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

IN THE MATTER OF THE PETITION FOR THE RECOVERY OF NATIONAL POWER CORPORATION'S STRANDED CONTRACT COSTS PORTION OF THE UNIVERSAL CHARGE, WITH PRAYER FOR A PROVISIONAL AUTHORITY

ERC CASE NO. 2011-091 RC

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

DECISION

Before the Commission for resolution is the petition for the recovery of the National Power Corporation's (NPC) Stranded Contract Costs (SCC) of the Universal Charge (UC) filed on June 28, 2011 by the Power Sector Assets and Liabilities Management Corporation (PSALM), with prayer for a provisional authority.

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

1. In the first year of implementation of the recovery of NPC's SCC and Stranded Debt (SD) as components of the UC, it shall file with the Commission a petition for the establishment of and availment from the UC for NPC's SCC and SD recovery share of the UC on or before March 15, 2011 for amounts for the year ending December 31, 2010 including previous stranded cost for the period CY 2007, CY 2008 and CY 2009.[1];

[1] Article II, Amended Rules for the Recovery of SCC and SD

2. On March 2, 2011, it requested for an extension to file the petition for the recovery of SD since the certified financial statements for the UC-SD calculation were not yet released. Said request was granted by the Commission in a letter dated March 9, 2011, allowing it to file the petition for the recovery of the SD not later than June 30, 2011;

3. Its principal mandate is to manage the orderly sale, disposition, and privatization of NPC's generation assets, real estate and other disposable assets, and Independent Power Producer (IPP) contracts with the objective of liquidating all NPC's financial obligations and SCC in an optimal manner[2]. To attain its objectives, it shall, among others, [i] calculate the amount of the SD and SCC of NPC which shall form as the basis for the determination of the UC and [ii] liquidate the NPC SCC, utilizing the proceeds from sales and other property contributed to it, including the proceeds from the UC[3];

4. SCC of NPC refers to the "excess of the contracted cost of electricity under eligible contracts over the actual selling price of the contracted energy output of such contracts in the market". The term "Market" as defined in the Amended Rules for Recovery refers to the "Wholesale Electricity Spot Market (WESM) where electricity traded includes but not limited to Spot Sales, Transition Supply Contracts (TSCs), Bilateral Contracts, One Day Power Sale (ODPS), Default Wholesale Supplier (DWS) service, and Ancillary Services".[4] To be eligible for recovery under the UC, such contracts must have been approved by the then Energy Regulatory Board (ERB, now Commission) as of December 31, 2000[5];

5. For purposes of the SCC calculation, IPP contracts of NPC eligible for recovery under the SCC (Eligible IPP Contracts) shall refer to "generation capacities developed under the Build-Operate-Transfer (BOT) scheme and any such generation asset whose construction was not financed by NPC but whose output is bought by NPC under Purchase Power Agreements (PPAs), Energy Conversion Agreements (ECAs) or any other similar contractual relationship. The IPP Contracts shall also include Rehabilitate Operate Lease (ROL) and Rehabilitate

[2] Section 50 of R.A. 9136
[3] Section 51 of R.A. 9136
[4] Article I, Section 2, Ibid.
[5] Sec. 4 [uu], EPIRA

Operate Maintain (ROM) types of IPP Contracts."[6] In accordance with Section 32 of Republic Act No. 9136 (R.A. 9136), only contracts duly approved by the ERB as of December 31, 2000 shall be entitled for recovery through the UC-SCC;

6. Based on the above definition and for the purpose of this filing, the following are the Eligible IPP Contracts for the Luzon Grid (where WESM operates), which are eligible for recovery under UC-SCC:

   a. Bauang Bunker FDPP;
   b. Benguet Mini-Hydro (Ampohaw and Bakun);
   c. Leyte B;
   d. Limay A&B Bataan CCGT;
   e. Pagbilao I & II;
   f. Subic Enron; and
   g. Sual I & II;

7. Pursuant to Article IV, Section 2 of the Amended Rules for Recovery of SCC and SD, it submitted a list of all the currently effective Eligible IPP Contracts as of January 1, 2010;

8. The annual UC-SCC shall be computed as the difference between the Gross Annual Contract Costs (GACCs) and combined amounts derived from the Revenues from the Sale of Contracted Energy of Eligible IPP Contracts (Revenues) and the Privatization proceeds of the Eligible IPP Contracts (Privatization Proceeds)[7];

9. As of December 31, 2010, the actual aggregate eligible contract cost obligations of NPC amounted to PhP178,236 Million for the period covering CY 2007, CY2008 , CY2009 and CY2010[8], comprising of the following components[9]:

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[6] Article III, Amended Rules for the Recovery of UC SCC and SD
[7] Article IV, Section 6 in relation to Sections 4 and 5, Ibid.
[8] Article II, Ibid.
[9] Article IV, Section 3 pars. (a), (b), (c), (d), and (e), Ibid.

Gross Annual Contract Costs	2007	2008	2009	2010	TOTAL
Total Unavoidable Fixed Fees and Variable Fees	34,956	32,496	34,193	22,677	124,322
Cost of Fuel Consumption	13,699	20,189	16,849	1,169	51,907
Amortization Payments to Finance Buy-out and/or Buy-down of IPP Contracts	-	-	-	-	-
Depreciation of the Plant Assets	1,003	1,004	-	-	-
Other Costs and Expenses Related to the Buy-out and/or Buy-down of IPP Contracts	-	-	-	-	-
Actual Aggregate Eligible Contract Cost Obligations (In Million PhP)	**49,659**	**53,688**	**51,042**	**23,846**	**178,236**

10. The Revenues from the Sale of Contracted Energy of Eligible IPP Contracts amounted to PhP98,956 Million, which are composed of the following[10]:

Revenues From the Sale of Contracted Energy of Eligible IPPs	2007	2008	2009	2010	TOTAL
Sales of the Contracted Energy of Eligible IPP Contracts in the WESM	9,217	5,472	148	2,981	17,819
Sales of the Contracted Energy of Eligible IPP Contracts Under the Terms and Conditions of the Transition Supply Contracts Including All Adjustments and Indexation Formulae (i.e., GRAM, ICERA, FPPCA, FxA)	20,395	29,613	23,838	2,443	76,290
Sales of the Contracted Energy of Eligible IPP Contracts from the ODPS Scheme and the DWS Arrangements	(4)	(2,754)	(360)	(77)	(3,196)
Sales of the Contracted Energy of Eligible IPP Contracts from the Provision of Ancillary Services	4,955	917	2,171	-	8,043
Sales of the Contracted Energy of Eligible IPP Contracts from Other Market Enhancement Program/s that may be Offered by NPC and IPPs	-	-	-	-	-
Total Revenues from the Sale of Contracted Energy of Eligible IPP Contracts (In Million PhP)	**34,563**	**33,248**	**25,798**	**5,347**	**98,956**

11. The (a) sales of the contracted energy of Eligible IPP Contracts in the WESM for the years 2008 and 2009 (referred to as "PEMC-PSALM" and "PEMC-NPC" in Annexes "E-Net Utility Revenue-2007" and "E-Net Utility Revenue-2008" of the instant petition), (b) sales of the Contracted energy of Eligible IPP Contracts under the terms and conditions of the TSC (referred to as "NPC-Regular and/or Utility Operating Income" in Annexes "E-Net Utility Revenue-2007", "E- Net Utility Revenue-2008", "E- Net Utility Revenue-2009", and "E- Net Utility Revenue-2010" of the instant petition) duly approved by the Commission including the corresponding revenues generated from all adjustments and indexation formulae

[10] Article IV, Section 4, pars (a), (b), (c), (d), and (e), Ibid.

such as Generation Rate Adjustment Mechanism (GRAM), Incremental Cost Exchange Rate Adjustment (ICERA), Fuel and Purchase Power Cost Adjustment (FPPCA) and Foreign Exchange Related Cost Adjustment (FxA) for the years 2007, 2008, 2009 and 2010, and (c) Sales of the contracted energy of Eligible IPP Contracts from the ODPS scheme and the DWS arrangement; schemes for the years 2007, 2008, 2009 and 2010, were calculated per plant using the figures in the Breakdown of Revenue and/or Net Utility Revenue of the Luzon Grid, and applying an energy generation ratio (the percentage of the energy generation by the plants covered by Eligible IPP Contracts from the ROO over the total energy generation by all Luzon plants for the respective years) on the said figures. For this purpose, the following percentages/ratios were used in deriving the Revenues mentioned above:

PLANTS	PERCENTAGE OF ENERGY GENERATED			
YEAR	2007	2008	2009	2010
a. Bauang Bunker FDPP	1.45%	0.50%	0.08%	2.99%
b. Benguet Mini-Hydro (Ampohaw and Bakun)	0.46%	0.49%	0.59%	1.72%
c. Leyte B	4.43%	6.12%	3.38%	3.78%
d. Limay	2.33%	1.90%	0.00%	0.00%
e. Pagbilao I & II	11.17%	11.15%	9.22%	0.00%
f. Sual I & II	11.64%	15.06%	15.60%	0.00%
g. Subic Enron	0.54%	0.33%	0.01%	0.00%
i. All Others	67.98%	64.45%	71.12%	91.51%
TOTAL	100%	100%	100%	100%

Source: ROO for the respective years

12. For revenues generated from adjustments from the GRAM for the years 2007 and 2008, and ICERA for the years 2007, 2008 and 2009, only those with the Commission's approval in ERC Case Nos. 2008 -042 RC, 2008-053 RC and 2008-063 RC under the 10th GRAM, 11th GRAM and 12th GRAM applications, respectively, and ERC Case Nos. 2008-043 RC, 2008-054 RC, 2008-064 RC, 2009-031 RC, 2009-055 RC and 2010-002 RC under the 9th ICERA, 10th ICERA, 11th ICERA, 12th ICERA, 13th ICERA and 14th ICERA applications, respectively, were included in the UC-SCC calculation. Pending the resolution of its Motion for Clarification concerning the Decision of the Commission on the 9th to 14th ICERA Decision dated November 15, 2010 on the breakdown of the approved DAA for the 12th ICERA,

13th ICERA and 14th ICERA, it used the ICERA DAA amounts as applied for these periods;

13. On the other hand, the revenues from the GRAM and ICERA applications under ERC Case Nos. 2009-032 RC, 2009-056 RC, 2010-003 RC, 2010-068 RC, 2010-073 RC, 2010-067 RC and 2010-074 RC covering the 13th GRAM, 14th GRAM, 15th GRAM, 16th GRAM, 17th GRAM, 15th ICERA and 16th ICERA respectively, that are still pending with the Commission were not included in the calculation of the revenues. It is submitted that adjustments would be made in the UC-SCC calculation after the Commission's resolution of its Motion for Clarification and the Decisions in the pending GRAM and ICERA applications;

14. For the revenues generated from GRAM for years 2007 and 2008; ICERA for years 2007-2009; and Automatic Recovery of Monthly Fuel and Purchased Power Costs and Foreign Exchange Related Costs (ACRM) for the year 2010; such as (i) FPPCA (reflected as "Fuel Cost Adjustment Income" in "E-Net Utility Revenue -2010") and (ii) FxA), from monthly power bills;

15. For revenues from the sales of the contracted energy of eligible IPP contracts for the provision of Ancillary Services (AS) for the years 2007 and 2008, the same are calculated per plant using the AS of the Luzon Grid revenue in the "E-Net Utility Revenue -2007" and "E-Net Utility Revenue - 2008" and applying an AS ratio (percentage of the volume of AS provided by the plants covered by Eligible IPP Contracts over the volume of AS by all Luzon plants) for the respective years. Considering that there is no existing contract between NPC and TRANSCO regarding the procurement of AS prior to March 2008, the AS volume used for the year 2007 is based on the summarized daily AS schedule prepared by the Operations Planning Division of Luzon System Operations and for the year 2008 the AS volume used is based on the March 2008 to December 2008 actual AS volume per plant as provided by NPC-Accounts Management Division;

16. The following Eligible IPP Contracts were sold to the winning bidders pursuant to its mandate under Section 4, Rule 23 of the Implementing Rules and Regulations (IRR) of R.A. 9136, or transferred to local government units (LGUs):

PLANT	WINNING BIDDER/LGU	TURNOVER DATE
SUBIC	Subic Bay Metropolitan Authority (SMBA)	February 23, 2009
BAUANG	Province of La Union	July 26, 2010
LIMAY	San Miguel Energy Corporation	January 18, 2010
SUAL	San Miguel Energy Corporation	November 6, 2009
PAGBILAO	Therma Luzon Inc.	October 1, 2009

17. In compliance with Article IV, Section 5 of the Amended Rules for Recovery, it submitted the following documents as part of the instant petition: a) Proofs of turnover to the concerned LGU for Subic and Bauang; b) the Asset Purchase Agreement (APA) for Limay; and c) The Administration Agreements (AA) for Sual and Pagbilao. Considering that the AAs contain confidentiality clauses, it requested that the said documents be treated as confidential in nature by the Commission;

18. The Privatization Proceeds and/or Cash Inflow from the disposition of Eligible IPP Contracts amounted to PhP4,982 Million which pertain to the disposition of Limay, Sual and Pagbilao for 2010, as shown below:

	2009	**2010**				
Privatization of Eligible IPP Contracts	**Subic**	**Bauang**	**Limay**	**Pagbilao**	**Sual**	**TOTAL**
Up-front Proceeds from the Sale of the Eligible IPP Contracts	-	-	719	-	-	719
Cash Inflow Arising from an Assumption of Obligation Scheme of the Eligible IPP Contracts, if Applicable	-	-	-	1,004	3,259	4,263
Total Proceeds from the Privatization of Eligible IPP Contracts (In Million PhP)						**4,982**

In support the above computation, it submitted the Report on GENCO Proceeds for CY 2010 and IPPA Administrator Monthly Payments. Considering that the payments of Limay privatization proceeds are denominated in United States Dollars, the amounts are converted to Peso using the BSP reference rate at the date of deposit and/or fund transfer. Considering that these documents are attached to the AAs of Sual and Pagbilao which contain confidentiality clauses, it moves that the said documents be likewise treated as confidential in nature by the Commission;

19. Based on the foregoing premises, the total annual UC-SCC for the period 2007 to 2010 computed as the difference between the GACCs and combined amounts derived from the Revenues and the Privatization Proceeds amounted to PhP74,298 Million, computed as follows:

YEAR	2007	2008	2009	2010	TOTAL
Gross Annual Contract Cost	49,659	53,688	51,042	23,846	178,236
Revenue from the Sale of Contracted Capacity	34,563	33,248	25,798	5,347	98,956
Privatization of Eligible IPP Contracts	-	-	-	4,982	4,982
Stranded Contract Costs (in Million PhP)	**15,097**	**20,440**	**25,244**	**13,517**	**74,298**

20. In compliance of with Article 4, Section 7 of the Amended Rules for Recovery, it submitted the hourly allocation by NPC of its generation output for each power plant, including NPC-owned and IPP contracted generating units showing the Metered Quantity ("MQ) and Bilateral Contract Quantities (BCQ) which includes the declared amount for its TSC, DWS and ODPS. The difference between the MQ and BCQ is the generation output for WESM or Spot Sales. Considering that these data contained information on their trading strategies, the disclosure of which to the general public would weaken their competitiveness in the Market.

Thus, it prays that the same be treated by the Commission as confidential in nature;

21. Following the annual UC-SCC as computed above, the UC-SCC in PhP/kWh for end-users with or without self-generating facilities in all grids shall be PhP0.3666/ kWh computed as follows[11]:

YEAR	2007-2010
Stranded Contract Costs (in Million Php)	74,298
Actual System End User Sales (in GWh)	202,686
Stranded Contract Costs (in Php/ kWh)	**0.3666**

Shown below is the Actual System End User Sales for the years 2007 to 2010:

[11] Article IV, Section 8, Ibid.

Actual System End User Sales (GWh)	2007	2008	2009	2010	TOTAL
Electric Cooperative (EC'S)	10,593	10,992	11,768	12,852	46,205
Private Investors Owned Utilities (PIOU's)	32,353	33,097	33,853	37,080	136,382
Non-utilities/Directly Connected	4,806	5,113	4,935	5,244	20,099
Actual System End User Sales (GWh)	47,751	49,202	50,557	55,176	202,686

22. Considering the impact of the UC-SCC to the end-users, it is willing to spread the recovery period into a period that the Commission may deem fair and reasonable under the circumstances. For a fifteen (15)-year recovery period, the amount of UC-SCC for the years 2007 to 2010 is equivalent to PhP0.0600/kWh. This is computed by dividing the SCC of PhP74,298 Million by the projected energy sales from the years 2011 to 2026 of 1,237,664 GWh;

23. The instant petition covers the SCC from the years 2007 to 2010. The aggregate amount if collected would lessen additional loans to be incurred by it in complying with the Eligible IPP Contracts; and

24. It prays that:

    a. The Commission considers the documents submitted as full compliance with the ERC Resolution No. 02, Series of 2011;

    b. Annexes "F-1-Sual", "F-1-Pagbilao", "F-3", and "G" of the petition be treated as confidential in nature;

    c. After due notice and hearing, the Commission approves the following:

        1. The calculated aggregate UC-SCC for the years 2007 to 2010 amounting to PhP74,298 Million equivalent to PhP0.3666/kWh; and

        2. Issuance of a provisional authority allowing it to charge and collect the computed UC-SCC or such amount as determined by the Commission.

Having found said petition to be sufficient in form and in substance, with the required fees having been paid, an Order and a Notice of Public Hearing, both dated July 18, 2011, were issued setting the same for initial hearing on August 23, 2011 and September 6, 2011.

In the same Order, PSALM was directed to cause the publication of the 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 was 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.

The Office of the Solicitor General (OSG), the Commission on Audit (COA) and the Committees on Energy of both Houses of Congress were furnished with copies of the Order and Notice of Public Hearing and were requested to have their respective duly authorized representatives present at the initial hearing.

Likewise, the Offices of the Mayors of Makati City, Cebu City and Davao City and the Provincial Governors of Cebu and Davao were furnished with copies of the Order and Notice of Public Hearing for the appropriate posting thereof on their respective bulletin boards.

During the August 23, 2011 hearing of this case, the following entered their appearances: a) the Power Sector Assets and Liabilities Management Corporation (PSALM); b) the Manila Electric Company (MERALCO); c) the Philippine Associated Smelting and Refining Corporation (PASAR); d) the Masinloc Power Partners Co., Ltd. (MPPCL); e) the Aboitiz Energy Solution, Inc. (AESI); f) the Office of the Solicitor General (OSG); g) the Freedom from Debt Coalition (FDC); and h) the National Association of Electricity Consumers for Reforms, Inc. (NASECORE).

At the said hearing, the Commission noted the following submissions made by the parties:

a. The "Petition for Intervention with Entry of Appearance" filed on July 5, 2011 by MERALCO;

b. The "Petition for Intervention" filed on July 8, 2011 by NASECORE;

c. The "Petition for Intervention and Opposition (To the Petition filed by PSALM)" and "Pre-Trial Brief" filed on August 17, 2011 by PASAR;

d. The "Pre-trial Brief" filed on August 17, 2011 by MERALCO;

e. The "Compliance" and "Pre-trial Brief" filed on August 17, 2011 by PSALM;

f. The "Pre-trial Brief" filed on August 17, 2011 by AESI;

g. The "Petition for Intervention" filed on August 18, 2011 by AESI;

h. The "Compliance" filed on August 18, 2011 by PSALM;

i. The "Petition for Intervention" filed on August 19, 2011 by MPPCL;

j. The "Petition for Intervention" filed on August 19, 2011 by FDC;

k. The "Pre-trial Brief" filed on August 19, 2011 by MPPCL;

l. The "Comment" filed on August 22, 2011 by Panay Electric Company, Inc. (PECO);

m. The "Pre-trial Brief" filed on August 23, 2011 by FDC; and

n. The letter (fax transmittal) dated August 23, 2011 of NASECORE.

PSALM, then, presented its proofs of compliance with the Commission's posting and publication of notice requirements which were duly marked as Exhibits "E-1" to "L", inclusive. Thereafter, it conducted an expository presentation of its petition. In the course thereof, MERALCO, MPPCL, AESI, and PASAR propounded clarificatory questions.

The expository presentation having been terminated, PSALM moved that a general default be issued by the Commission against those interested parties who failed to appear at the said hearing. Said motion was granted.

Meantime, the Commission noted the following submissions made by the parties:

a. The "Compliance" filed on August 26, 2011 by AESI;

b. The "Compliance" filed on August 26, 2011 by MPPCL;

c. The "Opposition" filed on August 31, 2011 by Apila ng Bayan;

d. The "Compliance" filed on August 31, 2011 by PSALM;

e. The "Motion to Admit Amended Pre-trial Brief (With Attached Amended Pre-Trial Brief)" filed on September 5, 2011 by PASAR; and

f. The letter dated September 6, 2011 of FDC Women's Committee filed on even date.

At the continuation of the hearing on September 6, 2011, the following entered their appearances: a) PSALM; b) MERALCO; c) MPPCL; d) OSG; e) FDC; f) AESI; g) PASAR; and h) NASECORE.

PSALM moved to declare Mr. Lim Hio Tiao and the City of Iloilo in default in view of their failure to attend the hearings despite due notice. Said motion was granted.

The Commission conducted the pre-trial hearing where all the parties were directed to submit their respective authorizations and to make stipulation of the facts and the issues relative to the instant petition. NASECORE was directed to file, within five (5) days from the said hearing, its Pre-trial Brief and Special Power of Attorney (SPA) authorizing its counsel to represent it during the pre-trial hearing.

As part of the parties' stipulation, the Commission took judicial notice on all pertinent provisions of Republic Act No. 9136 (R.A. 9136) and its issuances.

The following issues were proposed by the parties:

1. Whether or not PSALM is entitled to the Universal Charge-Stranded Contract Cost (UC-SCC) calculated in the year 2011 for Luzon, Visayas and Mindanao Grids amounting to PhP74,298 Million, equivalent to PhP0.3666/kWh.

2. Whether or not the proposed UC-SCC amounting to PhP74,298 Million, at a rate of PhP0.3666/kWh, sought to be recovered by PSALM as UC is fair and reasonable and in accordance with the applicable laws, rules and regulations.

3. Whether or not the duration for the full recovery of the proposed NPC's SCC is consistent with the provisions of EPIRA that such recovery shall not be shorter than fifteen (15) years or longer than twenty-five (25) years and is, likewise, fair and reasonable.

4. Whether or not PSALM has exercised best efforts in minimizing the SCC.

5. Whether or not the methodology used by PSALM in determining the UC-SCC is in compliance with the methodology prescribed by the Commission under ERC Resolution No. 2, Series of 2011.

6. Whether or not PSALM is mandated to comply with Section 68 of the EPIRA before it may be entitled to the collection of the UC-SCC.

7. Whether or not the inclusions in the computation of SCC portion of the UC are warranted by law and/or evidence.

8. Whether or not the instant petition should be dismissed for having been filed out of time.

9. Whether or not the SCC sought to be approved includes NPC's losses/cost due to unrecovered deferred accounting adjustments under the Generation Rate Adjustment Mechanism (GRAM) and Incremental Exchange Rate Adjustment (ICERA).

In the course thereof, PASAR moved to include, as part of the issues to be resolved in this case, all its proposed stipulation of facts which were denied by PSALM. PSALM interposed its objection to the said motion. The Commission noted both motion and objection.

PSALM proposed to present three (3) witnesses while all intervenors reserved their rights to present documentary and testimonial evidence in the course of the proceedings of this case.

On September 23, 2011, PSALM filed an "Urgent Motion for Issuance of Provisional Authority" while NASECORE filed its "Pre-Trial Brief".

During the September 28, 2011 hearing, the Commission continued the pre-trial conference limited to NASECORE's Pre-Trial Brief, where PSALM and NASECORE stipulated on facts and issues relative to the instant petition.

Thereafter, PSALM presented its first witness, Mr. Ferdinand Florendo, who testified on various documents in support of the instant petition.

The direct examination having been terminated, NASECORE, FDC, PASAR, MPPCL, AESI and MERALCO conducted their respective cross-examination. In the course thereof, several documents were requested by the intervenors with reservations to continue their cross-examination. Said motions were granted.

On October 17, 2011, PASAR filed a "Motion to Dismiss" praying, among others, that the instant petition be dismissed on the following grounds:

a. The instant petition which covers the recovery of the National Power Corporation (NPC) Stranded Contract Costs for the period 2007, 2008 and 2010 has already prescribed and could no longer be recovered since it is deemed forfeited pursuant to Republic Act No. 9136 (R.A. 9136, otherwise known as the Electric Power Industry Reform Act of 2011 or EPIRA) and its Implementing Rules and Regulations (IRR);

b. Assuming that the period covered by the instant petition has not prescribed, the same was prematurely filed since the financial data alleged as the basis is unaudited and accordingly not fixed or definite to be the basis of the instant petition;

c. The Commission's Resolution No. 2, Series of 2011 dated February 7, 2011 which granted the Power Sector Assets and Liabilities Management Corporation (PSALM) the authority to lump into one petition the four (4) year period from 2007 to 2010 is null and void since it is contrary to R.A. 9136 and its IRR; and

d. The extension of the period for the filing of the instant petition from March 15, 2011 to June 30, 2011 is null and void and contrary to the provisions of R.A. 9136 and its IRR.

Relative thereto, on October 27, 2011, the Commission issued an Order directing the Power Sector Assets and Liabilities Management Corporation (PSALM) to file its comment thereon. In compliance therewith, on November 2, 2011, PSALM filed its "Opposition/Comment (to PASAR's Motion to Dismiss dated 14 October 2011)".

On November 10, 2011, PASAR filed its "Reply to the Opposition/Comment".

On January 16, 2012, the Commission issued an Order denying the said Motion to Dismiss.

On March 2, 2012, PASAR filed a "Motion for Reconsideration" while PSALM filed a "Compliance" on March 5, 2012.

At the March 13, 2012 hearing, PSALM recalled its witness, Mr. Florendo, for the continuation of his cross-examination. NASECORE waived its right to cross-examine the said witness. PASAR, AESI and MPPCL deferred their cross-examinations pending resolution of PSALM's motion to declare its IPP contracts and Inter-Agency Committee Report (IAC Report) as confidential.

MERALCO continued to cross-examine the witness and reserved its right to conduct further cross-examination.

PSALM presented its second witness, Ms. Judith Mojica, Officer-In-Charge of NPC's Controller Department, who testified on the following matters: a) Summary of Capacity Fee Payments; b) Results of Operation; and c) Net Utility Revenue for CY 2007 and CY 2008. In the course of her direct examination, the witness identified several documents which were duly marked as exhibits.

The direct examination having been terminated, MERALCO initially conducted its cross-examination and requested several documents from the witness. MPPCL, PASAR and AESI deferred their cross-examinations pending submission of the said documents. NASECORE concluded its cross-examination.

On March 22, 2012, PSALM filed an "Opposition/Comment (To PASAR's Motion for Reconsideration)".

On April 16, 2012 and April 26, 2012, PASAR filed its "Reply (To PSALM's Opposition/Comment Re: Motion for Reconsideration)" and "Motion to Admit Supplemental Reply".

On June 14, 2012, an Order was issued denying the said motion for reconsideration.

On June 25, 2012, another Order was issued denying the motion of PSALM to declare the seven (7) eligible Independent Power Producer (IPP) Contracts as confidential.

At the June 27, 2012 hearing, PSALM recalled Mr. Florendo and Ms. Mojica for the continuation of their cross-examination. AESI manifested that it will no longer cross-examine the said witnesses. MPPCL, PASAR and MERALCO moved to defer their cross-examination and requested for sufficient time to study the IPP contracts. Said motions were granted.

Meantime, PSALM presented its third witness, Ms. Yolanda Alfafara, its Manager of Controllership Department, who testified on the Results of Operation Reports and Net Utility Revenue for the years 2009 and 2010. In the course of her direct examination, several documents were presented and marked as exhibits.

The direct examination having been terminated, MERALCO conducted its cross-examination and reserved its right to conduct additional cross-examination pending submission of the IPP contracts. MPPCL and PASAR deferred their cross-examination. AESI waived its right to cross-examine the said witness.

For the conduct of MPPCL's cross-examination, it raised the issue on the Basic Generation Charge (BGC) extrapolation. PSALM was directed to conduct an expository presentation relative to the BGC extrapolation.

At the July 5, 2012 hearing, PSALM recalled its witness, Mr. Ferdinand Florendo, who testified on the following matters: a) the absence of the alleged double recovery on PSALM's BGC and SCC applications; and b) the effect of the Commission's Decision on its GRAM and ICERA applications and SSC application.

In the course thereof, MERALCO concluded its cross-examination while MPPCL moved that it be given a period to study the presentation of PSALM and made a reservation to continue its cross-examination. Said motions were granted.

At the July 16, 2012 hearing, MPPCL manifested that it will no longer cross-examine the witnesses of PSALM.

PSALM recalled Ms. Mojica and Mr. Florendo for the continuation of their cross-examination. MERALCO and PASAR concluded their cross-examination on the said witnesses. PSALM was given a period of fifteen (15) days within which to file its formal offer of evidence. Likewise, all intevenors were given the same period within which to file their respective comments thereon. The Commission directed all intervenors to file their respective manifestations regarding their intention to present evidence. MERALCO waived its right to present evidence.

On September 21, 2012, NASECORE filed a "Manifestation (Re: PSALM's Formal Offer of Evidence and Motion for Marking of Additional Documents)" reserving its right to present evidence in support of its opposition to the instant petition.

On September 28, 2012, the Commission issued an Order setting another hearing on October 12, 2012 for the presentation of NASECORE's evidence-in-chief.

At the October 12, 2012 hearing, NASECORE manifested that it is waiving its right to present witnesses and moved that it be given a period of thirty (30) days within which to file its Memorandum. The Commission directed all the parties to file their respective Memoranda within thirty (30) days from the said hearing. PASAR manifested that it filed a "Second Motion for Reconsideration" relative to the denial of its "Motion to Dismiss" and that it has a pending request for certified true copies of the previous SCC petitions filed by PSALM. Said manifestations were duly noted.

On October 25, 2012, the Commission issued an Order denying the said second motion for reconsideration.

On November 21, 2012, PASAR filed a "Manifestation and Motion" praying that it be given an additional period of fifteen (15) days within which to file its memorandum considering that it has not yet been furnished with certified true copies of the previous SCC petitions of PSALM.

On November 22, 2012, an Order was issued giving PASAR an additional period of ten (10) days within which to file its memorandum considering that it has already secured copies of the SSC petitions of PSALM.

With the following submissions, the Commission issued an Order dated December 13, 2012 declaring this case submitted for resolution:

1. The "Memorandum" filed on September 17, 2012 by MERALCO;

2. The "Manifestation" filed on November 21, 2012 by AESI;

3. The "Memorandum" filed on November 21, 2012 by PSALM;

4. The "Manifestation" filed on November 22, 2012 by MPPCL; and

5. The "Memorandum" filed on December 4, 2012 by PASAR.

DISCUSSION

In the instant petition, PSALM proposed to recover the NPC's SCC of PhP74,298 Million for the years 2007 to 2010, equivalent to PhP0.3666/kWh anchored on Section 34 of Republic Act No. 9136 or the Electric Power Industry Reform Act (EPIRA) which imposes a universal charge on all electricity end-users to be determined, fixed and approved by the Commission for the following purposes:

a. Payment for the stranded debts in excess of the amount assumed by the National Government and stranded contract costs of NPC and as well as qualified stranded contract costs of distribution utilities resulting from the restructuring of the industry;

b. Missionary electrification;

c. The equalization of the taxes and royalties applied to indigenous or renewable sources of energy vis-à-vis imported energy fuels;

d. An environmental charge equivalent to one-fourth of once centavo per kilowatt-hour P0.0025/kWh), which shall accrue to an environmental fund to be used solely for watershed rehabilitation and management. Said fund shall be managed by NPC under existing arrangements; and

e. A charge to account for all forms of cross-subsidies for a period not exceeding three (3) years.

The constitutionality and legality of the Universal Charge under Section 34 of the EPIRA has been settled in the case of Romeo P. Gerochi vs. Department of Energy (DOE)[13] where the Supreme Court held that:

> "In exacting the assailed Universal Charge through Sec. 34 of the EPIRA, the State's police power, particularly its regulatory dimension, is invoked. Such can be deduced from Sec. 34 which enumerates the purposes for which the Universal Charge is imposed and which can be amply discerned as regulatory in character. xxx
>
> x x x

[13] G.R. No. 159796, July 17, 2007

With the Universal Charge, a Special Trust Fund (STF) is also created under the administration of PSALM. xxx

x x x

Evidently, the establishment and maintenance of the Special Trust Fund, under the last paragraph of Section 34, R.A. 9136, is well within the pervasive and non-waivable power and responsibility of the government to secure the physical and economic survival and well-being of the community, that comprehensive sovereign authority we designate as the police power of the State.

This feature of the Universal Charge further boosts the position that the same is an exaction imposed primarily in pursuit of the State's police objectives. The STF reasonably serves and assures the attainment and perpetuity of the purposes for which the Universal Charge is imposed, i.e., to ensure the viability of the country's electric power industry."

Sections 32 and 34 of the EPIRA provide for the three (3) types of stranded costs recoverable through the Universal Charge, to wit:

a. Stranded Debts;
b. Stranded Contract Costs of NPC; and
c. Stranded Contract Costs of Eligible Contracts of Distribution Utilities.

As defined in Section 32 of the EPIRA, stranded contract costs of NPC shall refer to the excess of the contracted cost of electricity under eligible IPP contracts of NPC over the actual selling price of the contracted energy output of such contracts in the market. Such contracts shall have been approved by the ERB as of December 31, 2000.

Sections 32 and 34 of EPIRA as well as Section 4 (b) (ii), Rule 17 of the Implementing Rules and Regulations (IRR) of R.A. 9136 provide that the ERC shall verify the reasonable amounts of claims petitioned by PSALM and determine the manner and duration by which full recovery of Stranded Debt and Stranded Contract Costs of NPC is attained: Provided, That the duration for such recovery shall not be shorter than fifteen (15) years nor longer than twenty-five (25) years.

On February 6, 2007, the Commission issued Resolution No. 04, Series of 2007, entitled "A Resolution Adopting Rules for Recovery of NPC Stranded Contract Costs and Stranded Debts Portion of the Universal Charge", as amended by Resolution No. 02, Series of 2011 dated February 6, 2011. Said Rules shall govern the process of determining the amount of SCC and SD.

True-up adjustments on the remaining SCC shall be done on an annual basis by PSALM through the submission of the Variance Analysis Report (VAR). It is also is responsible for calculating and collating the supporting documents for the recovery from the UC.[14]

On or before March 15 of every, PSALM shall submit to the Commission the detailed VAR certified by an Independent Third Party Auditor, including relevant documents to support the true-up adjustments. The VAR shall be the basis of the Commission in approving the over or under-recovery in the current year's level of SCC availments from the UC.[15]

Shown herein below is PSALM's proposed SCC and the equivalent UC-SCC Rate:

Year	2007	2008	2009	2010	TOTAL
Gross Annual Contract Cost	49,659	53,688	51,042	23,846	178,236
Revenue from the Sale of Contracted Capacity	34,563	33,248	25,798	5,347	98,956
Privatization of Eligible IPP Contracts	-	-	-	4,982	4,982
Stranded Contract Costs (In Million PhP)	**15,097**	**20,440**	**25,244**	**13,517**	**74,298**
Stranded Contract Costs (In PhP/kWh)					**0.3666**

Article III of Resolution No. 2, Series of 2011 provides that IPP Contracts of NPC shall refer to generation capacities developed under the Build-Operate-Transfer scheme and any such generation asset whose construction was not financed by NPC but whose output is bought by NPC under Purchase Power Agreements (PPAs), Energy Conversion Agreements (ECAs) or any other similar contractual relationship. The IPP Contracts shall also include Rehabilitate Operate Lease (ROL) and Rehabilitate Operate Maintain types of IPP Contracts". In accordance with Section 32 of R.A. 9136, only contracts duly approved by the ERB as of December 31, 2000 shall be entitled for recovery through the UC-SCC.

Based on the foregoing provisions, the following are the IPP Contracts for the Luzon Grid eligible for recovery under UC-SCC:

[14] Article VIII of Resolution 4, Series of 2007, as amended by Resolution No. 02, Series of 2011
[15] Section 1, Article VIII *ibid*

a. Energy Conversion Agreement (ECA) – Sual;

b. Energy Conversion Agreement (ECA) – Pagbilao;

c. Build, Operate and Transfer Project Agreement (BOT) – Bauang;

d. Electricity Power Supply Agreement (EPSA) – Benguet Mini-Hydros;

e. Build, Operate and Transfer Project Agreement – Subic Enron;

f. Power Purchase Agreement (PPA) – Leyte B; and

g. Operation, Maintenance and Repair Agreement (OMRA) – Limay A and B.

The ECA of Sual Power Plant, Bauang and Subic Enron BOT Agreements and the PPA of Leyte B were approved by then Energy Regulatory Board (ERB) by virtue of its Decisions dated February 14, 1996 and December 27, 1999 in ERB Case Nos. 95-203, 98-54 and 98-55.

On the other hand, the ECA of Pagbilao, EPSA of Benguet Mini-Hydros and OMRA of Limay A and B were not approved by the ERB since these are IPP contracts were contracted by NPC before the effectivity of Republic Act No. 7638 (R.A. 7638) or the Department of Energy Law (DOE Law). The pertinent portion of the said Decision is hereunder quoted as follows:

> "**WHEREFORE**, premises considered, this Board hereby authorizes applicant NPC to adopt and implement, as part of its rate schedules, a Fuel and Purchased Power Adjustment (FPCA) Clause using the following mathematical formula:
>
> x x x
>
> The authority granted herein shall be subject to the following conditions:
>
> 1. x x x

2. The purchased power contracts of NPC with independent power producers shall be submitted to this Board for approval before they merit inclusion in the FPCA formula, except in regard to contracts that have been entered into before the effectivity of the DOE Law (R.A. 7638). Provided, however, that these contracts shall not result in rates to NPC which will exceed the rate of a similar plant that is in place or will be in place in the future; x x x"

Pursuant to the aforesaid Rules, the UC-SCC shall be the difference between the Gross Annual Contract Costs and the annual revenue of the eligible IPPs and privatization proceeds. PSALM shall recover the SCC through the UC as a uniform rate to all the end-users.

In accordance with the said Rules, the Commission calculated the SCC based on the full NPC cost and the following formula:

$$\text{UCSCCR} = \frac{\text{GACC} - \text{RSCE} - \text{PP}}{\text{System End Users Sale}}$$

Where:

UCSCCR	=	Universal Charge – SCC (UC-SCC) rate, in PhP/kWh
GACC	=	Gross Annual Contract Costs of Eligible IPPs
RSCE	=	Revenues from the Sale of Contracted Energy of Eligible IPPs
PP	=	Proceeds from Privatization of Eligible IPP Contracts

Gross Annual Contract Costs (GACC)

The following are the allowable cost eligible for recovery as SCC:

a. The total amount of unavoidable fixed fees and the variable fees which vary depending on the total kWh actually generated excluding the costs of Eligible IPP contracts that have been approved by the Commission for refinancing, if any;

b. The cost of fuel consumption by NPC under its existing Energy Conversion Agreements (ECAs);

c. The amortization payments including principal and interest payments of Eligible IPP contracts incurred by NPC to finance the buy-out and/or buy-down of Eligible IPP contracts as approved by the Commission pursuant to Section 4, Rule 17 of the IRR, if any;

d. The depreciation of the plant assets under the Rehabilitate, Operate and Maintain (ROM), Rehabilitate Operate and Lease (ROL) and other similar contractual relationships; and

e. Other costs and expenses related to the buy-out and/or buy-down of IPP contracts.

Relative thereto, PSALM submitted the actual aggregate eligible contract cost obligations of NPC amounting to PhP178,236 Million for the periods CYs 2007, 2008, 2009 and 2010, comprising of the following components:

GROSS ANNUAL CONTRACT COSTS		2007	2008	2009	2010	TOTAL
a.	Total Unavoidable Fixed Fees and Variable Fees	34,956	32,496	34,193	22,677	**124,322**
b.	Cost of Fuel Consumption	13,699	20,189	16,849	1,169	**51,907**
c.	Amortization Payments to finance buy-out and/or buy-down of IPP Contracts	-	-	-	-	-
d.	Depreciation of the Plant Assets	1,003	1,004	-	-	**2,007**
e.	Other Costs and Expenses related to the Buy-out and/or Buy-down of IPP Contracts	-	-	-	-	-
	Actual Aggregate Eligible Contract Cost Obligations (in Million PhP)	**49,659**	**53,688**	**51,042**	**23,846**	**178,236**

Based on the documents submitted, the Commission noted that the GACC was based on the gross annual contract of the NPC/PSALM Audited Results of Operations (ROO), excluding the capacity fee payment. The ROO includes the detailed account of all other components of the GACCs per plant, such as Fixed O & M – Other Power Supply, Variable Fee - Other Power Supply, Other OPEX, Cost of Fuel Consumption and Depreciation of Plant Assets.

The Commission utilized the cost of Eligible IPP plants as reflected in the audited ROO and the approved capacity fee payment.

Revenues from the Sale of Contracted Energy (RSCE)

Under the aforesaid Rules, the revenue sales refer to the following:

a. Sales of the contracted energy of Eligible IPP contracts in the WESM;

b. Sales of the contracted energy of Eligible IPP Contracts under the terms and conditions of the approved Transition Supply Contracts (TSCs) including the corresponding revenues generated from all adjustments and indexation formulae, such as but not limited to GRAM, ICERA and the Automatic Recovery of Monthly Fuel and Purchased Power Costs and Foreign Exchange Related Costs;

c. Sales of the contracted energy of Eligible IPP contracts from the ODPS scheme and DWS arrangement;

d. Sales of the contracted energy of Eligible IPP contracts from the provision of Ancillary Services; and

e. Sales of the contracted energy of Eligible IPP contracts from other market enhancement program/s that may be offered by NPC and the IPPs.

PSALM submitted the actual aggregate revenue of the eligible plants amounting to PhP98,956 Million for the periods covering CY 2007, CY2008, CY2009 and CY2010, composed of the following components:

Revenues From the Sale of Contracted Energy of Eligible IPPs	2007	2008	2009	2010	TOTAL
Sales of the Contracted Energy of Eligible IPP Contracts in the WESM	9,217	5,472	148	2,981	17,819
Sales of the Contracted Energy of Eligible IPP Contracts Under the Terms and Conditions of the Transition Supply Contracts Including All Adjustments and Indexation Formulae (i.e., GRAM, ICERA, FPPCA, FxA)	20,395	33,254	31,647	2,893	88,189
Sales of the Contracted Energy of Eligible IPP Contracts from the ODPS Scheme and the DWS Arrangements	(4)	(2,754)	(360)	(77)	(3,196)
Sales of the Contracted Energy of Eligible IPP Contracts from the Provision of Ancillary Services	4,955	917	2,171	-	8,043
Total Revenues from the Sale of Contracted Energy of Eligible IPP Contracts (In Million PhP)	**34,563**	**33,248**	**25,798**	**5,347**	**98,956**

The Commission made the following adjustments based on the said submissions:

1. The proposed amounts include only the approved GRAM, ICERA and the automatic cost adjustments excluding the actual adjustment during the subject period. The Commission believes that there should be a proper matching of cost and revenue earned. Considering that the cost of such revenue is included in the GACC, the total adjustment should be included in the revenue including those pending ICERA/GRAM cases; and

2. The Commission excluded the revenue deduction items such as Default Wholesale Supply (DWS), One Day Power Supply (ODPS) and Prompt Payment Discount (PPD). The Commission is of the view that PSALM should not recover from the consumers the discounts granted by NPC to its other customers. Likewise, the Mandatory Rate Reduction (MRR) granted by NPC should be deducted from the revenue of PSALM since this is mandated by Section 72[16] of R.A. 9136.

Based on the foregoing, the Commission computed the adjusted revenue of NPC, as follows:

[16] Sec. 72. Mandated Rate Reduction. Upon the effectivity of this Act, residential end-users shall be granted a rate reduction from NPC rates of thirty centavos per kilowatt-hour (P0.30/kWh). Such reduction shall be reflected as a separate item in the consumer billing statement.

(In Million PhP)	2007	2008	2009	2010	TOTAL
Total Revenues from the Sale of Contracted Energy of Eligible IPP Contracts	**36,337**	**40,413**	**36,779**	**5,875**	**119,403**

The Commission used the following factors in deriving the allowed revenue:

Revenue Items	Particulars
Sales of the contracted energy of eligible IPP contracts in the WESM	• **Calculation** of WESM Revenues Per Plant: • 2007&2008: Energy GenerationPlant/Energy Generation Grid x PEMC and/or Spot Sales Revenues • 2009&2010: Actual Revenues Per Plant • PEMC and Spot Sales Revenues are based on the Breakdown of Revenue and/or Net Utility Revenue (NUR)
Sales under the terms and conditions of the Transition Supply Contracts duly approved by the ERC (TSC) including all adjustments	• Calculation of TSC Revenue and Adjustments per plant: • 2007-2010: (Energy Generation Plant/Energy Generation Grid) x (TSC Revenues + GRAM + ICERA + FPPCA + FxA) • TSC Revenues are based on NPC-Regular/Utility Operating Income in the NUR • Adjustments for GRAM and ICERA • FPPCA is based on Fuel Cost Adjustment Income in the NUR • FxA is based is based on monthly power bill
Sales from the One Day Power Sales (ODPS) scheme and the Default Wholesale Supplier (DWS) arrangement	• Calculation of ODPS and DWS Revenue per plant: • 2007-2010: Energy Generation Plant/Energy Generation Grid x (ODPS + DWS Revenues) • ODPS and DWS Revenues are based on ODPS/One Day Peso Sales and Default Wholesale Supply/DWS/DWSA in the NUR.
Sales from the provision of Ancillary Services	• Calculation of Ancillary Revenue Per Plant: • 2007&2008: (Ancillary Volume Plant/Ancillary Volume Grid) X Ancillary Services Revenue • 2009 & 2010: Actual Revenue per Plant • Ancillary Services Revenues are based on Ancillary Services Charge in the NUR

Proceeds from Privatization of Eligible IPPs (PP)

The following Eligible IPP contracts were sold to the winning bidders or transferred to local government units (LGUs) pursuant to PSALM's mandate under Section 4, Rule 23 of the EPIRA-IRR:

PLANT	WINNING BIDDER/LGU	TURNOVER DATE
Subic	Subic Bay Metropolitan Authority (SMBA)	February 23, 2009
Bauang	Province of La Union	July 26, 2010
Limay	San Miguel Energy Corporation	January 18, 2010
Sual	San Miguel Energy Corporation	November 6, 2009
Pagbilao	Therma Luzon Inc.	October 1, 2009

The privatization proceeds and/or cash inflow from the disposition of Eligible IPP Contracts relative to the Limay, Sual and Pagbilao power plants for 2010 amounted to PhP4,982 Million, to wit:

	2009	2010				
Privatization of Eligible IPP Contracts	**Subic**	**Bauang**	**Limay**	**Pagbilao**	**Sual**	**TOTAL**
Up-front Proceeds from the Sale of the Eligible IPP Contracts	-	-	719	-	-	719
Cash Inflow Arising from an Assumption of Obligation Scheme of the Eligible IPP Contracts, if Applicable	-	-	-	1,004	3,259	4,263
Total Proceeds from the Privatization of Eligible IPP Contracts (In Million PhP)						**4,982**

On the basis of the aforesaid formula, the Commission made several disallowances on the proposed amount of SCC. It made a calculation on the stranded cost which amounted to PhP53,851 Million using the four (4) years electricity sales based on the Department of Energy (DOE) Sales under the Philippine Development Plan (PDP), to wit:

In PhP Million	2007	2008	2009	2010	Total
Gross Annual Contract Cost	49,659	53,688	51,042	23,847	178,236
Less: Revenue from Sale of Contracted Capacity	36,337	40,413	36,779	5,875	119,403
Less: Privatization of Eligible IPPs	-	-	-	4,982	4,982
STRANDED CONTRACT COST	**13,322**	**13,275**	**14,263**	**12,990**	**53,851**
UC-SCC Charge, (Based on 4 years sales: 277,875 GWh)					**PhP0.1938/kWh**

The Commission after considering the evidence presented by all the parties and in accordance with its mandate to verify the reasonable amounts and determine the manner for the full recovery of the SCC hereby grants the petition for recovery subject to the adjustments.

Thus, shown herein below is the comparison between the proposed rate of PSALM and the Commission's calculation:

	PSALM	Commission	Difference
UC-SCC, PhP Mil	74,298	53,581	20,447
UC-SCC, PhP/kWh	0.3666	0.1938	0.1728

WHEREFORE, the foregoing premises considered, the petition filed by the Power Sector Assets and Liabilities Management Corporation (PSALM) for the recovery of the National Power Corporation's (NPC) Stranded Contract Costs (SCC) of the Universal Charge (UC) is hereby **APPROVED with Modification.**

Accordingly, PSALM is hereby authorized to recover the following UC-SCC for Luzon, Visayas, Mindanao Grids:

Total Stranded Contract Cost	UC-SCC Rate
PhP53.581 Billion	PhP0.1938/kWh

All Distribution Utilities (DUs) and the National Grid Corporation of the Philippines (NGCP) are directed to collect from the consumers the above UC-SCC charge starting March 2013 billing period (February 26 to March 25, 2013 billing period).

SO ORDERED.

Pasig City, January 28, 2013.

ZENAIDA G. CRUZ-DUCUT
Chairperson

(Took No Part)
MARIA TERESA A.R. CASTAÑEDA
Commissioner

JOSE C. REYES
Commissioner

ALFREDO J. NON
Commissioner

GLORIA VICTORIA C. YAP-TARUC
Commissioner

GLD/2011-091 RC Decision

Copy Furnished:

1. **Atty. Luz L. Caminero**
   General Counsel
   Power Sector Assets and Liabilities Management Corporation
   7th Floor, Bankmer Building

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

3. **Mr. Pete Ilagan**
   President
   NASECORE
   No. 10 Bayside Court Compound
   680 Quirino Avenue, Tambo
   Parañaque City

4. **Atty. Fidel T. Valeros, Jr.**
   Counsel for MPPCL and AESI
   Puyat Jacinto & Santos
   12/F VGP Center
   Ayala, Makati

5. **Atty. Dionisio A. Tejero**
   Counsel for PASAR
   D.A. Tejero and Amoranto Law Offices
   Unit 2210 Jollibee Plaza Condominium
   F. Ortigas Jr. Rd., Ortigas Center
   Pasig City

6. **Atty. Jose Ronald V. Valles**
   Counsel for MERALCO
   MERALCO Compound
   Ortigas Avenue, Pasig City

7. **Atty. Renecio S. Espiritu, Jr.**
   Counsel for FDC
   Guevarra Mendoza & Espiritu Law Offices
   Suite 602, Richmonde Plaza Hotel
   San Miguel Ave., Ortigas Center
   Pasig City

8. **Atty. Jessica Kristine F. Hilado**
   Puyat Jacinto & Santos
   12/F VGP Center
   Ayala, Makati

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

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

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

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

13. All DUs

14. **The City Mayor**
    Makati City

15. **The City Mayor**
    Cebu City

16. **The City Mayor**
    Davao City

17. **The Provincial Governor**
    Province of Cebu

18. **The Provincial Governor**
    Province of Davao