

IN THE MATTER OF THE PETITION
 FOR THE REALIGNMENT FROM THE
 GENERAL CATEGORY OF THE SHARE
 FOR MISERABLE ELECTRIFICATION
 FOR THE PERIOD 2009-2013

ERC Case No. 2009-

**NATIONAL POWER CORPORATION -
 SMALL POWER UTILITIES GROUP
 (NPC-SPUG)**
 Petitioner.

PETITION

PETITIONER National Power Corporation-Small Power Utilities Group (NPC-SPUG for brevity), through undersigned counsel and to this Honorable Commission respectfully states that:

- Petitioner NPC is a government owned and controlled corporation created by and existing under Republic Act No. 6365 as amended ("NPC Charter"), with principal business address at NPC Office Building Complex, corner Quezon Avenue and BIR Road, Diliman, Quezon City where it may be served with the processes of this Honorable Commission.
- Under Section 70 of Republic Act No. 9138 (Electric Power Industry Reform Act or EPIRA), the NPC, shall remain as a National Government-owned and controlled corporation to perform the missionary electrification function through the Small Power Utilities Group (SPUG) and shall be responsible for providing power generation and its associated power delivery systems in areas that are not connected to the transmission system.
- NPC-SPUG is filing this petition in its capacity as the implementing agency for missionary electrification (ME) which function shall be funded from the revenues from sales in missionary areas and from the universal charge (UC) to be collected from all electricity end-users as determined by the Energy Regulatory Commission (ERC).
- On 19 January 2009, the Department of Energy (DOE) adopted and approved the Missionary Electrification Development Plan (MEDP) for 2009-2013. Under the 5-year MEDP, NPC-SPUG shall undertake, among others, to:

- Provide additional capacity of 53.75 MW to improve the power supply and support the expansion of service hours in the SPUG areas. The 2009-2013 MEDP sets out the power generation facilities and associated power delivery systems to be provided in existing NPC-SPUG areas and newly transferred areas. NPC-SPUG will maintain and/or improve the service levels of its existing power facilities through rehabilitation, improvement, replacement of parts and equipment, and will meet the growing demand in its coverage areas through construction of additional capacities, as follows:

Year	14 Areas	Other	Total
2009	24.58	1.25	25.83
2010	7.64	1.00	8.64
2011	1.30	2.74	4.04
2012	7.00	0.50	7.50
2013	2.54	0.58	3.12
Total	43.06	5.27	48.33

- Transfer to SPUG twenty (20) power generation systems from local government units and electric cooperatives that cannot sustain efficient operations due to high fuel and maintenance costs.

- Prepare missionary areas to become viable and sustainable for eventual private investment by new power producers (NPPs) and qualified third parties (QTPs).

- Implement missionary and off-grid electrification under the Expanded Rural Electrification Program, through the extension of distribution lines of electric cooperatives or the installation of mini or micro grids or decentralized systems in small islands and unviable areas, including household electrification programs.

- NPC-SPUG will also install power delivery systems to ensure efficiency and reliability of power supply, as follows:

Year	Transmission (km)	(MVA)	Expansion	Station	T/L (km)
2009	228.01	50.00	4-69 kV		18.24
2010	214.51	30.00	2-69 kV	3-89 kV	1.20
2011	275.00	17.00	1-69 kV		
2012	108.00	25.00	7-69 kV	3-69 kV	
2013	129.00	5.00	5-69 kV		
TOTAL	954.52	137.00	20-69 kV	6-69 kV	1.20

- To support the MEDP for 2009-2013, NPC-SPUG must avail of the subsidy from the Missionary Electrification component of the Universal Charge (UC-ME) for its operations and capital projects for the next five (5) years. The projected UC-ME adopts the current subsidized/approved generation rates (SAGR) for the fourteen (14) First Wave Areas approved on 16 December 2006 in ERC Case No. 2004-449 and the existing rates as of January 2006 in the remaining SPUG areas. Estimates for the projected fixed operating expenses are based on actual 2005 results of operation, while the variable/fuel expenses are based on the forecasted gross generation, energy sales and 2005 fuel rates. Increases in fuel prices, as calculated by the NPC Fuel Management Department, have likewise been considered in the UC-ME calculations.

- For the CY 2009-2013 UC-ME requirements petitioner assumed that the NPPs have taken over NPC-SPUG's generation functions in the 14 First Wave Areas. The UC requirements of these NPPs and QTPs were derived based on the actual subsidies disbursed to the Bantayan Island Power Corporation (BIPCOR) which is the first and so far the lone NPP receiving funds from the UC-ME. BIPCOR's true cost of generation as approved by the Honorable Commission is Php 7,7656/kWh.

- The petition also includes SPUG's costs which were not provided with UC-ME allocation in the previous years. These expenses, which have been incorporated under the "TRUE UP" account, amount to Php 10.48 Billion representing expenses unsupported by subsidy for the years 2003, 2004, 2005, 2006 and 2007 and the uncollected 2nd GRAM and 2nd ICERA accounts.

- In response to Resolution No. 3, Series of 2006 of the Sangguniang Bayan of Bantayan in the Province of Cebu requesting this Honorable Commission and petitioner NPC-SPUG to reduce the SAGR and generation charges implemented in Bantayan Island, petitioner proposes the inclusion of the reduction of rate in the said area in this petition amounting to Php 0.0007/kWh from 2009 to 2010 and Php 0.0005/kWh from 2011 to 2013 for the approval of the Honorable Commission. In its reply dated 02 March 2009 to Representative Benhur L. Salimbangon of the 4th District of Cebu, NPC-SPUG advised thereof that it will propose the said request in its petition for availment from the UC-ME to the Honorable Commission.

- To support its operation and the projects under the 2009-2013 MEDP, NPC-SPUG's subsidy requirements for the next five (5) years are summarized as follows:

Subsidy Requirement (in Thousand Pps)	2009	2010	2011	2012	2013
Projected Energy Sales (MWh)	55,195,499	60,616,620	63,379,697	66,240,681	68,145,066
Missionary Generation	17,389,936	13,919,959	14,843,245	15,329,366	13,959,607
Remote Area Electrification	667,285	484,904	653,739	604,291	173,126
Sub Total	18,067,206	14,829,823	15,496,984	16,033,657	14,132,739
SPUG Base Us	10,251,008				
Subsidy Required for Rate Reduction	40,737	42,673	36,098	39,748	41,487
Total	28,358,951	14,872,496	15,533,082	16,173,405	14,174,226

Subsidy Requirement (in Thousand Pps)	2009	2010	2011	2012	2013
Projected Energy Sales (MWh)	55,195,499	60,616,620	63,379,697	66,240,681	68,145,066
Missionary Generation	0.0018	0.2209	0.2268	0.2344	0.1974
Remote Area Electrification	0.0099	0.0079	0.0100	0.0091	0.0026
Sub Total	0.0117	0.2288	0.2368	0.2435	0.2000
SPUG Base Us	0.1001				
Subsidy Required for Rate Reduction	0.0007	0.0007	0.0008	0.0005	0.0005
Total	0.0124	0.2295	0.2376	0.2440	0.2005

- In relation to the instant petition for the availments from the UC-ME, NPC-SPUG prays that this Honorable Commission consider also the following:
 - One-time filing and approval of UC-ME for five (5) years, i. e., from 2009 to 2013 (Multi-year petition); and
 - Flexibility in the utilization of the UC-ME.

- The petitioner believes that the Multi-year petition would be consistent with the period coverage of the MEDP of the DOE. The same will also complement the

- flexibility being sought by NPC-SPUG to deal with the dynamic nature of the MEDP, especially the nature of project implementation, which requires funds to be disbursed over a period of time. Moreover, the said Multi-year petition will lessen the administrative burden for both NPC and ERC.
- Petitioner NPC-SPUG also needs some flexibility in utilizing the UC-ME primarily in view of the dynamic nature of the entire MEDP. To reiterate, the following bases illustrate by the dynamism of the MEDP:
 - A project included in the original priority list is unexpectedly assumed by the private sector or an LGU for funding and implementation (UC-ME CAPEX funds allocated for the original project can then be reallocated to another project under the MEDP).
 - A project in the list has to be deferred due to severe right-of-way problems (UC-ME CAPEX funds allocated for the original project can then be reallocated to another project under the MEDP).
 - Efficiency improvements result in OPEX savings ((UC-ME OPEX funds allocated for the original OPEX item can then be reallocated to a CAPEX under the MEDP); and
 - Higher OPEX due to higher actual sales than the projected level.

- Petitioner submits the following documents in support of the instant petition:
 - Calculations for the UC-ME subsidy (Annex "A")
 - Calculations for the increases in fuel prices (Annex "B")
 - Details of capital expenditures (projected costs):
 - Generation Projects in Existing Areas (Annex "C")
 - Generation Projects in New Areas (Annex "D")
 - Transmission Line Projects (Annex "E")
 - Copy of the 2009-2013 MEDP (Annex "F")
 - NP Board Resolution No. 2009-16 (Annex "G")
 - Proof of Service of the petition on the Secretary of the Sangguniang Panglungsod of Quezon City, where NPC-SPUG principally operates (Annex "H")
 - Proof of Service of the petition on the Secretary of the Sangguniang Panglungsod of San Jose Del Monte City, Bulacan where NPC-SPUG - Luzon principally operates (Annex "I")
 - Proof of Service of the petition on the Secretary of the Sangguniang Panglungsod of Cebu City, where NPC-SPUG-Visayas principally operates (Annex "J")
 - Proof of Service of the petition on the Secretary of the Sangguniang Panglungsod of Zamboanga City, where NPC-SPUG-Mindanao principally operates (Annex "K")
- Petitioner therefore respectfully prays that the Honorable Commission, after notice and hearing, allow NPC-SPUG to avail of the UC-ME subsidy as indicated above to enable it to sustain its operations and to implement the projects under the DOE-approved MEDP for 2009-2013.

PRAYER

WHEREFORE, premises considered, NPC-SPUG, through undersigned counsel respectfully prays before the Honorable Commission that the proposed multi-year UC-ME for 2009-2013 be APPROVED, along with the suggested flexibility in the utilization of the UC-ME enabling petitioner to avail of the UC-ME subsidy for the next five (5) years as follows:

Year	2009	2010	2011	2012	2013
Php/kWh	0.4912	0.2289	0.2401	0.2442	0.2005

Petitioner prays for other just and equitable relief.
 Quezon City for Pasig City, 26 April 2009.

FOR THE SOLICITOR GENERAL:

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 Tel. No. 02-921-9970

**REPUBLIC OF THE PHILIPPINES)
 QUEZON CITY) S.S.**

I, **FROILAN A. TAMPINGCO**, of legal age, married with office address at NPC Office Building Complex, corner Quezon Avenue and Agham Road, Diliman, Quezon City, after having been sworn to in accordance with law, hereby depose and say:

- That I am the President of the National Power Corporation, the petitioner herein;
- I have caused the preparation of the foregoing Application and that I have read and understood the allegations contained therein and that they are true and correct to my personal knowledge; and
- I have not theretofore commenced any action or filed any claim involving the same issues in any court, tribunal or quasi-judicial agency and, to the best of my knowledge, no other such action or claim is pending therein; and that I should thereafter learn that the same or similar action or claim has been filed or is pending in any court, tribunal or quasi-judicial agency, I hereby undertake to report the same within five (5) days thereafter to this court.

Quezon City for Pasig City, Philippines, APR 19 2009, 2009.

Froilan A. Tampingco
FROILAN A. TAMPINGCO
 President

SUBSCRIBED AND SWORN TO before this day of APR 19 2009, after, **FROILAN A. TAMPINGCO** presented to me his Community Tax Certificate No. 01748 issued on January 10, 2009 at Quezon City known to me and to me known to be the same person who executed the foregoing Application:

Doc. No. 104
 Page No. 01
 Book No. 01
 Series of 2009

Atty. Myerson Desiderio Tito G. Mallala
ATTY. MYERSON DESIDERIO TITO G. MALLALA
 Notary Public for Quezon City
 Appointment No. 2233
 Commission Issued December 29, 2007
 Notary Office at Agham Road, Diliman, Quezon City
 PTR No. 02539/01.09.09/Q.C.
 IBP Lifetime No. 01758, Quezon City
 4th Fl., OGC, NRC/ERC Annex
 BIR Road cor. Quezon Ave.
 Diliman, Quezon City

P.S. May 1, 2009

REPUBLIC OF THE PHILIPPINES)
CITY OF MANILA) s.s.

AFFIDAVIT OF PUBLICATION

I, **PERLITA R. DE LARA**, of legal age, married, Filipino and with office address at c/o **PhilSTAR Daily, Inc.**, 202 Railroad Street corner Roberto S. Oca Street, Port Area, Manila, after being duly sworn to in accordance with law depose.

That I am the **ACCOUNTING SUPERVISOR** of the **PhilSTAR Daily, Inc.** a domestic corporation duly organized and existing under by virtue of Philippine laws with office and business address at 202 Railroad Street corner Roberto S. Oca Street, Port Area, Manila.

That the said corporation publishes **THE PHILIPPINE STAR**, a daily broadsheet newspaper published in English and of general circulation.

That the order of _____
NATIONAL POWER CORPORATION

captioned as follows: _____
ERC Case No. 2009


(Please see attached printed text) had been published In **The Philippine STAR** in its issues of: _____
May 1, 2009

FURTHER AFFIANT SAYETH NAUGHT.
Manila, Philippines


PERLITA R. DE LARA
Affiant

SUBSCRIBED AND SWORN to before me this May 4, 2009 day of _____ 20 _____
affiant exhibited to me her Community Tax Certificate No. 19846485 issued at Manila on January 06, 2009

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Book No. _____ 1
Series of _____ 19


ATTY. RICHARD L. ANOLIN
ATTORNEY AT LAW
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REPUBLIC OF THE PHILIPPINES)
CITY OF MANILA) s.s.

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captioned as follows: ERC Case No. 2009

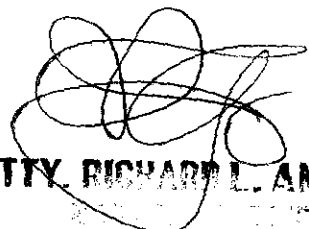
(Please see attached printed text) had been published In **The Philippine STAR** in its issues of: May 1, 2009

FURTHER AFFIANT SAYETH NAUGHT.
Manila, Philippines


PERLITA R. DE LARA
Affiant

SUBSCRIBED AND SWORN to before me this May 4, 2009 day of _____ 20 _____
affiant exhibited to me her Community Tax Certificate No. 19846485 issued at Manila
on January 06, 2009

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ATTY. RICHARD L. ANOLIN
OFFICE OF THE ATTORNEY GENERAL
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