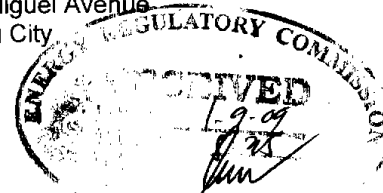


Republic of the Philippines
ENERGY REGULATORY COMMISSION
Pacific Center Building, San Miguel Avenue
Ortigas Center, Pasig City

**PETITION FOR THE ADOPTION OF
PROPOSED ASSET VALUATION
GUIDELINES,**

**POWER SECTOR ASSETS AND
LIABILITIES MANAGEMENT
CORPORATION,**



ERC Case No. 2009-001 RM

Petitioner.

x-----x

PETITION

The Power Sector Assets and Liabilities Management Corporation
(**PSALM**), by counsel, respectfully states:

1. This is a Petition to initiate Rule-Making pursuant to Rule 21 of the ERC Rules of Practice and Procedure. The Petition seeks approval of the herein attached **PROPOSED ASSET VALUATION GUIDELINES** (**Annex "A"** of the Petition).

2. Petitioner **PSALM** is a government-owned and -controlled corporation, created and existing by virtue of R. A. No. 9136 or the "Electric Power Industry Reform Act of 2001" (**EPIRA**), with principal office address at 7/F Bankmer Building, 6756 Ayala Avenue, Makati City.

3. On June 22, 2004, NPC and **PSALM** jointly filed an application for the approval of the revised Return on Rate Base (**RORB**) and Time-of-Use (**TOU**)-based generation charges for the Luzon, Visayas and Mindanao Grids, based on CY 2002 audited financial statements docketed as ERC

Case No. 2004-178. On September 3, 2004, this Honorable Commission issued an Order provisionally approving an adjustment in NPC's average generation rate per grid and authorizing the implementation of the TOU rates subject to an irrevocable option of the customers either to avail or not to avail of the approved TOU Rates Schedules. On April 13, 2005, the Commission issued a Decision approving the final levels of NPC's average rate per grid as well as the final TOU Rates Schedules that shall be implemented on a mandatory basis to all customers.

Likewise in the said Decision, the Commission mandated NPC to apply for periodical rate adjustment to consider sale of assets, change in load profile and plant stacking.

4. On 3 June 2008, NPC filed the **Application For The Approval Of The Revised Basic Generation Rates For Luzon, Visayas And Mindanao Grids With Prayer For Provisional Authority** (docketed as ERC Case No. 2008- 030RC). in implementation for the unbundled generation rates as approved by the Honorable Commission in its Orders dated September 6 and 20, 2002 under ERC Case No. 2001-901 and the ERC approved revised generation charges dated Sept. 3, 2004 and April 13, 2005 in ERC Case No. 2004-178.

PSALM later joined NPC in the proposed revision of the existing basic generation charge by carving out the CY 2004 allowable fuel and independent power producer (IPP) costs and the entire CY 2002 operating performance of each plant that has since been sold and turned over.

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5. The Application insofar as the Visayas and Mindanao Grids are concerned was dismissed for lack of publication. In the Decision dated 15 December 2008, the Application insofar as the Luzon Grid was also dismissed for not using CY 2007 as the test year.

6. PSALM now proposes the adoption of the herein **Proposed Asset Valuation Guidelines** the purpose of which is to establish the process for the valuation of PSALM/NPC's property, plant and equipment/generation assets for regulatory pricing purposes. The Proposed Guidelines is designed to achieve a consistent and transparent approach to generation asset valuation based on generally accepted valuation principles.

7. Under Sec. 49 of the EPIRA, PSALM is the transferee, owner and administrator of the generating assets of National Power Corporation (**NPC**). It is also the owner of the net profits of NPC (Section 55, EPIRA) for which reason it is interested in the continued viability of NPC.

PRAYER

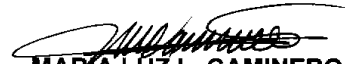
WHEREFORE, it is most respectfully prayed of the Honorable Commission to issue a Notice of Proposed Rule-Making pursuant to Sec. 3, Rule 21, ERC Rules of Practice and Procedure. And after due hearing and proceedings, the Honorable Commission issue a Resolution approving and adopting the herein **Proposed Asset Valuation Guidelines**.

x-----x

Other reliefs, just and equitable under the premises, are likewise prayed for.

Makati City for Pasig City, January 9, 2009.

- signatories on following page -



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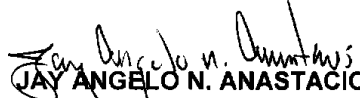
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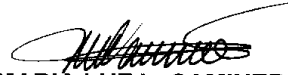
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