VICENTE B. SALAZAR
Chairman

ERC
Office of the Chairman
...H-2015-024-00035

gl/lnjs/2015-144 RC/Initial Ord

Copy Furnished:

1. **Atty. Cecilio B. Gellada, Jr.**
   General Counsel
   Power Sector Assets and Liabilities Management Corporation
   7th Floor, Bankmer Building

2. **Office of the Solicitor General**
   134 Amorsolo Street, Legaspi Village
   1229 City of Makati

3. **Commission on Audit**
   Commonwealth Avenue
   1121 Quezon City

4. **Senate Committee on Energy**
   GSIS Building, Roxas Boulevard
   Pasay City 1307

5. **House Committee on Energy**
   Batasan Hills, Quezon City 1126

6. All DUs

7. **The City Mayor**
   Makati City

8. **All Provincial Governors**