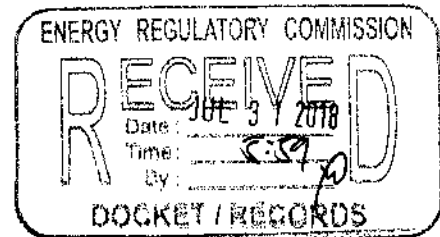


Republic of the Philippines  
ENERGY REGULATORY COMMISSION  
Pacific Center Building, San Miguel Avenue  
Ortigas Center, Pasig City

PETITION FOR TRUE-UP  
ADJUSTMENT OF THE  
NATIONAL POWER  
CORPORATION'S  
STRANDED DEBTS  
PORTION OF THE  
UNIVERSAL CHARGE FOR  
THE LUZON, VISAYAS AND  
MINDANAO GRIDS FOR  
CALENDAR YEAR 2017,  
WITH PRAYER FOR THE  
ISSUANCE OF  
PROVISIONAL AUTHORITY  
(PA),

ERC CASE NO. 2018 - 087 - PL

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



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PETITION

Petitioner POWER SECTOR ASSETS AND LIABILITIES MANAGEMENT CORPORATION (PSALM), through undersigned counsel and unto this Honorable Commission, respectfully states:

I.

NATURE OF PETITION

1. This Petition for True-Up Adjustment for the National Power Corporation's (hereinafter, "NPC") Stranded Debts (hereinafter, "SD") Portion of the Universal Charge (hereinafter, "UC") for Calendar Year 2017 to be collected from all end-users of

electricity, is being filed pursuant to Republic Act No. 9136 or the "Electric Power Industry Reform Act of 2001" (hereinafter, "EPIRA"), its Implementing Rules and Regulations (hereinafter, "EPIRA-IRR") and the Amended Rules for Recovery of NPC Stranded Contract Costs (hereinafter, "SCC") and SD Portion of the UC (hereinafter, "Amended Rules for Recovery") as adopted by the Energy Regulatory Commission (hereinafter, "ERC") in its Resolution No. 02-2011 dated 7 February 2011.

## II.

### TIMELINESS OF PETITION

2. Article VIII of said Amended Rules for Recovery provides that true-up adjustment shall be done on an annual basis to be initiated by PSALM through submission before this Honorable Commission on or before the 15<sup>th</sup> day of March of every year of a detailed Variance Analysis Report (hereinafter, "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 Honorable Commission will approve inclusion of any under recovery in the current year's level of NPC SD availment of the UC or mandate a reimbursement due to over recovery by way of a reduction in the current year's level of NPC SD Portion of the UC.

3. In a letter dated 02 February 2018, PSALM requested the Honorable Commission for an extension of the deadline to file, among others, the True-up Adjustment of the NPC SD Portion of the UC for Calendar Year (hereinafter, "CY") 2017 and the update/VAR on the implementation of the NPC's SD Portion of the UC for CYs 2011-2012, from 15 March 2018 to 31 July 2018. The extension was necessary for the following reasons: (a) to provide time in processing the data contained in the certified financial statements which was only approved by the PSALM Board last 04 April 2018; (b) to properly identify and classify the components which are eligible for recovery under the SCC and SD True-up Adjustment; (c) to secure requisite approvals from the PSALM Board ; and (d) to ensure compliance with the Amended Rules for Recovery and other relevant rules and regulations, prior to the filing of the UC petitions before the Honorable Commission.

4. Further, as the VARs corresponding to the True-up Adjustment of the NPC SD Portion of the UC for CY 2017 and implementation of the ERC-approved CYs 2011-2012 UC-SD is

required to be certified by the Commission on Audit (hereinafter, "COA"), our Independent Third-Party auditor, under the Amended Rules for Recovery, it should be afforded ample time to verify and validate the SD VARs to enable it to issue separate certifications thereon.

Attached as Annex "A" is a copy of PSALM's letter to the ERC dated 02 February 2018.

5. The ERC, in its letter dated 13 March 2018, approved PSALM's request to extend the deadline for filing the True-up Adjustment of the NPC SD Portion of the UC for CY 2017 and submission of the update/VAR on the implementation of the NPC's SD Portion of the UC for CYs 2011-2012 until 31 July 2018.

Attached as Annex "B" is a copy of ERC's letter dated 13 March 2018.

6. Hence, the instant Petition for True-Up Adjustment is filed within the period granted by this Honorable Commission.

### III.

#### PETITIONER

7. Petitioner PSALM is a government-owned and controlled corporation created by virtue of RA 9136 or the EPIRA, with principal office address at 3/F National Transmission Corporation (hereinafter, "TransCo") Building, Quezon Avenue corner BIR Road, Quezon City.

8. The principal mandate of PSALM is to manage the orderly sale, disposition, and privatization of NPC generation assets, real estate and other disposable assets, and Independent Power Producer (hereinafter, "IPP") contracts with the objective of liquidating all NPC financial obligations and stranded contract costs in an optimal manner (Sec. 50, EPIRA). To attain its objectives, PSALM shall, among others, **[i] calculate the amount of the stranded debts and stranded contract costs of NPC which shall form the basis for ERC in the determination of the universal charge (emphasis supplied) 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 (Sec. 51, EPIRA).**

9. It is PSALM's responsibility to calculate the amount of the SD of NPC that can be recovered through the UC, subject to the review and approval by the Honorable Commission.<sup>1</sup> The recovery of NPC SD through the UC shall be uniform to all the end-users.<sup>2</sup>

10. PSALM 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<sup>3</sup>.

#### IV.

### ANTECEDENTS

11. Stranded Debts of NPC refer to "any unpaid financial obligations which have not been liquidated by the proceeds from the sales and privatization of NPC assets".

12. On 07 February 2011, this Honorable Commission approved and adopted ERC Resolution No. 2, Series of 2011 or the Amended Rules for Recovery which, among others, established the procedure and manner in which PSALM shall file its petitions for availment from the UC with respect to NPC SCC and SD recovery, and defined the parameters in calculating said SCC and SD.

13. On 28 January 2013, the Honorable Commission rendered its decision on ERC Case No. 2011-092 RC (hereinafter, "ERC Decision"), disapproving the petition of PSALM 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.*"

#### V.

### VARIANCE ANALYSIS REPORT TO SUPPORT THE CY 2017 UC-SD TRUE-UP ADJUSTMENT

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

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<sup>1</sup> Article V, Amended Rules for Recovery

<sup>2</sup> Section 1, Article V, Amended Rules for Recovery

<sup>3</sup> Article VIII, Amended Rules for Recovery

- a. Quantity Variance (hereinafter, "QV"), which refers to the difference between the billing determinant used pursuant to the ERC Decision and the Actual kWh sales to end-users;
- b. Cost Variance (hereinafter, "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 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 Honorable Commission).

VI.

**FINANCIAL OBLIGATIONS SERVICED IN CY 2017**

15. PSALM's total financial obligations serviced/paid in CY 2017 consist of i) debt maturities of NPC, NPC-Small Power Utilities Group (hereinafter, "NPC-SPUG"), PSALM, and the TransCo due for the said period; and ii) Build-Operate-Transfer (hereinafter, "BOT") lease obligations pertaining to eligible (for SCC calculation purposes) and ineligible IPP contracts (relevant in calculating SD) due for the said year.

16. For CY 2017, total debts and BOT lease obligations serviced are summarized in the table below:

| <b>Total Financial Obligations</b>                                    | <b>Amount (in PhP)</b>   |
|---|--------------------------|
| i) NPC's outstanding financial obligations as of effectivity of EPIRA | 29,070,435,161.23        |
| - Debts   | 1,898,304,638.20         |
| - Lease Obligation of all IPPs  | 27,172,130,523.03        |
| ii) New loans contracted by NPC after the effectivity of EPIRA        | 1,312,894,957.85         |
| iii) Loans incurred by PSALM in behalf of NPC                         | 43,229,100,140.47        |
| <b>Total Financial Obligations Serviced</b>                           | <b>73,612,430,259.55</b> |

Table 1: Summary of Financial Obligations Serviced in CY 2017

Attached hereto are the schedules of Financial Obligations Serviced in CY 2017 consisting of Total Actual Debt Service for the

period ended 31 December 2017, Actual Debt Service for the period ended 31 December 2017 and Lease Obligations paid in 2017 as Annexes "C", "C-1" and "C-2", respectively.

## VII.

### GROSS DEBT SERVICE (GDS)

#### Recoverable Financial Obligations

17. 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 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.

18. 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.

19. Consistent with the ERC 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

20. Out of the total financial obligations serviced by PSALM in 2017, 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 utilization of SD in the loan proceeds. The percentage share utilization 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 for recovery under SD (hereinafter, "SD Percentage").

21. The allowable GDS also includes the capacity fees/lease obligations for ineligible IPP contracts, namely: San Roque, Luzon Hydro (Bakun), Ilijan, Kalayaan 3 and 4, and Mindanao Coal/STEAG. In other words, allowable GDS excludes capacity fees/lease obligations of IPP contracts for Sual and Pagbilao Coal plants which are eligible for recovery under the UC-SCC.

22. Out of the PhP73.61 Billion total financial obligations serviced in CY 2017, Allowable GDS amounts to PhP42.15 Billion, as shown below:

| GDS   | Amount (in PhP)          |
|---|--------------------------|
| i) NPC's outstanding financial obligations as of effectivity of EPIRA | 10,955,803,936.86        |
| - Debts   | 1,898,304,638.20         |
| - Lease Obligation of non-eligible IPPs                               | 9,057,499,298.66         |
| ii) New loans contracted by NPC after effectivity of EPIRA            | 816,274,059.51           |
| iii) Loans incurred by PSALM in behalf of NPC                         | 30,379,591,721.59        |
| <b>Total Allowable GDS</b>  | <b>42,151,669,717.96</b> |

Table 2: Summary of Total Allowable GDS for CY 2017

23. The total allowable GDS of PhP42.15 Billion was further reduced by PhP6.42 Billion, representing principal repayment portion of loans (consisting of LBP<sup>4</sup> 75Bn Syndicated Term Loan, ROP<sup>5</sup> Relending Facility and ROP Relent-\$500M Onshore Dollar Bond) that were used to service debt maturities included in the CYs 2011 and 2012 GDS and SD calculations (Loans for Refinancing), to avoid double recovery.

24. Hence, Net Allowable GDS, net of the above-mentioned principal repayment portion of Loans for Refinancing, amounts to PhP35.73 Billion, as shown below:

| Net Allowable GDS  | Amount (in PhP)   |
|--|-------------------|
| Gross Debt Service   | 42,151,669,717.96 |
| LESS: Principal Repayment Portion of New Loans for Refinancing | 6,421,982,877.73  |

<sup>4</sup> Land Bank of the Philippines

<sup>5</sup> Republic of the Philippines

| Net Allowable GDS   | Amount (in PhP)   |
|---|-------------------|
| Allowable GDS Net of Principal Repayment Portion of New Loans for Refinancing (Net Allowable GDS) | 35,729,686,840.23 |

Table 3: Summary of Net Allowable GDS for CY 2017

The details of Net Allowable GDS are in Annex "D" while the schedule of Lease Obligations of Ineligible IPP Plants paid in 2017 is attached as Annex "D-1".

## VIII.

### PRIVATIZATION PROCEEDS (PP)

25. Consistent with the EPIRA and the UC-SD formula under the Amended Rules for Recovery, the following PP components shall be used to further reduce the allowable GDS:

- 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.

26. Guided by the considerations on PP in the ERC Decision, the PP for CY 2017 is shown below:

| Privatization Proceeds                     | Amount (in PhP)          |
|--|--------------------------|
| Sale of Generation Assets                  | 286,307,231.24           |
| IPP Administrator Monthly Payment          | 11,142,474,111.36        |
| Interest on TransCo's Concession Agreement | 3,551,982,122.08         |
| Other Priva-related Proceeds               | 623,930,732.00           |
| <b>Total Privatization Proceeds</b>        | <b>15,604,694,196.68</b> |

Table 4: Details of Privatization Proceeds for CY 2017

27. The details of the privatization proceeds for CY 2017 are as follows:

- d. The proceeds from the sale of generation assets amounting to PhP0.29 Billion correspond to the sale of decommissioned Sucat Thermal Power Plant and unserviceable assets, junk and scrap materials;
- e. The IPP administrator monthly payments amounting to PhP11.14 Billion, net of Value Added Tax (hereinafter,



"VAT") shouldered by PSALM, represent the privatization proceeds from the three (3) IPP Administrators, namely, Vivant Sta. Clara Northern Renewable Generation Corp. (VSCNRGC), Strategic Power Development Corporation (SPDC), and South Premiere Power Corporation (SPPC), as a result of PSALM's privatization of IPP contracts covering Luzon Hydro (Bakun), San Roque and Ilijan, respectively.

Proceeds from VSCNRGC represent interest on unpaid Monthly Payment covering September 2016 to March 2017 which was paid in 2017. VSCNRGC filed a petition for corporate rehabilitation with the Regional Trial Court (hereinafter, "RTC") Branch 11, Cebu City on 16 May 2017. The RTC Branch 11 issued a Commencement/Stay Order declaring the entity under rehabilitation on 26 May 2017. Pending the court's resolution on PSALM's Opposition with prayer to lift Stay Order, Northern Renewables continues to administer the contracted capacities sans payment of Monthly Payment to PSALM.

- f. The interest on TransCo's Concession Agreement amounting to PhP3.55 Billion represents the semi-annual interest payments made by the National Grid Corporation of the Philippines (hereinafter, "NGCP") on the balance of the concession fee under the Concession Agreement; and
- g. The proceeds from the sale of other privatization-related activities amounting to PhP0.62 Billion consist of the following: i) sale of Roto Coal; ii) forfeiture of performance bond from FDC Misamis Corporation in relation to the termination of IPP Administration Agreement of Mt. Apo 1 and 2; iii) exercise of option existence notice on assets under land lease agreement; and iv) sale of waste materials.

28. The PP are net of VAT, consistent with Bureau of Internal Revenue (BIR) Revenue Memorandum Circular No. 11-2012 which states, among others, that:

"x x x Considering that the sale of electricity is now subject to VAT, the real properties sold by PSALM are regarded as real properties used in the trade or business. While it is clear under the Tax Code of 1997 that such sale is not subject to income tax, there is no

provision under the same Code that exempts it from VAT nor subject it to VAT at zero rate. x x x"

"x x x Moreover, gross receipts of PSALM from the lease of NPC transferred assets and other assets are deemed in the ordinary course of trade or business, hence, subject to VAT under the Tax Code of 1997."

29. Considering that the IPP Administrator Agreement between PSALM and the IPP Administrator provides that, "In the event that the Monthly Payments are determined with finality to be subject to value added tax, all applicable value added tax on such payments shall be for the account of PSALM...", for purposes of SD calculations, the IPP Administrator Monthly Payment received by PSALM was reduced by the VAT shouldered by PSALM.

Attached hereto as Annex "E" is the Schedule of Actual Privatization Proceeds (for SD Recovery) based on Annexes "E-1" and "E-2", which are the Actual Privatization Proceeds, and VAT and EWT on Privatization Proceeds, respectively.

#### IX.

#### PROCEEDS FROM NPC OPERATIONS (PO)

30. Consistent with the Amended Rules for Recovery and ERC Decision on the UC-SD, the PO which is composed of the following items shall be used to reduce the allowable GDS. Below is the list of generating assets and ineligible IPP contracts for CY 2017 whose operating results were considered in calculating PO:

| PSALM Owned Plants      | IPP Plants  | IPPs under IPPA  |
|-------------------------|---|--|
| Malaya<br>Agus-Pulangui | Caliraya<br>Botocan<br>Kalayaan I<br>and II<br>Casecnan<br>Mindanao<br>Coal | Luzon Hydro<br>(Bakun)<br>San Roque<br>Ilijan<br>Mt. Apo 1 & 2 |

Table 5: List of Plants and IPPs

31. The PO of the remaining generating assets and IPP contracts for CY 2017 that were considered in the SD true-up calculations are shown below:

| <b>Proceeds From NPC Operations</b>      | <b>Amount (In PhP)</b>   |
|--|--------------------------|
| <b>REVENUES</b>                          |                          |
| Net Utility Revenue (NUR)                | 23,314,155,484.63        |
| Generation Payment Billings              | 27,486,884,145.68        |
| Net, Other Income                        | 306,138,604.33           |
| <b>Total Revenues</b>                    | <b>51,107,178,234.64</b> |
| <b>COSTS</b>                             |                          |
| Fuel                                     | 22,950,831,223.45        |
| Purchased Power Cost                     | 14,609,430,662.49        |
| Energy Purchased from PEMC (To meet TSC) | 39,556,021.12            |
| Pumping Cost                             | 3,205,769,144.62         |
| Other OPEX                               | 1,981,233,569.63         |
| <b>Total Costs</b>                       | <b>42,786,820,621.31</b> |
| <b>Net Cash Flow / PO</b>                | <b>8,320,357,613.33</b>  |

Table 6: Summary of Proceeds from NPC Operations

The detailed PO for CY 2017 is attached hereto as Annex "F".

32. The components of the PO for CY 2017 are as follows:

- a. Net Utility Revenues refer to revenues generated from the provision by the remaining generating assets and ineligible IPP plants of energy and ancillary service to customers and the spot market. These revenues were based on the Operating Results, Cash Flow or the Results of Operation (hereinafter, "ROO") for CY 2017 broken down into Ineligible and Eligible, attached as Annex "F-1".
- b. Generation Payments represent billings made to IPP Administrators of ineligible IPP plants, namely Luzon Hydro (Bakun), San Roque, Ilijan and Mt. Apo.

Generation Payments from IPP Administrators covering ineligible IPP contracts that were privatized are considered in the PO "as billed" by PSALM. In view of the Commencement/Stay Order issued in favor of VSCNRGC for its Corporate Rehabilitation, Generation Payments billed to VSCNRGC for the Luzon Hydro IPPA covering 2017 billing period have remained unpaid. SPPC likewise has unpaid Generation Payment in relation to the Ilijan IPPA. The IPPA Agreement (IPPAA) with SPPC was terminated by PSALM on 04 September 2015 due to underpayments on its Generation Payments. SPPC thereafter filed a civil case against PSALM before the Mandaluyong RTC with prayer for writ of preliminary injunction. The trial court granted the writ in favor of SPPC

and as a result, SPPC continues to administer the Ilijan contracted capacities.

For the Mt. Apo 1 and 2 IPPA, both the Monthly Payments and Generation Payments billed to FDC Misamis Power Corporation were included in the PO notwithstanding the underpaid or unpaid amounts due to PSALM. PSALM assumed administration of the contracted capacities of Mt. Apo 1 and 2 starting 22 December 2017. The IPPA of Mt. Apo 1 and 2 was terminated on 28 December 2017.

Unpaid Generation Payments by VSCNRGC, SPPC and FDC Misamis for CY 2017 amounted to PhP0.18 Billion, PhP0.28 Billion and PhP1.03 Billion, respectively, or a total of PhP1.50 Billion.

Attached as **Annex "F-2"** and **Annex "F-3"** are the Summary of IPPA Billings - Generation Payments and VAT on Mt. Apo Monthly Payments, respectively.

- c. Net Other Income/(Expense) consists of other income less other expenses not directly attributable to the operations of existing power plants.
- d. Costs include fuel and purchased power costs (hereinafter, "PPC"), energy purchased from the Philippine Electricity Market Corporation (hereinafter, "PEMC"), pumping costs and other plant operating expenses (hereinafter, "Other OPEX"). Other OPEX includes NPC's Operation and Maintenance Agreement (hereinafter, "OMA") costs, station use, share in national wealth, Energy Regulation (hereinafter, "ER") 1-94, real property taxes, insurance and technical and administrative expenses. For PSALM's remaining generating assets and ineligible IPP plants, the cost components are based on the CY 2017 ROO. On the other hand, cost components for IPP plants under IPPA were based on the CY 2017 Schedules of Fixed and Variable Costs of Ineligible Plants under IPPAA, attached hereto as **Annexes "F-4"** and **"F-5"**, respectively.

X.

**NPC's STRANDED DEBTS**

33. The NPC Stranded Debts shall be equivalent to the Allowable GDS net of the calculated PP and PO. The calculated Stranded Debts for CY 2017 amounts to PhP11.80 Billion as shown below.

| <b>STRANDED DEBTS</b> | <b>CY 2017<br/>(In PhP)</b> |
|-----------------------|-----------------------------|
| GDS                   | 35,729,686,840.23           |
| Less: PP              | 15,604,694,196.68           |
| PO                    | 8,320,357,613.33            |
| <b>SD</b>             | <b>11,804,635,030.22</b>    |

Table 7: UC-SD for CY 2017

34. It should be noted that the calculated SD for CY 2017 in the amount of PhP11.80 Billion will increase to PhP13.30 Billion if we consider the unpaid Generation Payments amounting to PhP1.50 Billion due from SPPC, VSCNRGC and FDC Misamis Power Corporation.

XI.

**COST VARIANCE (CV)**

35. 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.

36. In arriving at the CV, these two (2) items need to be established. Since the ERC set the recoverable SD to zero, it follows that the value of estimated cost is also zero. As such, actual costs (GDS less PP and PO) for CY 2017 will necessarily be equivalent to the CV for the same period, amounting to PhP11.80 Billion as shown below:

| <b>Particulars</b>           | <b>Amount (in PhP)</b> |
|------------------------------|------------------------|
| Gross Debt Service           | 35,729,686,840.23      |
| Less: Privatization Proceeds | 15,604,694,196.68      |
| Proceeds from NPC Operation  | 8,320,357,613.33       |

| Particulars                    | Amount (in PhP)          |
|--------------------------------|--------------------------|
| <b>CY 2017 Actual SD</b>       | <b>11,804,635,030.22</b> |
| Less: SD Approved for Recovery | 0.00                     |
| <b>Cost Variance</b>           | <b>11,804,635,030.22</b> |

Table 8: Cost Variance

**XII.**

**QUANTITY VARIANCE (QV)**

37. Quantity Variance (QV), as stated earlier, refers to the difference between the billing determinant used pursuant to the ERC Decision and the Actual kWh sales to end-users. This will be the QV in kWh sales.

38. To determine the QV in absolute amount, QV is multiplied by the PhP/kWh SD approved by this Honorable Commission. Since the Honorable 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.

**XIII.**

**CY 2017 UC-SD TRUE-UP ADJUSTMENT**

39. As mentioned above, the VAR to support the SD True-up Adjustment is the sum of the CV and the Peso Value of the QV. Thus, the NPC SD True-Up Adjustment is equivalent to the CV (Allowable GDS, net of the calculated PP and PO plus the zero (0) QV. The calculated SD True-Up Adjustment for CY 2017 amounts to PhP11.80 Billion, as shown below:

| Particulars                                 | Amount (PhP)             |
|---|--------------------------|
| <b>GDS</b>                                  | <b>35,729,686,840.23</b> |
| Less: PP                                    | 15,604,694,196.68        |
| Less: PO                                    | 8,320,357,613.33         |
| <b>CY 2017 Actual SD</b>                    | <b>11,804,635,030.22</b> |
| Less: SD Approved for Recovery              | 0.00                     |
| <b>Cost Variance</b>                        | <b>11,804,635,030.22</b> |
| Add: QV                                     | 0.00                     |
| <b>UC-SD True-Up Adjustment for CY 2017</b> | <b>11,804,635,030.22</b> |

Table 9: UC-SD True-up Adjustment for CY 2017

A copy of the COA's Independent Auditor's Report on the VAR on the True-Up Adjustment of the NPC SD Portion of the UC for CY

2017 to support the True-up Adjustment, is attached hereto as **Annex "G"**.

40. The equivalent rate of the CY 2017 UC-SD True-Up Adjustment is PhP0.0152/kWh, calculated by dividing the PhP11.80 Billion by the projected energy sales from January 2019 to June 2026 based on the Department of Energy's Electricity Sales Forecast by Grid (2016-2030) with details as follows:

| UC-SD True-Up Adjustment for CY 2017 (in PhP) | Energy Sales Forecast (GWh) | UC-SD Rate (PhP/kWh) |
|---|-----------------------------|----------------------|
| 11,804,635,030.22                             | 776,056                     | 0.0152               |

Table 10: UC-SD True-up Adjustment for CY 2017 in PhP/kWh

A copy of the Electricity Sales Forecast, PDP (2016-2030) as sourced from the DOE is hereto attached as **Annex "H"**.

#### XIV.

#### ACTUAL OUTSTANDING DEBT SERVICE AS OF 31 DECEMBER 2017

41. Pursuant to Section 3, Article V of the ERC 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, PSALM's 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.

42. Shown below is the actual outstanding GDS as of 31 December 2017 as compared with the outstanding GDS as of 31 December 2010, 31 December 2011 and 2012, 31 December 2013, 31 December 2014, 31 December 2015 and 31 December 2016. The GDS as of 31 December 2010 was considered by the ERC in its Decision dated 28 January 2013 under ERC Case No. 2011-092. As to the GDS as of 31 December 2011 and 2012, 2013, 2014, 2015 and 2016, these were reported in PSALM's petition under ERC Case No. 2013-195, submitted in PSALM's compliance to the ERC, reported in PSALM's petitions under ERC Case No. 2015-144 RC, ERC Case No. 2016-150 RC and ERC Case No. 2017-069 RC, respectively, to wit:

| Particulars  | As of 31 December |                 |                 |                 |                 |                 |                 |                 |
|--|-------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
|  | 2010<br>(PhP B)   | 2011<br>(PhP B) | 2012<br>(PhP B) | 2013<br>(PhP B) | 2014<br>(PhP B) | 2015<br>(PhP B) | 2016<br>(PhP B) | 2017<br>(PhP B) |
| i) NPC's outstanding financial obligations as of effectivity of EPIRA (including Lease Obligations of non-eligible IPPs) | 254.60            | 224.95          | 188.54          | 173.04          | 140.88          | 126.74          | 113.94          | 102.97          |
| ii) New loans contracted by NPC after the effectivity of EPIRA   | 84.20             | 55.88           | 38.52           | 37.20           | 32.61           | 29.00           | 1.63            | 0.79            |
| iii) Loans incurred by PSALM in behalf of NPC  | 201.12            | 260.67          | 311.41          | 268.36          | 260.49          | 242.57          | 236.71          | 217.38          |
| <b>Outstanding GDS</b>   | <b>539.92</b>     | <b>541.49</b>   | <b>538.47</b>   | <b>478.60</b>   | <b>433.98</b>   | <b>398.31</b>   | <b>352.29</b>   | <b>321.14</b>   |

Table 11: Outstanding GDS as of 31 December 2010, 2011, 2012, 2013, 2014, 2015, 2016 and 2017

The details of the Actual Outstanding GDS as of 31 December 2017 are hereto attached as **Annex "I"**, based on the Inventory of Financial Obligations (Principal), attached as **Annex "I-1"** and Inventory of Financial Obligations (Interest, Guarantee Fee and Other Charges) as of 31 December 2017 attached as **Annex "I-2"**, and Lease Obligations as of 31 December 2017.

#### XV.

#### UPDATE ON THE IMPLEMENTATION OF THE NPC'S SD PORTION OF THE UC FOR CYs 2011-2012

43. On 27 June 2017, the ERC issued a Decision on ERC Case No. 2013-195 RC: "In the Matter of the Petition for True-Up Adjustments for the NPC's SD Portion of the UC for Luzon, Visayas and Mindanao Grids for CYs 2011 and 2012, with Prayer for Provisional Authority (PA)" authorizing PSALM to recover UC-SD for CYs 2011-2012 amounting to PhP24.20 Billion at the rate of PhP0.0265/kWh for the Luzon, Visayas and Mindanao Grids until the approved amount has been fully recovered. The ERC directed all distribution utilities (DUs) and NGCP to collect from the consumers the approved UC-SD starting August 2017 billing period. Pursuant to



Section 34 of Republic Act No. 9136, such collections by the DUs and TransCo (now NGCP) shall be remitted to PSALM Corporation on or before the 15th of the succeeding month.

44. Further, PSALM is directed, on a yearly basis, to include in its VAR the status of the collection of the ERC-approved CYs 2011-2012 UC-SD True-Up amount.

UC-SD Rate and Billing Determinant

45. The UC-SD rate of PhP0.0265/kWh was derived by the ERC by dividing the ERC-approved SD amount of PhP24,198,852,235.17 by the Department of Energy's (DOE) projected Philippine energy sales of 914,561 GWh covering January 2017 to June 2026.

Energy Sales Remitted for the Period 01 September 2017 to 31 December 2017

46. From 01 September 2017 to 31 December 2017, the total UC remittances made by the collecting entities to PSALM pertaining to the PhP0.0265/kWh CYs 2011-2012 UC-SD approved by the ERC amounted to PhP526,004,320.71, as follows:

| Period                | Amount (PhP)          |
|-----------------------|-----------------------|
| September 1-15, 2017  | 41,270,807.86         |
| September 16-30, 2017 | 393,798.86            |
| October 1-18, 2017    | 146,060,288.31        |
| October 19-31, 2017   | 3,658,748.87          |
| November 1-16, 2017   | 166,502,488.43        |
| November 16-30, 2017  | 2,280,220.41          |
| December 1-15, 2017   | 161,507,032.14        |
| December 16-30, 2017  | 4,330,935.83          |
| <b>Total</b>          | <b>526,004,320.71</b> |

Table 12: CYs 2011-2012 UC-SD Remittances

47. The equivalent energy sales billed/remitted corresponding to the actual UC-SD remittance for the period 01 September 2017 to 31 December 2017 is 19,879.58 GWh. This was derived by dividing the remittance amounting to PhP526,004,320.71 by

the ERC-approved UC-SD rate of PhP0.0265/kWh (PhP24,198,852,235.17/914,561GWh).

Under-Recovery as of 31 December 2017

48. The under recovery, pursuant to the Amended Rules for Recovery, is calculated by multiplying the quantity variance (QV) of 894,681.42 GWh by the PhP0.0265/kWh SD rate approved by the ERC. The resulting under recovery for the CYs 2011-2012 UC-SD for the period 01 September 2017 to 31 December 2017 is PhP23,672,847,914.46, details of which are shown below:

| PARTICULARS   | QUANTITY VARIANCE (GWh) | AMOUNT (PhP)             | RATE PhP/kWh  |
|---|-------------------------|--------------------------|---------------|
| Billing Determinant and Approved Level of CYs 2011-2012 SD pursuant to the ERC Decision   | 914,561.00              | 24,198,852,235.17        | 0.0265        |
| Less: Energy Sales Billed/Remitted covering 01 September 2017 to 31 December 2017 Remittance Period (PhP526,004,320.71 / PhP0.0265/kWh) | 19,879.58               | 526,004,320.71           | 0.0265        |
| <b>Quantity Variance/Under or (Over) Recovery</b>   | <b>894,681.42</b>       | <b>23,672,847,914.46</b> | <b>0.0265</b> |

Table 13: CYs 2011-2012 UC-SD Under-Recovery as of 31 December 2017

A copy of the COA Independent Auditor's Report on the VAR on the update on the implementation of the CYs 2011-2012 True-Up Adjustment of the NPC SD Portion of the UC covering the remittance period 01 September 2017 to 31 December 2017 is attached as Annex "J".

49. In compliance with Section 4(e) of Rule 3 of the EPIRA-IRR and ERC Resolution No. 38-2006, a copy of the instant Petition (including Annexes) was furnished the Sangguniang Panlungsod of Quezon City. A copy of the Affidavit of Service is hereto attached as Annex "K". The Petition (excluding Annexes) was also published in a newspaper of general circulation. A copy of the Affidavit of Publication is hereto attached as Annex "L".

XVI.

ALLEGATIONS IN SUPPORT FOR THE ISSUANCE  
OF PROVISIONAL AUTHORITY

50. The petition covers the true-up adjustment for the UC-SD for CY 2017. As PSALM has vigorously pursued its mandate of privatizing the generation assets and the power facilities, revenues from the sale of electricity of the remaining assets are not enough to cover its operations and provide funds for the payment of NPC debts and obligations. To address the funding gaps, PSALM is forced to resort to temporary solution by borrowing, which entails borrowing costs, which in turn will form part of the UC-SD, effectively increasing the UC burden of all electricity end-users.

51. On the other hand, if PSALM will be allowed to immediately recover the UC-SD under this petition through provisional approval, new loans and refinancing to service maturing debts and lease obligations would lessen. This would redound to the benefit of electricity end-users due to reduced borrowing costs, effectively reducing the UC burden.

52. Pursuant to the Honorable Commission's Rules of Practice and Procedure, the Honorable Commission may exercise its discretion by granting provisional authority (hereinafter, "PA") or interim relief prior to a final decision. PSALM humbly seeks this Honorable Commission's indulgence to grant the PA to enable it to immediately recover the SD and accumulate sufficient funds to service its financial obligations. Early SD recovery will likewise translate to substantial savings on borrowing costs, as PSALM need not resort to refinancing to service its maturing financial obligations.

53. In support of the prayer for the issuance of PA, the Affidavit of Ms. Luisa A. Esteban, Manager of PSALM's Universal Charge and Administration Department, establishing certain facts and circumstances that would justify the Honorable Commission's exercise of discretion granting the prayer for PA or interim relief prior to a final decision is attached hereto and made an integral part hereof as **Annex "M"**.

54. It is understood that the interim relief sought by Petitioner PSALM 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 of the Honorable Commission.

### PRAYER

**WHEREFORE**, premises considered, Petitioner respectfully prays of this Honorable Commission that, after due notice and hearing:

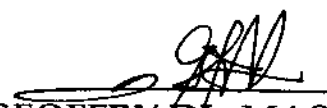
1. The calculated True-Up Adjustment/Under Recovery for the National Power Corporation Stranded Debts Portion of the Universal Charge for CY 2017 amounting to **PhP11,804,635,030.22**, with an equivalent rate of **PhP 0.0152 / kWh** based on a seven and one half (7 ½) years recovery period, be **APPROVED**.
2. Provisional Authority allowing PSALM to charge, collect the computed UC-SD True-up Rate or such amount determined by the Honorable Commission be **GRANTED**; and
3. Submission of the following documents be deemed in **FULL COMPLIANCE** to the directive of ERC Resolution No. 02, Series of 2011:
  - a.) Details of Outstanding GDS as of 31 December 2017 (**Annex "I"**); and
  - b.) Inventory of Financial Obligations (Principal) as of 31 December 2017 (**Annex "I-1"**);
  - c.) Inventory of Financial Obligations (Interest, Guarantee Fee and Other Charges) as of 31 December 2017 (**Annex "I-2"**);
  - d.) Outstanding Lease Obligations of Eligible and Ineligible IPPs as of 31 December 2017 (**Annex "C-2"**);
  - e.) Outstanding Lease Obligations of Ineligible IPP Plants as of 31 December 2017 (**Annex "D-1"**).
4. Submission of the COA Independent Auditor's Report relative to the VAR on the update on the implementation of the CYs 2011-2012 True-Up Adjustment of the NPC SD Portion of the UC covering the remittance period 01 September 2017 to 31 December 2017 (**Annex "J"**) be deemed in **FULL**

**COMPLIANCE** to the directive of this Honorable Commission in its 27 June 2017 Decision under ERC Case No. 2013-195 RC and Resolution No. 02, Series of 2011.

Other reliefs just and equitable are likewise prayed for.

Quezon City for Pasig City, 24 July 2018.

*-signatories on the following page-*



**GEOFFRY D. MASANCAY**

*OIC, Office of the Vice President and General Counsel*  
IBP No. 025765 (01-09-18, Quezon City)  
MCLE Compliance No. V-0012426 (12-10-15)  
Roll of Attorney No. 52696


**MARIA ILYN C. GERONIMO-ALBITO**

*OIC-Corporate Legal Counsel*  
IBP No. 025766 (01-09-2018, RSM)  
MCLE Compliance No. V-0012416 (12-10-2015)  
Roll of Attorney No. 58287



**LALAINÉ MAE C. PARLADE**

*OIC-Corporate Legal Counsel*  
IBP Lifetime No.012817  
MCLE Compliance No. V-0021249 (04-14-2016)  
Roll of Attorney No. 63192



**PATERNO S. AQUINO, JR.**

*Corporate Attorney*  
IBP Lifetime No.016963 (05-15-2017)  
MCLE Compliance No. VI-0004732 (12-08-2017)  
Roll of Attorney No. 68011

**POWER SECTOR ASSETS AND LIABILITIES  
MANAGEMENT CORPORATION**

3/F National Transmission Corporation Building,  
Power Center, Quezon Avenue corner BIR Road,  
Diliman, Quezon City Telefax No. (+632) 840-3960  
Email address: [mardelacruz@psalm.gov.ph](mailto:mardelacruz@psalm.gov.ph)

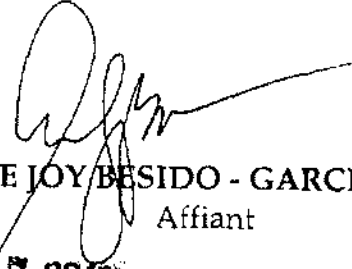
(Republic of the Philippines )  
(Quezon City ) S.S.

VERIFICATION AND CERTIFICATION

I, **IRENE JOY BESIDO - GARCIA**, of legal age, married, with office address at the Power Sector Assets and Liabilities Management (PSALM) Corporation, 3/F National Transmission Corporation Building, Power Center, Quezon Avenue corner BIR Road, Diliman, Quezon City, after having been duly sworn to in accordance with law, do hereby depose and state for myself and for PSALM, that:

- (1) I am the designated President and Chief Executive Officer of the Power Sector Assets and Liabilities Management (PSALM) Corporation with authority to commence, initiate, sign and file the foregoing Petition for the Stranded Debts pursuant to PSALM Board Resolution No. 2018-0619-01 dated 19 June 2018;
- (2) I have read the Petition and the allegations therein are true and correct based on my personal knowledge or the authentic records available to PSALM;
- (3) I or PSALM have not commenced any other action or proceeding involving the same issues in the Supreme Court, the Court of Appeals or any court, tribunal, or quasi-judicial agency and, to the best of my knowledge, no such other action or claim is pending therein; and
- (4) If I or PSALM should hereinafter learn that the same or a similar action or claim has been filed or is pending in the Supreme Court, the Court of Appeals or any court, tribunal, or quasi-judicial agency, I shall report the said fact within five (5) days from discovery thereof to the Honorable Commission.


**JUL 27 2018** 2018, Quezon City, Philippines.

  
**IRENE JOY BESIDO - GARCIA**  
Affiant

**JUL 27 2018**  
SUBSCRIBED and SWORN TO before me this 27 day of July 2018, with affiant **IRENE JOY BESIDO - GARCIA** presenting to me her Philippine Passport I.D. No. EC203, issued at DFA Manila on 03 September 2014, valid until 02 September 2019, known to me and to me known to be the same person who executed the foregoing Verification and Certification.

**NOTARY PUBLIC**

Doc. No. 99 ;  
Page No. 20 ;  
Book No. XLIX ;  
Series of 2018.

  
**ATTY. TOMAS S. BAGA, JR.**  
NOTARY PUBLIC  
ADM NO. NP-013 (2014-2019)  
UNTIL DECEMBER 21, 2019  
ATTYS REG. NO. 13393  
ICP NO. C-17820 11-22-17  
PTR NO. 8539383 / 3-6-18 N. COZ.  
MCLF NO. 11334-1  
NOTARY PUBLIC - QUEZON CITY



POWER SECTOR  
ASSETS & LIABILITIES  
MANAGEMENT CORPORATION

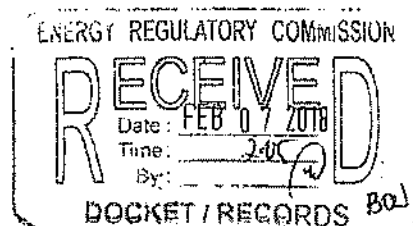


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02 February 2018

**ATTY. AGNES VICENTA S. TORRES DEVANADERA**  
Chairperson and CEO  
Energy Regulatory Commission (ERC)  
Pacific Center Building  
San Miguel Avenue, Pasig City



**ATTENTION:** **ATTY. MARIA CORAZON C. GINES**  
Officer-in-Charge, Director III  
Office of the Executive Director

**ATTY. FLORESINDA G. BALDO-DIGAL**  
Director III, Regulatory Operations Service

**SUBJECT:** Filing of the National Power Corporation (NPC)  
Stranded Debts (SD) and Stranded Contract  
Costs (SCC) Portion of the Universal Charge  
(UC) for CY 2017 and True-Up Adjustment of  
the CYs 2007-2010 UC-SCC and Submission of  
Updates on the Implementation of the CYs  
2011-2013 UC-SCC and CYs 2011-2012 UC-SD

Dear Chairperson Devanadera:

This is to respectfully request the Honorable Commission to extend the deadline from 15 March 2018 to 31 July 2018, the Power Sector Assets and Liabilities Management Corporation's (PSALM's) filing/submission of the following:

- i) True-up adjustment of the NPC's SD Portion of the UC for CY 2017;
- ii) Availment of the NPC's SCC Portion of the UC for CY 2017;
- iii) True-up adjustment of the NPC's SCC Portion of the UC for CYs 2007-2010 UC;
- iv) Update/Variance Analysis Report (VAR) on the implementation of the NPC's SCC Portion of the UC for CYs 2011-2013; and
- v.) Update/VAR on the implementation of the NPC's SD portion of the UC for CYs 2011-2012.

Pursuant to Rule 18, Section 4(b) of the Implementing Rules and Regulations of the Electric Power Industry Reform Act of 2001, "*Petitions for availment under the Universal Charge for the succeeding years shall be submitted to the ERC on*




or before March 15 of every year.” Article VIII of the Amended Rules for Recovery of NPC’s SCC and SD Portion of the UC (UC Guidelines) under ERC Resolution No. 02, Series of 2011, likewise provides that true-up adjustments shall be initiated by PSALM on an annual basis through submission on or before the 15<sup>th</sup> day of March of every year of the Variance Analysis Report (VAR) certified by an Independent Third Party auditor together with other relevant documents to support such true-up adjustments.

In calculating for the CY 2017 SCC and SD true-up adjustments PSALM will rely on its certified financial statements, which will be presented to the PSALM Board for approval before they are submitted to the Commission on Audit (COA). Subsequently, the data contained therein will have to be analyzed to properly identify and distinguish the components that are eligible for recovery under the SCC and those qualified under the SD. Moreover, to ensure accuracy in PSALM’s calculations and compliance with the UC Guidelines and other relevant rules and regulations, requisite approvals shall be secured before the UC petitions can be filed before the Honorable Commission. Further, as the VARs corresponding to the CY 2017 UC-SD true-up adjustment, CYs 2007-2010 UC-SCC true-up adjustment, and the implementation of CYs 2011-2013 UC-SCC and CYs 2011-2012 UC-SD are required to be certified by an Independent Third Party auditor under the UC Guidelines, ample time shall be afforded to the COA, our third party auditor, to enable it to completely verify and validate the SD and SCC VARs and issue separate certifications to support the true-up adjustment calculations.

In view of the foregoing, PSALM is constrained to request for an extension of deadline in filing/submitting its UC petitions/compliances from 15 March 2018 to 31 July 2018.

Your favorable consideration of this request will be highly appreciated.

Very truly yours,



**ARNOLD C. FRANCISCO**  
Officer-in-Charge

cc: Board of Directors, PSALM  
Office of the General Counsel, PSALM



Republic of the Philippines

**ENERGY  
REGULATORY  
COMMISSION**

APR 04 2018

13 March 2018

*Calc*

*3-18*

**MR. ARNOLD C. FRANCISCO**

Officer-in-Charge

Power Sector Assets and Liabilities Management Corporation (PSALM)  
3/F TransCo Bldg., Agham Road cor. Quezon Ave.,  
Diliman, Quezon City

Dear Mr. Francisco:

This has reference to your letter dated 2 February 2018 requesting for an extension of the deadline for the filing/submission by the Power Sector Assets and Liabilities Management Corporation (PSALM) of the following: (1) True-up Adjustment of the NPC's Stranded Debts (NPC's SD) Portion of the UC for Calendar Year (CY) 2017; (2) availment of the National Power Corporation's Stranded Contract Cost (NPC's SCC) Portion of the Universal Charge for CY 2017; (3) True-up adjustment of the NPC's SCC Portion of the UC for CYs 2007-2010; (4) update/Variance Analysis Report (VAR) on the implementation of NPC's SCC Portion of the UC for CYs 2011-2013; and (5) update/VAR on the implementation of NPC's SD Portion of the UC for CYs 2011-2013 from 15 March 2018 to 31 July 2018.

As stated in your letter, PSALM is constrained to request for the extension in submitting its UC petitions/compliances since the CY 2017 certified financial statements of PSALM, which will serve as bases in calculating the CY 2017 SCC and SD True-up Adjustment, have yet to be presented to its Board and as needed, UC petitions will still go through requisite approvals before it could be filed before the Commission. Furthermore, as the required Variance Analysis Report (VAR) needs to be certified by an Independent Third Party Auditor, ample time should be afforded to the Commission on Audit (COA) to enable it to completely verify and validate the SD and SCC VARs before it can issue separate certifications thereon to support the true-up adjustment calculations.

Finding said request meritorious, the same is hereby granted. Consequently, PSALM is hereby directed to file and submit the foregoing on or before 31 July 2018.

The above notwithstanding, the Commission would like to remind PSALM of the significance of the timely filing of the UC-SCC and SD considering its possible impact on PSALM's cash flow. PSALM is advised to exert best efforts in the management of its liabilities and asset privatization proceeds as any resulting difference thereof may cause an adjustment to rates passed on to electricity end-users.

Very truly yours,

  
**AGNES VST DEVANADERA**  
Chairperson and CEO

**ERC**

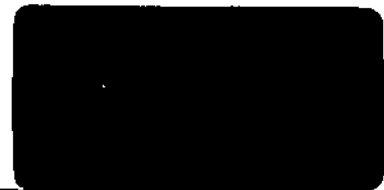
Office of the Chairperson



\*AVSTD-2018-3-310-0035\*

AMDB/AJMO//FGED  
ROS Reference: 2018-C1-E\_\_

cc:  
Mr. Carlos G. Dominguez  
Secretary  
Department of Finance  
DOF Bldg., BSP Complex,  
Roxas Blvd., Pasay City



Pacific Center Building, San Miguel Avenue, Pasig City  
Mailing Address: P.O. Box 181 Greenhills, Metro Manila  
Website: <http://www.erc.gov.ph>

Trunk line: 689-5372  
Telefax Nos. 631-58-18 • 631-58-06 • 706-52-59

Power Sector Assets and Liabilities Management Corporation  
 Universal Charge Stranded Debt True-Up Adjustment  
 Total Actual Debt Service  
 For the Period 01 January to 31 December 2017

| PARTICULARS  | TOTAL ACTUAL DEBT SERVICE AND BOT LEASE OBLIGATION |                          |                        |                      |  | TOTAL<br>in Php          |
|--|--|--------------------------|------------------------|----------------------|--|--------------------------|
|  | PRINCIPAL<br>in Php                                | INTEREST<br>in Php       | GURANTEE FEE<br>in Php | OTHERS<br>in Php     |  |                          |
| i) NPC's outstanding financial obligations as of the effectivity of EPIRA    |  |                          |                        |                      |  |                          |
| A. FOREIGN LOANS - REGULAR   |  |                          |                        |                      |  |                          |
| SALOMON SMITH BARNEY \$300M YB   | -  | 1,882,386,987.00         | -                      | 80,554.17            |  | 1,882,467,541.17         |
| INT'L. DEV. ASSOCIATION 296- BATAAN THERMAL                                  | 15,237,383.53                                      | 599,713.50               | -                      | -                    |  | 15,837,097.03            |
| Subtotal   |  |                          |                        |                      |  | 1,898,304,638.20         |
| B. BOT LEASE OBLIGATIONS   |  |                          |                        |                      |  |                          |
|  |  |                          |                        |                      |  | 27,172,130,523.03        |
| TOTAL NPC's outstanding financial obligations as of the effectivity of EPIRA | 15,237,383.53                                      | 1,882,986,700.50         | -                      | 80,554.17            |  | 29,070,435,161.23        |
| ii) New Loans contracted by NPC after the effectivity of EPIRA               |  |                          |                        |                      |  |                          |
| OVERSEAS PRIVATE INVESTMENT CORP   | 1,205,357,152.50                                   | 105,221,711.60           | -                      | 2,316,093.75         |  | 1,312,894,957.85         |
| TOTAL New Loans contracted by NPC after the effectivity of EPIRA             | 1,205,357,152.50                                   | 105,221,711.60           | -                      | 2,316,093.75         |  | 1,312,894,957.85         |
| iii) New Loans contracted by PSALM in behalf of NPC                          |  |                          |                        |                      |  |                          |
| PSALM [NOMURA INTL TRANCHE A]  | -  | 425,552,828.09           | 41,178,930.50          | 498,830.00           |  | 467,230,588.59           |
| PSALM [NOMURA INTL TRANCHE B]  | -  | 705,762,170.86           | 61,560,421.57          | -                    |  | 767,322,592.43           |
| HSBC/DEUTSCHE/MORGAN \$1B  | -  | 4,189,863,732.76         | -                      | 6,296,622.00         |  | 4,196,160,354.76         |
| DBP/MS/UBS NEW CASH OFFER  | -  | 2,474,083,256.59         | -                      | -                    |  | 2,474,083,256.59         |
| DBP/MS/UBS BOND EXCHANGE-2019  | -  | 84,147,097.26            | -                      | -                    |  | 84,147,097.26            |
| DBP/MS/UBS BOND EXCHANGE-2024  | -  | 2,575,120,475.71         | -                      | -                    |  | 2,575,120,475.71         |
| 7.750% Fixed Rate Retail Bonds due 2017                                      | 18,678,000,000.00                                  | 723,772,500.00           | -                      | -                    |  | 19,401,772,500.00        |
| LBP 75Bn Syndicated Term Loan  | 6,937,500,000.00                                   | 2,234,713,955.23         | -                      | -                    |  | 9,172,213,955.23         |
| ROP Relending Facility   | 350,000,000.00                                     | 1,493,083,586.94         | -                      | -                    |  | 1,843,083,586.94         |
| ROP Relent - \$500M Onshore Dollar Bond                                      | 1,501,605,000.00                                   | 454,669,512.43           | -                      | 24,548.21            |  | 1,956,299,060.64         |
| Landbank Short Term Loan - PHP 7Bn   | -  | 113,289,960.00           | -                      | 34,424,657.53        |  | 147,714,617.53           |
| Landbank Short Term Loan - PHP 8Bn   | -  | 104,499,999.99           | -                      | 39,452,054.79        |  | 143,952,054.78           |
| TOTAL New Loans contracted by PSALM in behalf of NPC                         | 27,467,105,000.00                                  | 15,578,559,075.87        | 102,739,352.07         | 80,696,712.53        |  | 43,229,100,140.47        |
| <b>GRAND TOTAL</b>   | <b>28,687,699,536.03</b>                           | <b>17,566,767,487.97</b> | <b>102,739,352.07</b>  | <b>83,093,360.45</b> |  | <b>73,612,430,259.55</b> |

Sources:

2017 Actual Debt Service Report- PSALM Controllership Department

Debt Allocation Report, PSALM Treasury Department

2017 Lease Obligation Report - PSALM Controllership Department

Prepared by:

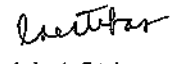
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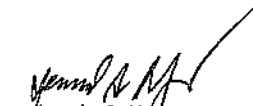
Reviewed by:

Approved by:

  
 Veejay C. Apostol  
 Finance Specialist  
 FVTD-UCAD

  
 Rochelle V. Moreno  
 Division Manager  
 FVTD-UCAD

  
 Luisa A. Esteban  
 Department Manager  
 UCAD

  
 Lourdes S. Alzona  
 Vice President  
 Finance Group

Power Sector Assets and Liabilities Management Corporation

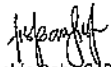
Actual Debt Service

For the period ended 31 December 2017

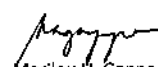
In Php

| CREDITOR  | Principal                | Interest                 | Guarantee Fee         | Others               | Total                    |
|---|--------------------------|--------------------------|-----------------------|----------------------|--------------------------|
| <b>i) NPC's outstanding financial obligations as of the effectivity of EPIRA</b>    |                          |                          |                       |                      |                          |
| Foreign Loans - Regular   |                          |                          |                       |                      |                          |
| Salomon Smith Barney \$300M YB  | -                        | 1,461,161,625.00         | -                     | 80,554.17            | 1,461,242,179.17         |
| Hongkong Shanghai Banking Corp.   | -                        | 135,809,041.00           | -                     | -                    | 135,809,041.00           |
| Barclays  | -                        | 135,809,041.00           | -                     | -                    | 135,809,041.00           |
| UBS AG  | -                        | 149,607,280.00           | -                     | -                    | 149,607,280.00           |
| Int'l. Dev. Association 296- Bataan Thermal   | 15,237,383.53            | 599,713.50               | -                     | -                    | 15,837,097.03            |
| <b>TOTAL NPC's outstanding financial obligations as of the effectivity of EPIRA</b> | <b>15,237,383.53</b>     | <b>1,882,986,700.50</b>  | <b>-</b>              | <b>80,554.17</b>     | <b>1,898,304,638.20</b>  |
| <b>ii) New Loans contracted by NPC after the effectivity of EPIRA</b>               |                          |                          |                       |                      |                          |
| Overseas Private Investment Corp  | 1,205,357,152.50         | 105,221,711.60           | -                     | 2,316,093.75         | 1,312,894,957.85         |
| <b>TOTAL New Loans contracted by NPC after the effectivity of EPIRA</b>             | <b>1,205,357,152.50</b>  | <b>105,221,711.60</b>    | <b>-</b>              | <b>2,316,093.75</b>  | <b>1,312,894,957.85</b>  |
| <b>iii) New Loans contracted by PSALM in behalf of NPC</b>                          |                          |                          |                       |                      |                          |
| PSALM [Nomura Int'l Tranche A]  | -                        | 425,552,828.09           | 41,178,930.50         | 498,830.00           | 467,230,588.59           |
| PSALM [Nomura Int'l Tranche B]  | -                        | 705,762,170.86           | 61,560,421.57         | -                    | 767,322,592.43           |
| HSBC/Deutsche/Morgan \$1B   | -                        | 4,189,863,732.76         | -                     | 6,296,622.00         | 4,196,160,354.76         |
| DBP/MS/UBS New Cash Offer   | -                        | 2,474,083,256.59         | -                     | -                    | 2,474,083,256.59         |
| DBP/MS/UBS Bond Exchange 2019   | -                        | 84,147,097.26            | -                     | -                    | 84,147,097.26            |
| DBP/MS/UBS Bond Exchange 2024   | -                        | 2,575,120,475.71         | -                     | -                    | 2,575,120,475.71         |
| 7.750% Fixed Rate Retail Bonds Due 2017   | 18,678,000,000.00        | 723,772,500.00           | -                     | -                    | 19,401,772,500.00        |
| LBP 75Bn Syndicated Term Loan   | 6,937,500,000.00         | 2,234,713,955.23         | -                     | -                    | 9,172,213,955.23         |
| ROP Relending Facility  | 350,000,000.00           | 1,493,083,586.94         | -                     | -                    | 1,843,083,586.94         |
| ROP Relent-\$500M Onshore Dollar Bond   | 1,501,605,000.00         | 454,669,512.43           | -                     | 24,548.21            | 1,956,299,060.64         |
| Landbank Short Term Loan - PHP 7Bn  | -                        | 113,289,960.00           | -                     | 34,424,657.53        | 147,714,617.53           |
| Landbank Short Term Loan - PHP 8Bn  | -                        | 104,499,999.99           | -                     | 39,452,054.79        | 143,952,054.78           |
| <b>TOTAL New Loans contracted by PSALM in behalf of NPC</b>                         | <b>27,467,105,000.00</b> | <b>15,578,559,075.87</b> | <b>102,739,352.07</b> | <b>80,696,712.53</b> | <b>43,229,100,140.47</b> |
| <b>TOTAL DEBT SERVICE</b>   | <b>28,687,699,536.03</b> | <b>17,566,767,487.97</b> | <b>102,739,352.07</b> | <b>83,093,360.45</b> | <b>46,440,299,736.52</b> |


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Yolanda D. Alfara  
Manager, Controllership Dept.

Power Sector Assets and Liabilities Management Corporation  
Lease Obligations  
As of December 31, 2017

| Plant   | Currency | Beginning         |                           | Payment           |                          | Realized Loss<br>(Gain) | Actual Cash              |
|---|----------|-------------------|---------------------------|-------------------|--------------------------|-------------------------|--------------------------|
|   |          | a                 |                           | b                 |                          |                         | Payment                  |
|   |          | Original Currency | Peso Equivalent           | Original Currency | Peso Equivalent          |                         | Peso Equivalent          |
| Sual Coal Power Plant 1                           | USD      | 759,462,330.00    | 37,831,097,044.29         | 93,294,000.00     | 4,647,254,022.00         | 59,556,355.72           | 4,706,810,377.72         |
| Sual Coal Power Plant 2                           | USD      | 759,462,330.00    | 37,831,097,044.29         | 76,920,829.46     | 3,831,655,783.50         | 40,614,408.48           | 3,872,270,191.97         |
| Pagbilao Coal Power Plant 1                       | USD      | 787,500,000.00    | 39,227,737,500.00         | 94,500,000.00     | 4,707,328,500.00         | 60,446,828.07           | 4,767,775,328.07         |
| Pagbilao Coal Power Plant 2                       | USD      | 803,250,000.00    | 40,012,292,250.00         | 94,500,000.00     | 4,707,328,500.00         | 60,446,826.61           | 4,767,775,326.61         |
| Bakun Hydroelectric Power Plant                   | USD      | 188,336,557.80    | 9,381,608,953.69          | 9,161,370.14      | 456,355,330.78           | 8,392,978.25            | 464,748,309.03           |
| Ilijan Natural Gas Power Plant                    | USD      | 574,497,792.00    | 28,617,458,512.90         | 102,378,988.34    | 5,099,804,546.18         | 61,391,262.32           | 5,161,195,808.50         |
| San Roque Hydroelectric Power Plant               | USD      | 322,465,000.00    | 16,062,949,045.00         | 27,675,000.00     | 1,378,574,775.00         | 19,304,747.50           | 1,397,879,522.50         |
| Kalayaan II Hydroelectric Power Plant Unit 3      | USD      | 71,301,242.97     | 3,551,728,815.88          | 9,479,741.65      | 472,214,370.81           | 5,622,580.86            | 477,836,951.67           |
| Kalayaan II Hydroelectric Power Plant Unit 4      | USD      | 71,339,479.19     | 3,553,633,476.70          | 9,612,600.00      | 478,832,443.80           | 5,726,706.46            | 484,559,150.26           |
| Mindanao Coal-Fired Thermal Power Plant (STEAG) 1 | USD      | 144,142,294.00    | 7,180,160,091.02          | 10,234,920.00     | 509,832,069.96           | 6,621,993.24            | 516,454,063.20           |
| Mindanao Coal-Fired Thermal Power Plant (STEAG) 1 | PHP      | 274,222,780.00    | 274,222,780.00            | 19,471,440.00     | 19,471,440.00            | -                       | 19,471,440.00            |
| Mindanao Coal-Fired Thermal Power Plant (STEAG) 2 | USD      | 144,142,294.00    | 7,180,160,091.02          | 10,234,920.00     | 509,832,069.96           | 6,050,543.54            | 515,882,613.50           |
| Mindanao Coal-Fired Thermal Power Plant (STEAG) 2 | PHP      | 274,222,780.00    | 274,222,780.00            | 19,471,440.00     | 19,471,440.00            | -                       | 19,471,440.00            |
| <b>TOTAL</b>                                      |          |                   | <b>230,978,368,384.79</b> |                   | <b>26,837,955,291.99</b> | <b>334,175,231.03</b>   | <b>27,172,130,523.03</b> |

Adjustments are on account of over/(under) charging to lease payables due to difference in the set-up as per IPP contract and actual billing based on actual plant utilization and adjustments for the period. Actual payment of Php 27,172,130,523.03 for January to December 2017 is derived as follows: Payment in Peso Equivalent + Realized Loss (Gain)

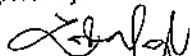
Power Sector Assets and Liabilities Management Corporation  
Lease Obligations  
As of December 31, 2017

| Plant   | Currency | Adjustment        |                           | Adjusted Balance  |                           | Revaluation           | Ending            |                           |
|---|----------|-------------------|---------------------------|-------------------|---------------------------|-----------------------|-------------------|---------------------------|
|   |          | Original Currency | Peso Equivalent           | Original Currency | Peso Equivalent           | Peso Equivalent       | Original Currency | Peso Equivalent           |
|   |          | c                 |                           | d = (a-b+c)       |                           | e                     | f = (d+e)         |                           |
| Sual Coal Power Plant 1                           | USD      | (2,689,320.00)    | (133,963,097.16)          | 663,479,010.00    | 33,049,879,925.13         | 72,982,691.10         | 663,479,010.00    | 33,122,862,616.23         |
| Sual Coal Power Plant 2                           | USD      | (25,835,890.54)   | (1,286,963,215.47)        | 656,705,610.00    | 32,712,478,045.32         | 72,236,122.71         | 656,705,610.00    | 32,784,714,168.03         |
| Pagbilao Coal Power Plant 1                       | USD      | -                 | -                         | 693,000,000.00    | 34,520,409,000.00         | 76,230,000.00         | 693,000,000.00    | 34,596,639,000.00         |
| Pagbilao Coal Power Plant 2                       | USD      | -                 | -                         | 708,750,000.00    | 35,304,963,750.00         | 77,962,500.00         | 708,750,000.00    | 35,382,926,250.00         |
| Bakun Hydroelectric Power Plant                   | USD      | (11,789,546.79)   | (587,272,694.25)          | 167,385,640.87    | 8,337,980,928.66          | 18,412,420.49         | 167,385,640.87    | 8,356,393,349.15          |
| Ilijan Natural Gas Power Plant                    | USD      | (2,075,155.66)    | (103,369,728.89)          | 470,043,648.00    | 23,414,284,237.82         | 51,704,801.32         | 470,043,648.00    | 23,465,989,039.14         |
| San Roque Hydroelectric Power Plant               | USD      | (102,500.00)      | (5,105,832.50)            | 294,687,500.00    | 14,679,268,437.50         | 32,415,625.00         | 294,687,500.00    | 14,711,684,062.50         |
| Kalayaan II Hydroelectric Power Plant Unit 3      | USD      | 4,542,251.84      | 226,263,190.91            | 66,363,753.16     | 3,305,777,635.97          | 7,299,994.47          | 66,363,753.16     | 3,313,077,630.44          |
| Kalayaan II Hydroelectric Power Plant Unit 4      | USD      | 4,637,375.57      | 231,001,589.27            | 66,364,254.76     | 3,305,802,622.17          | 7,300,086.38          | 66,364,254.76     | 3,313,102,708.55          |
| Mindanao Coal-Fired Thermal Power Plant (STEAG) 1 | USD      | (36.00)           | (1,793.27)                | 133,907,338.00    | 6,670,326,227.79          | 14,729,807.18         | 133,907,338.00    | 6,685,056,034.97          |
| Mindanao Coal-Fired Thermal Power Plant (STEAG) 1 | PHP      | -                 | -                         | 254,751,340.00    | 254,751,340.00            | -                     | 254,751,340.00    | 254,751,340.00            |
| Mindanao Coal-Fired Thermal Power Plant (STEAG) 2 | USD      | (36.00)           | (1,793.27)                | 133,907,338.00    | 6,670,326,227.79          | 14,729,807.18         | 133,907,338.00    | 6,685,056,034.97          |
| Mindanao Coal-Fired Thermal Power Plant (STEAG) 2 | PHP      | -                 | -                         | 254,751,340.00    | 254,751,340.00            | -                     | 254,751,340.00    | 254,751,340.00            |
| <b>TOTAL</b>                                      |          |                   | <b>(1,659,413,374.63)</b> |                   | <b>202,480,999,718.16</b> | <b>446,003,855.82</b> |                   | <b>202,927,003,573.98</b> |

rior years.

Forex rate Dec 2016 Dec 2017  
USD 49.813 49.923

Prepared by:

  
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Reviewed by:

  
Mahlou H. Gappe  
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Approved by:

  
Yolanda L. Almaraz  
Manager, Controllershship Dept.

Power Sector Assets and Liabilities Management Corporation  
 Universal Charge Stranded Debt True-Up Adjustment  
 Total Gross Debt Service  
 For the Period 01 January to 31 December 2017


| PARTICULARS   | SD              |                          | GROSS DEBT SERVICE       |                        |                      |                          |
|---|-----------------|--------------------------|--------------------------|------------------------|----------------------|--------------------------|
|   | PERCENTAGE<br>% | PRINCIPAL<br>in PhP      | INTEREST<br>in PhP       | GURANTEE FEE<br>in PhP | OTHERS<br>in PhP     | TOTAL<br>in PhP          |
| i) NPC's outstanding financial obligations as of the effectivity of EPIRA           |                 |                          |                          |                        |                      |                          |
| <b>A. FOREIGN LOANS - REGULAR</b>   |                 |                          |                          |                        |                      |                          |
| SALOMON SMITH BARNEY \$300M YB  | 100.0000%       | -                        | 1,882,386,987.00         | -                      | 80,554.17            | 1,882,467,541.17         |
| INTL. DEV. ASSOCIATION 296- BATAAN THERMAL  | 100.0000%       | 15,237,383.53            | 599,713.50               | -                      | -                    | 15,837,097.03            |
| Subtotal  |                 |                          |                          |                        |                      | 1,898,304,638.20         |
| <b>B. BOT LEASE OBLIGATIONS</b>   |                 |                          |                          |                        |                      |                          |
|   |                 |                          |                          |                        |                      | 9,057,499,298.66         |
| <b>TOTAL NPC's outstanding financial obligations as of the effectivity of EPIRA</b> |                 | <b>15,237,383.53</b>     | <b>1,882,986,700.50</b>  | <b>-</b>               | <b>80,554.17</b>     | <b>10,955,803,936.86</b> |
| ii) New Loans contracted by NPC after the effectivity of EPIRA                      |                 |                          |                          |                        |                      |                          |
| OVERSEAS PRIVATE INVESTMENT CORP  | 62.1736%        | 749,413,934.57           | 65,420,126.08            | -                      | 1,439,998.86         | 816,274,059.51           |
| <b>TOTAL New Loans contracted by NPC after the effectivity of EPIRA</b>             |                 | <b>749,413,934.57</b>    | <b>65,420,126.08</b>     | <b>-</b>               | <b>1,439,998.86</b>  | <b>816,274,059.51</b>    |
| iii) New Loans contracted by PSALM in behalf of NPC                                 |                 |                          |                          |                        |                      |                          |
| PSALM [NOMURA INTL TRANCHE A]   | 13.0810%        | -                        | 55,666,565.44            | 5,386,615.90           | 65,251.95            | 61,118,433.29            |
| PSALM [NOMURA INTL TRANCHE B]   | 13.0810%        | -                        | 92,320,749.57            | 8,052,718.75           | -                    | 100,373,468.32           |
| HSBC/DEUTSCHE/MORGAN \$1B   | 79.6679%        | -                        | 3,337,976,448.75         | -                      | 5,016,386.52         | 3,342,992,835.27         |
| DBP/MS/UBS NEW CASH OFFER   | 90.5020%        | -                        | 2,239,094,828.88         | -                      | -                    | 2,239,094,828.88         |
| DBP/MS/UBS BOND EXCHANGE-2019   | 79.4443%        | -                        | 66,850,072.39            | -                      | -                    | 66,850,072.39            |
| DBP/MS/UBS BOND EXCHANGE-2024   | 74.3228%        | -                        | 1,913,901,640.92         | -                      | -                    | 1,913,901,640.92         |
| 7.750% Fixed Rate Retail Bonds due 2017   | 66.3286%        | 12,388,855,908.00        | 480,068,166.44           | -                      | -                    | 12,868,924,074.44        |
| LBP 75Bn Syndicated Term Loan   | 74.5384%        | 5,171,101,500.00         | 1,665,720,026.81         | -                      | -                    | 6,836,821,526.81         |
| ROP Relending Facility  | 78.8920%        | 276,122,000.00           | 1,177,923,503.41         | -                      | -                    | 1,454,045,503.41         |
| ROP Relent - \$500M Onshore Dollar Bond   | 64.9145%        | 974,759,377.73           | 295,146,440.65           | -                      | 15,935.35            | 1,269,921,753.72         |
| Landbank Short Term Loan - PHP 7Bn  | 67.1536%        | -                        | 76,078,286.58            | -                      | 23,117,396.82        | 99,195,683.40            |
| Landbank Short Term Loan - PHP 8Bn  | 87.7736%        | -                        | 91,723,411.99            | -                      | 34,628,488.76        | 126,351,900.75           |
| <b>TOTAL New Loans contracted by PSALM in behalf of NPC</b>                         |                 | <b>18,810,838,785.73</b> | <b>11,492,470,141.82</b> | <b>13,439,334.64</b>   | <b>62,843,459.40</b> | <b>30,379,591,721.59</b> |
| <b>GRAND TOTAL</b>  |                 | <b>19,575,490,103.83</b> | <b>13,440,876,968.40</b> | <b>13,439,334.64</b>   | <b>64,364,012.43</b> | <b>42,151,669,717.96</b> |
| <b>LESS: Loans used in Refinancing-Principal</b>                                    |                 |                          |                          |                        |                      |                          |
| LBP 75Bn Syndicated Term Loan   | 74.5384%        | 5,171,101,500.00         | -                        | -                      | -                    | 5,171,101,500.00         |
| ROP Relending Facility  | 78.8920%        | 276,122,000.00           | -                        | -                      | -                    | 276,122,000.00           |
| ROP Relent - \$500M Onshore Dollar Bond   | 64.9145%        | 974,759,377.73           | -                        | -                      | -                    | 974,759,377.73           |
| Landbank Short Term Loan - PHP 7Bn  | 67.1536%        | -                        | -                        | -                      | -                    | -                        |
| Landbank Short Term Loan - PHP 8Bn  | 87.7736%        | -                        | -                        | -                      | -                    | -                        |
| <b>TOTAL Loans Used in Refinancing</b>  |                 | <b>6,421,982,877.73</b>  | <b>-</b>                 | <b>-</b>               | <b>-</b>             | <b>6,421,982,877.73</b>  |
| <b>Actual GDS Net of Loans used for Refinancing</b>                                 |                 | <b>13,153,507,226.10</b> | <b>13,440,876,968.40</b> | <b>13,439,334.64</b>   | <b>64,364,012.43</b> | <b>35,729,686,840.23</b> |

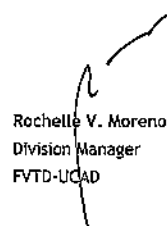
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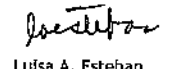
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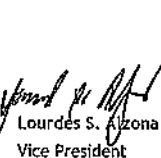
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 Rochelle V. Moreno  
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 FVTD-UCAD

  
 Luisa A. Esteban  
 Department Manager  
 UCAD

  
 Lourdes S. Arizona  
 Vice President  
 Finance Group



| Ineligible Plants                                 | Beginning         |                          | Payment                 |                       | Realized Loss           |                 | Actual Cash Payment |
|---|-------------------|--------------------------|-------------------------|-----------------------|-------------------------|-----------------|---------------------|
|   | a                 |                          | b                       |                       | (Gain)                  | Peso Equivalent |                     |
| Plant   | Original Currency | Peso Equivalent          | Original Currency       | Peso Equivalent       |                         |                 | Peso Equivalent     |
| Bakun Hydroelectric Power Plant                   | USD               | 188,336,557.80           | 9,381,608,953.69        | 9,161,370,14          | 456,355,330.78          | 8,392,978.25    | 464,748,309.03      |
| Ilijan Natural Gas Power Plant                    | USD               | 574,497,792.00           | 28,617,458,512.90       | 102,378,988.34        | 5,099,804,546.18        | 61,391,262.32   | 5,161,195,808.50    |
| San Roque Hydroelectric Power Plant               | USD               | 322,465,000.00           | 16,062,949,045.00       | 27,675,000.00         | 1,378,574,775.00        | 19,304,747.50   | 1,397,879,522.50    |
| Kalayaan II Hydroelectric Power Plant Unit 3      | USD               | 71,301,242.97            | 3,551,728,815.88        | 9,479,741.65          | 472,214,370.81          | 5,622,680.86    | 477,836,951.67      |
| Kalayaan II Hydroelectric Power Plant Unit 4      | USD               | 71,339,479.19            | 3,553,633,476.70        | 9,612,600.00          | 478,832,443.80          | 5,726,706.46    | 484,559,150.26      |
| Mindanao Coal-Fired Thermal Power Plant (STEAG) 1 | USD               | 144,142,294.00           | 7,180,160,091.02        | 10,234,920.00         | 509,832,069.96          | 6,621,993.24    | 516,454,063.20      |
| Mindanao Coal-Fired Thermal Power Plant (STEAG) 2 | USD               | 274,222,780.00           | 14,142,294.00           | 19,471,440.00         | 19,471,440.00           | -               | 19,471,440.00       |
| Mindanao Coal-Fired Thermal Power Plant (STEAG) 1 | PHP               | 274,222,780.00           | 7,180,160,091.02        | 10,234,920.00         | 509,832,069.96          | 6,050,543.54    | 515,882,613.50      |
| Mindanao Coal-Fired Thermal Power Plant (STEAG) 2 | PHP               | 274,222,780.00           | 274,222,780.00          | 19,471,440.00         | 19,471,440.00           | -               | 19,471,440.00       |
| <b>TOTAL</b>                                      |                   | <b>76,076,144,546.21</b> | <b>8,944,388,486.50</b> | <b>113,110,812.16</b> | <b>9,057,499,298.66</b> |                 |                     |

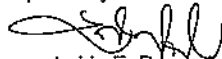
Adjustments are on account of over/under) charging to lease payables due to difference in the set-up as per IFP contract and actual billing based on actual plant utilization. Actual payment of Php 9,057,499,298.66 for January to December 2017 is derived as follows: Payment in Peso Equivalent + Realized Loss (Gain).

Power Sector Assets and Liabilities Management Corporation  
Lease Obligations  
As of December 31, 2017

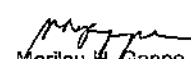
| Plant   | Currency | Adjustment<br>c   |                         | Adjusted Balance<br>d = (a-b+c) |                          | Revaluation<br>e      | Ending<br>f = (d+e) |                          |
|---|----------|-------------------|-------------------------|---------------------------------|--------------------------|-----------------------|---------------------|--------------------------|
|   |          | Original Currency | Peso Equivalent         | Original Currency               | Peso Equivalent          | Peso Equivalent       | Original Currency   | Peso Equivalent          |
| Bakun Hydroelectric Power Plant                   | USD      | (11,789,546.79)   | (587,272,694.25)        | 167,385,640.87                  | 8,337,980,928.66         | 18,412,420.49         | 167,385,640.87      | 8,356,393,349.15         |
| Ilijan Natural Gas Power Plant                    | USD      | (2,075,155.66)    | (103,369,728.89)        | 470,043,648.00                  | 23,414,284,237.82        | 51,704,801.32         | 470,043,648.00      | 23,465,989,039.14        |
| San Roque Hydroelectric Power Plant               | USD      | (102,500.00)      | (5,105,832.50)          | 294,687,500.00                  | 14,679,268,437.50        | 32,415,625.00         | 294,687,500.00      | 14,711,684,062.50        |
| Kalayaan II Hydroelectric Power Plant Unit 3      | USD      | 4,542,251.84      | 226,263,190.91          | 66,363,753.16                   | 3,305,777,635.97         | 7,299,994.47          | 66,363,753.16       | 3,313,077,630.44         |
| Kalayaan II Hydroelectric Power Plant Unit 4      | USD      | 4,637,375.57      | 231,001,589.27          | 66,364,254.76                   | 3,305,802,622.17         | 7,300,086.38          | 66,364,254.76       | 3,313,102,708.55         |
| Mindanao Coal-Fired Thermal Power Plant (STEAG) 1 | USD      | (36.00)           | (1,793.27)              | 133,907,338.00                  | 6,670,326,227.79         | 14,729,807.18         | 133,907,338.00      | 6,685,056,034.97         |
| Mindanao Coal-Fired Thermal Power Plant (STEAG) 1 | PHP      | -                 | -                       | 254,751,340.00                  | 254,751,340.00           | -                     | 254,751,340.00      | 254,751,340.00           |
| Mindanao Coal-Fired Thermal Power Plant (STEAG) 2 | USD      | (36.00)           | (1,793.27)              | 133,907,338.00                  | 6,670,326,227.79         | 14,729,807.18         | 133,907,338.00      | 6,685,056,034.97         |
| Mindanao Coal-Fired Thermal Power Plant (STEAG) 2 | PHP      | -                 | -                       | 254,751,340.00                  | 254,751,340.00           | -                     | 254,751,340.00      | 254,751,340.00           |
| <b>TOTAL</b>                                      |          |                   | <b>(238,487,062.00)</b> |                                 | <b>66,893,268,997.71</b> | <b>146,592,542.02</b> |                     | <b>67,039,861,539.73</b> |

Forex rate Dec 2016 Dec 2017  
USD 49.813 49.923


Prepared by:

  
Loida E. Pangod  
Finance Specialist

Reviewed by:

  
Marilou H. Gappe  
Manager, FMAD

Approved by:

  
Yolanda D. Alifara  
Manager, Contollership Dept.

Power Sector Assets and Liabilities Management Corporation  
 Universal Charge - Stranded Debt (SD) True-up Adjustment  
 Actual Privatization Proceeds for SD Recovery  
 For the Period 01 January to 31 December 2017  
 In PhP

| Sale of Generation Assets   | Proceeds              | VAT                  | EWT      | Amount Received       |
|---|-----------------------|----------------------|----------|-----------------------|
| Sucat Thermal Power Plant - Structures, Plant Equipment, Auxiliaries and Accessories  | 272,500,000.00        | 32,700,000.00        |          | 305,200,000.00        |
| Unserviceable Assets, Junk and Scrap Materials  |                       |                      |          |                       |
| Kalayaan Pump Storage Power Plant, Kalayaan Stockyard and Malaya Thermal Power Plant. | 8,124,999.99          | 975,000.00           |          | 9,099,999.99          |
| Mexico Central Warehouse  | 5,682,231.25          | 681,867.75           |          | 6,364,099.00          |
| <b>Sub-Total</b>  | <b>286,307,231.24</b> | <b>34,356,867.75</b> | <b>-</b> | <b>320,664,098.99</b> |

| IPPA Administrator Monthly Payment  | Proceeds                 | VAT                 | EWT                 | Amount Received          |
|---|--------------------------|---------------------|---------------------|--------------------------|
| <b>Ineligible</b>   |                          |                     |                     |                          |
| Vivant Sta. Clara Northern Generation Luzon Hydro Strategic Power Devt. Corp. | 10,970,618.57            | 1,316,474.81        | (219,411.48)        | 12,067,681.90            |
| South Premiere Power Corporation San Roque Ilijan                             | 3,945,296,024.49         |                     |                     | 3,945,296,024.49         |
|   | 8,704,139,762.81         |                     |                     | 8,704,139,762.81         |
| <b>Sub-Total</b>  | <b>12,660,406,405.87</b> | <b>1,316,474.81</b> | <b>(219,411.48)</b> | <b>12,661,503,469.20</b> |
| <b>Less: VAT Expense</b>  |                          |                     |                     |                          |
| Strategic Power Devt. Corp. San Roque   | 473,435,522.96           |                     |                     |                          |
| South Premiere Power Corporation Ilijan                                       | 1,044,496,771.55         |                     |                     |                          |
| <b>Net</b>  | <b>11,142,474,111.36</b> | <b>1,316,474.81</b> | <b>(219,411.48)</b> | <b>12,661,503,469.20</b> |

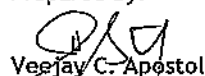
| TransCo Concession Fee              | Proceeds                | VAT      | EWT      | Amount Received         |
|-------------------------------------|-------------------------|----------|----------|-------------------------|
| <b>Interest</b>                     |                         |          |          |                         |
| 17 January 2017 (16 <sup>th</sup> ) | 1,775,991,061.04        |          |          | 1,775,991,061.04        |
| 21 July 2017 (17 <sup>th</sup> )    | 1,775,991,061.04        |          |          | 1,775,991,061.04        |
| <b>Sub-Total</b>                    | <b>3,551,982,122.08</b> | <b>-</b> | <b>-</b> | <b>3,551,982,122.08</b> |

| Other Priva-related  | Proceeds              | VAT                 | EWT                 | Amount Received       |
|--|-----------------------|---------------------|---------------------|-----------------------|
| Roto Coal  | 171,409,392.73        |                     |                     | 171,409,392.73        |
| Forfeiture of Performance Bond   |                       |                     |                     |                       |
| FDC Misamis Power Corporation  | 400,000,000.00        | -                   |                     | 400,000,000.00        |
| Optioned Assets under the Land Lease Agreement                               |                       |                     |                     |                       |
| Panay and Bohol Diesel Power Plants  | 15,525,912.14         | 1,863,109.46        |                     | 17,389,021.60         |
| Calaca Batangas Coal-Fired Thermal Power Plant(CFTPP)                        | 9,355,705.55          | 1,208,798.57        |                     | 10,564,504.12         |
| Masinloc Power Partners Co. Ltd.   | 2,812,578.72          | -                   |                     | 2,812,578.72          |
| Waste Materials  |                       |                     |                     |                       |
| Industrial Diesel/Bio-Diesel Oil and Sludge - Ilijan Natural Gas Power Plant | 24,790,178.57         | 2,974,821.43        | (247,901.78)        | 27,517,098.22         |
| Used Rubber Tires  | 13,571.43             | 1,628.57            |                     | 15,200.00             |
| Used Storage Batteries   | 23,392.86             | 2,807.14            |                     | 26,200.00             |
| <b>Sub-Total</b>   | <b>623,930,732.00</b> | <b>6,051,165.17</b> | <b>(247,901.78)</b> | <b>629,733,995.39</b> |

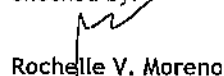
|                                     |                          |                      |                     |                          |
|-------------------------------------|--------------------------|----------------------|---------------------|--------------------------|
| <b>Total Privatization Proceeds</b> | <b>15,604,694,196.68</b> | <b>41,724,507.73</b> | <b>(467,313.26)</b> | <b>17,163,883,685.66</b> |
|-------------------------------------|--------------------------|----------------------|---------------------|--------------------------|

Source: 2017 Actual Privatization Proceeds Report, PSALM Controllership Department  
 VAT and EWT on Privatization Proceeds, PSALM BPMD

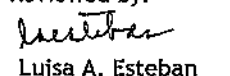
Prepared by:

  
 Veejay C. Apostol  
 Finance Specialist  
 FVTD-UCAD

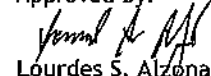
Checked by:

  
 Rochelle V. Moreno  
 Division Manager  
 FVTD-UCAD

Reviewed by:

  
 Luisa A. Esteban  
 Department Manager  
 UCAD

Approved by:

  
 Lourdes S. Alzona  
 Vice President  
 Finance Group

**Power Sector Assets and Liabilities Management Corporation**  
**Actual Privatization Proceeds**  
**For the period ended 31 December 2017**  
**In Php**

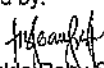
| IPPA Administrator Monthly Payment                | Amount Received          |
|---|--------------------------|
| <b>Ineligible</b>                                 |                          |
| Vivant Sta. Clara Northern Generation Luzon Hydro | 12,067,681.90            |
| Strategic Power Devt. Corp. San Roque             | 3,945,296,024.49         |
| South Premiere Power Corporation Ilijan           | 8,704,139,762.81         |
| <b>Eligible</b>                                   |                          |
| Therma Luzon, Inc. Pagbilao                       | 7,881,270,105.18         |
| San Miguel Energy Corporation Sual                | 8,628,766,686.71         |
| <b>Total</b>                                      | <b>29,171,540,261.09</b> |

| TransCo Concession Fee              | Amount Received         |
|-------------------------------------|-------------------------|
| <b>Interest</b>                     |                         |
| 15 January 2017 (16 <sup>th</sup> ) | 1,775,991,061.04        |
| 15 July 2017 (17 <sup>th</sup> )    | 1,775,991,061.04        |
| <b>Total</b>                        | <b>3,551,982,122.08</b> |

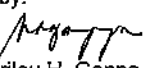
| Proceeds from sale of generation assets  | Amount Received       |
|--|-----------------------|
| Sucac Thermal Power Plant - Structures, Plant Equipment, Auxiliaries and Accessories | 305,200,000.00        |
| Unserviceable Assets, Junk and Scrap Materials                                       |                       |
| Kalayaan Pump Storage Power Plant, Kalayaan Stockyard and Malaya Thermal P           | 9,099,999.99          |
| Mexico Central Warehouse   | 6,364,099.00          |
| <b>Total</b>   | <b>320,664,098.99</b> |

| Other Priva-related  | Amount Received       |
|--|-----------------------|
| Roto Coal  | 171,409,392.73        |
| Forfeiture of Performance Bond   |                       |
| FDC-Utilities, Inc.  | 151,200,200.00        |
| FDC Misamis Power Corporation  | 400,000,000.00        |
| Optioned Assets under the Land Lease Agreement                               |                       |
| Panay and Bohol Diesel Power Plants  | 17,389,021.60         |
| Calaca Batangas Coal-Fired Thermal Power Plant(CFTPP)                        | 10,564,504.12         |
| Masinioc Power Partners Co. Ltd.   | 2,812,578.72          |
| Waste Materials  |                       |
| Industrial Diesel/Bio-Diesel Oil and Sludge - Ilijan Natural Gas Power Plant | 27,517,098.22         |
| Used Rubber Tires  | 15,200.00             |
| Used Storage Batteries   | 26,200.00             |
| <b>Total</b>   | <b>780,934,195.39</b> |

Prepared by:

  
 Twinkle Reby S. Bautista  
 Sr. Finance Analyst

Reviewed by:

  
 Marilou H. Gappe  
 Manager, FMAIS

Approved by:

  
 Yolanda D. Alifara  
 Manager, Controllership Dept.

Power Sector Assets and Liabilities Management Corporation  
 VAT and EWT on Privatization Proceeds  
 For the period ended 31 December 2017  
 In Php

| IPPA Administrator Monthly Payment  | VAT                     | EWT                 |
|---|-------------------------|---------------------|
| <b>Ineligible</b>   |                         |                     |
| Vivant Sta. Clara Northern Generation Luzon Hydro                                     | 1,316,474.81            | (219,411.48)        |
| Strategic Power Devt. Corp. San Roque   | 473,435,522.96 1/       | -                   |
| South Premiere Power Corporation Ilijan   | 1,044,496,771.55 1/     | -                   |
| <b>Total</b>  | <b>1,519,248,769.32</b> | <b>(219,411.48)</b> |
| <b>TransCo Concession Fee</b>   | <b>VAT</b>              | <b>EWT</b>          |
| <b>Interest</b>   |                         |                     |
| 15 January 2017 (16 <sup>th</sup> )   | -                       | -                   |
| 15 July 2017 (17 <sup>th</sup> )  | -                       | -                   |
| <b>Total</b>  | <b>-</b>                | <b>-</b>            |
| <b>Proceeds from sale of generation assets</b>  | <b>VAT</b>              | <b>EWT</b>          |
| Sucat Thermal Power Plant - Structures, Plant Equipment, Auxiliaries and Accessories  | 32,700,000.00           | -                   |
| Unserviceable Assets, Junk and Scrap Materials  |                         | -                   |
| Kalayaan Pump Storage Power Plant, Kalayaan Stockyard and Malaya Thermal Power Plant. | 975,000.00              | -                   |
| Mexico Central Warehouse  | 681,867.75              | -                   |
| <b>Total</b>  | <b>34,356,867.75</b>    | <b>-</b>            |
| <b>Other Priva-related</b>  | <b>VAT</b>              | <b>EWT</b>          |
| Roto Coal   | -                       | -                   |
| Forfeiture of Performance Bond  |                         |                     |
| FDC Misamis Power Corporation   | -                       | -                   |
| Optioned Assets under the Land Lease Agreement  |                         |                     |
| Panay and Bohol Diesel Power Plants   | 1,863,109.46            | -                   |
| Calaca Batangas Coal-Fired Thermal Power Plant(CFTPP)                                 | 1,208,798.57            | -                   |
| Masinloc Power Partners Co. Ltd.  | -                       | -                   |
| Waste Materials   |                         |                     |
| Industrial Diesel/Bio-Diesel Oil and Sludge - Ilijan Natural Gas Power Plant          | 2,974,821.43            | (247,901.78)        |
| Used Rubber Tires   | 1,628.57                | -                   |
| Used Storage Batteries  | 2,807.14                | -                   |
| <b>Total</b>  | <b>6,051,165.17</b>     | <b>(247,901.78)</b> |

1/ VAT shouldered by PSALM pursuant to the IPP Administrator Agreement

Prepared by:

Tracy Pamela T. Ramos  
 Finance Specialist

Reviewed by:

Rolando Celso S. Magpayo  
 Sr. Finance Specialist

Approved by:

Ramoncito D. Patiso  
 Manager, BTMD


Noted by:

Jocelyn D. Carabuena  
 Acting Manager, BPMD

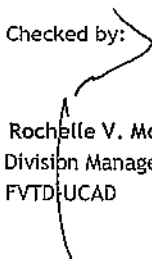
Power Sector Assets and Liabilities Management Corporation  
 Universal Charge - Stranded Debt True-up Adjustment  
 Proceeds from Operations  
 For the Period 01 January to 31 December 2017

|  |                          |
|--|--------------------------|
| <b>REVENUES</b>                                    | <b>51,107,178,234.64</b> |
| <b>A. NET UTILITY REVENUE</b>                      | <b>23,314,155,484.63</b> |
| TSC  | 13,092,160,656.66        |
| TSC  | 13,070,209,422.52        |
| Penalties  | 21,951,234.14            |
| Ancillary  | 2,559,752,011.83         |
| WESM   | 7,662,242,816.14         |
| WESM   | 7,628,188,702.16         |
| Net settlement surplus                             | 34,054,113.98            |
| <b>B. GENERATION PAYMENT BILLING</b>               | <b>27,486,884,145.68</b> |
| Ilijan   | 22,473,537,953.44        |
| San Roque  | 899,357,056.00           |
| Bakun  | 192,210,608.00           |
| Mt. Apo 1 & 2                                      | 3,921,778,528.24         |
| <b>C. NET, OTHER INCOME/(EXPENSE)</b>              | <b>306,138,604.33</b>    |
| <b>OPERATING COSTS</b>                             | <b>42,786,820,621.31</b> |
| <b>A. FUEL</b>                                     | <b>22,950,831,223.45</b> |
| Bunker/diesel                                      | 1,491,290,473.90         |
| Natural gas  | 20,521,126,266.81        |
| Ilijan Diesel                                      | 938,414,482.74           |
| <b>B. PURCHASED POWER COSTS (PPC)</b>              | <b>14,609,430,662.49</b> |
| Fixed Cost of Owned and Remaining IPP Plants       |                          |
| Fixed O&M-other power supply                       | 5,969,351,619.07         |
| OMSC   | 245,223,071.03           |
| Variable Cost Owned and Remaining IPP Plants       |                          |
| Other power supply                                 | 3,252,700,467.06         |
| OMSC   | 20,082,331.40            |
| Fixed Cost of Plants under IPPAA                   |                          |
| Bakun  | 305,243,165.58           |
| San Roque  | 553,668,178.52           |
| Ilijan   | 1,319,549,015.20         |
| Mt. Apo 1 & 2                                      | -                        |
| Variable Cost of Plants under IPPAA                |                          |
| Bakun  | -                        |
| San Roque  | 114,827,249.64           |
| Ilijan   | 190,878,548.02           |
| Mt. Apo 1 & 2                                      | 2,637,907,016.97         |
| <b>C. ENERGY PURCHASED FROM PEMC (to meet TSC)</b> | <b>39,556,021.12</b>     |
| <b>D. PUMPING COSTS</b>                            | <b>3,205,769,144.62</b>  |
| <b>E. OTHER OPEX</b>                               | <b>1,981,233,569.63</b>  |
| Station Use  | 64,311,278.89            |
| Other OPEX of Gencos and IPPs                      | 1,404,851,622.29         |
| Other OPEX of Plants Under IPPAA                   | 512,070,668.46           |
| Bakun  | 4,525,445.63             |
| San Roque  | 307,548,466.26           |
| Ilijan   | 192,507,031.87           |
| Mt. Apo 1 & 2                                      | 7,489,724.70             |
| <b>NET PROCEEDS FROM OPERATION</b>                 | <b>8,320,357,613.33</b>  |

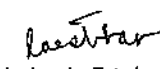
Prepared by:

  
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 FVTD-UCAD

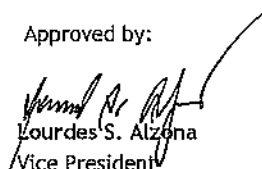
Checked by:

  
 Rochelle V. Moreno  
 Division Manager  
 FVTD-UCAD

Reviewed by:

  
 Luisa A. Esteban  
 Department Manager  
 UCAD

Approved by:

  
 Lourdes S. Alzona  
 Vice President  
 Finance Group

PSALM Corporation  
Operating Results, Cash Flow  
For the period ended 31 December 2017

|  | <u>Ineligible</u>               | <u>Eligible</u>                | <u>Total</u>                    |
|--|---------------------------------|--------------------------------|---------------------------------|
| Rated capacity, kW                     | 2,904,520.00                    | 570,300.00                     | 3,474,820.00                    |
| Plant factor, %                        | 27.77                           | 42.33                          | 29.99                           |
| <b>Energy generation, kWh</b>          | <b><u>6,805,784,081.05</u></b>  | <b><u>1,862,879,514.31</u></b> | <b><u>8,668,663,595.37</u></b>  |
| <b>Energy withdrawn from WESM, kWh</b> | <b><u>1,277,316,297.40</u></b>  | <b><u>12,937,361.59</u></b>    | <b><u>1,290,253,658.99</u></b>  |
| Pumped energy                          | 1,244,152,952.00                | -                              | 1,244,152,952.00                |
| Station use                            | 19,396,763.10                   | 387,713.09                     | 19,784,476.19                   |
| To meet TSC                            | 13,766,582.30                   | 12,549,648.50                  | 26,316,230.80                   |
| <b>Energy sales, kWh</b>               | <b><u>6,533,968,830.71</u></b>  | <b><u>1,875,998,660.16</u></b> | <b><u>8,409,967,490.87</u></b>  |
| TSC                                    | 4,575,491,149.41                | 40,963,581.45                  | 4,616,454,730.86                |
| WESM                                   | 1,958,477,681.30                | 1,835,035,078.71               | 3,793,512,760.01                |
| Ave. selling rate P/kWh                | 3.4663                          | 2.8423                         | 3.3271                          |
| <b>Net utility revenue</b>             | <b><u>22,648,568,140.19</u></b> | <b><u>5,332,184,698.48</u></b> | <b><u>27,980,752,838.67</u></b> |
| TSC                                    | 14,986,325,324.05               | 117,345,952.93                 | 15,103,671,276.98               |
| TSC                                    | 13,070,209,422.52               | 115,224,424.22                 | 13,185,433,846.74               |
| Ancillary                              | 2,559,752,011.83                | -                              | 2,559,752,011.83                |
| Penalties                              | 21,951,234.14                   | 2,878,432.25                   | 24,829,666.39                   |
| Power act reduction (PAR)              | (437,678,181.44)                | -                              | (437,678,181.44)                |
| Prompt payment discount (PPD)          | (227,909,163.00)                | (756,903.54)                   | (228,666,066.54)                |
| WESM                                   | 7,662,242,816.14                | 5,214,838,745.54               | 12,877,081,561.69               |
| WESM                                   | 7,628,188,702.16                | 4,984,201,613.29               | 12,612,390,315.45               |
| Net settlement surplus                 | 34,054,113.98                   | 230,637,132.26                 | 264,691,246.24                  |
| <b>DAA GRAM</b>                        |                                 |                                | 388,179,277.06                  |
| <b>TAFPPCA</b>                         |                                 |                                | (39,126,434.37)                 |
| <b>Less: Operating expenses</b>        | <b><u>18,832,483,505.28</u></b> | <b><u>7,577,188,523.39</u></b> | <b><u>26,409,672,028.67</u></b> |
| <b>Variable costs</b>                  | <b><u>8,073,709,716.98</u></b>  | <b><u>608,006,689.94</u></b>   | <b><u>8,681,716,406.92</u></b>  |
| Fuel oil                               |                                 |                                |                                 |
| Bunker                                 | 1,468,987,852.39                | -                              | 1,468,987,852.39                |
| Diesel                                 | 22,302,621.51                   | -                              | 22,302,621.51                   |
| Other power supply                     | 3,252,700,467.06                | 569,720,636.73                 | 3,822,421,103.79                |
| OMSC                                   | 20,082,331.40                   | -                              | 20,082,331.40                   |
| Energy purchased from PEMC             |                                 |                                |                                 |
| Pumping cost                           | 3,205,769,144.62                | -                              | 3,205,769,144.62                |
| Station use                            | 64,311,278.89                   | 815,628.85                     | 65,126,907.73                   |
| To meet TSC                            | 39,556,021.12                   | 37,470,424.36                  | 77,026,445.48                   |

PSALM Corporation  
 Operating Results, Cash Flow  
 For the period ended 31 December 2017

|                                       | <u>Ineligible</u>        | <u>Eligible</u>           | <u>Total</u>             |
|---------------------------------------|--------------------------|---------------------------|--------------------------|
| <b>Fixed costs</b>                    | <b>10,758,773,788.29</b> | <b>6,969,181,833.46</b>   | <b>17,727,955,621.75</b> |
| Depreciation                          | 1,105,671,817.28         | -                         | 1,105,671,817.28         |
| Opex - plant/HO allocated             | 1,404,851,622.29         | 50,825,396.83             | 1,455,677,019.12         |
| Plant                                 | 960,009,909.75           | 50,825,396.83             | 1,010,835,306.59         |
| HO allocated                          | 444,841,712.53           | -                         | 444,841,712.53           |
| Fixed O&M - other power supply        | 5,969,351,619.07         | 6,916,356,436.62          | 12,887,708,055.69        |
| OMSC                                  | 245,223,071.03           | -                         | 245,223,071.03           |
| Payment of capacity fees              | 2,033,675,658.63         | -                         | 2,033,675,658.63         |
| <b>Net operating income (loss)</b>    | <b>3,816,084,634.92</b>  | <b>(2,245,003,824.91)</b> | <b>1,920,133,652.69</b>  |
| <b>Net, other income</b>              | <b>306,138,604.33</b>    | <b>16,047,994.77</b>      | <b>322,186,599.10</b>    |
| <b>Power generation income (loss)</b> | <b>4,122,223,239.25</b>  | <b>(2,228,955,830.15)</b> | <b>2,242,320,251.79</b>  |

Note: To come-up with Cash flow using ROO, the following were considered:

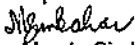
Use of actual capacity fee vs. amortization of EPS under capital lease of -

|                                       | <i>Actual</i>           | <i>Amortz'n</i>         |                         |
|---------------------------------------|-------------------------|-------------------------|-------------------------|
| Kalayaan                              | 962,396,101.93          | 869,394,087.12          |                         |
| Mindanao Coal                         | <u>1,071,279,556.70</u> | <u>1,089,712,767.36</u> |                         |
|                                       | 2,033,675,658.63        | 1,959,106,854.48        | <u>74,568,804.15</u>    |
| <b>Power generation income (loss)</b> |                         |                         | <b>2,316,889,055.94</b> |

**In terms of P/kWh sold**

|                                    |               |                 |               |
|------------------------------------|---------------|-----------------|---------------|
| <b>Net utility revenue</b>         | <b>3.4663</b> | <b>2.8423</b>   | <b>3.3271</b> |
| <b>Operating expense</b>           |               |                 |               |
| Variable                           | 1.2357        | 0.3241          | 1.0323        |
| Fixed                              | 1.6466        | 3.7149          | 2.1080        |
| <b>Total operating expense</b>     | <b>2.8822</b> | <b>4.0390</b>   | <b>3.1403</b> |
| <b>Net operating income (loss)</b> | <b>0.5840</b> | <b>(1.1967)</b> | <b>0.1868</b> |

Prepared by:

  
 Claudine Mae L. Simbahan  
 Finance Specialist

Reviewed by:

  
 Marilou H. Gappe  
 Manager, FMAD

Approved by:

  
 Yolanda D. Alfajara  
 Manager, Controllership Dept.




POWER SECTOR ASSETS AND LIABILITIES MANAGEMENT CORPORATION  
SUMMARY OF IPPA BILLINGS - GENERATION PAYMENTS  
For the Period 26 December 2016 to 25 December 2017

| Bill Number   | Billing Period        | Due Date  | BILLINGS (PHP)           |
|---|-----------------------|-----------|--------------------------|
| <b>SOUTH PREMIERE POWER CORPORATION</b>                             |                       |           |                          |
| IPP-2017-02-0640  | 12/26/2016-01/25/2017 | 9-Mar-17  | 1,079,612,213.94         |
| IPP-2017-03-0661  | 01/26/2017-02/25/2017 | 31-Mar-17 | 1,714,243,794.77         |
| IPP-2017-04-0684  | 02/26/2017-03/25/2017 | 4-May-17  | 2,057,717,355.66         |
| IPP-2017-05-0706  | 03/26/2017-04/25/2017 | 1-Jun-17  | 1,994,741,585.30         |
| IPP-2017-06-0725  | 04/26/2017-05/25/2017 | 3-Jul-17  | 2,053,474,364.90         |
| IPP-2017-07-0743  | 05/26/2017-06/25/2017 | 4-Aug-17  | 2,049,576,052.50         |
| IPP-2017-08-0756  | 06/26/2017-07/25/2017 | 4-Sep-17  | 1,933,773,305.28         |
| IPP-2017-09-0773  | 07/26/2017-08/25/2017 | 6-Oct-17  | 2,014,126,819.45         |
| IPP-2017-10-0793  | 08/26/2017-09/25/2017 | 30-Oct-17 | 2,175,655,663.49         |
| IPP-2017-11-0816  | 09/26/2017-10/25/2017 | 4-Dec-17  | 1,997,328,644.50         |
| IPP-2017-12-0832  | 10/26/2017-11/25/2017 | 3-Jan-18  | 1,948,307,945.01         |
| IPP-2018-01-0843  | 11/26/2017-12/25/2017 | 2-Feb-18  | 1,454,980,208.64         |
| <b>SUBTOTAL (SPPC)</b>  |                       |           | <b>22,473,537,953.44</b> |
| <b>STRATEGIC POWER DEVELOPMENT CORPORATION</b>                      |                       |           |                          |
| IPP-2017-02-0636  | 12/26/2016-01/25/2017 | 13-Mar-17 | 77,986,558.00            |
| IPP-2017-03-0659  | 01/26/2017-02/25/2017 | 10-Apr-17 | 88,375,586.00            |
| IPP-2017-04-0685  | 02/26/2017-03/25/2017 | 15-May-17 | 79,325,935.00            |
| IPP-2017-05-0697  | 03/26/2017-04/25/2017 | 8-Jun-17  | 93,651,298.00            |
| IPP-2017-06-0716  | 04/26/2017-05/25/2017 | 5-Jul-17  | 97,221,137.00            |
| IPP-2017-07-0742  | 05/26/2017-06/25/2017 | 14-Aug-17 | 35,078,576.00            |
| IPP-2017-08-0754  | 06/26/2017-07/25/2017 | 11-Sep-17 | 38,902,513.00            |
| IPP-2017-09-0774  | 07/26/2017-08/25/2017 | 16-Oct-17 | 93,868,086.00            |
| IPP-2017-10-0790  | 08/26/2017-09/25/2017 | 8-Nov-17  | 97,555,575.00            |
| IPP-2017-11-0814  | 09/26/2017-10/25/2017 | 12-Dec-17 | 64,372,971.00            |
| IPP-2017-12-0830  | 10/26/2017-11/25/2017 | 11-Jan-18 | 62,539,191.00            |
| IPP-2018-01-0844  | 11/26/2017-12/25/2017 | 12-Feb-18 | 70,479,630.00            |
| <b>SUBTOTAL (SPDC)</b>  |                       |           | <b>899,357,056.00</b>    |
| <b>VIVANT STA. CLARA NORTHERN RENEWABLES GENERATION CORPORATION</b> |                       |           |                          |
| IPP-2017-02-0637  | 12/26/2016-01/25/2017 | 13-Mar-17 | 2,972,064.00             |
| IPP-2017-03-0660  | 01/26/2017-02/25/2017 | 10-Apr-17 | 3,603,856.00             |
| IPP-2017-04-0687  | 02/26/2017-03/25/2017 | 15-May-17 | 2,051,024.00             |
| IPP-2017-05-0698  | 03/26/2017-04/25/2017 | 8-Jun-17  | 2,821,408.00             |
| IPP-2017-06-0717  | 04/26/2017-05/25/2017 | 5-Jul-17  | 12,847,552.00            |
| IPP-2017-07-0744  | 05/26/2017-06/25/2017 | 15-Aug-17 | 29,814,648.00            |
| IPP-2017-08-0755  | 06/26/2017-07/25/2017 | 11-Sep-17 | 29,171,440.00            |
| IPP-2017-09-0775  | 07/26/2017-08/25/2017 | 16-Oct-17 | 37,906,848.00            |
| IPP-2017-10-0791  | 08/26/2017-09/25/2017 | 8-Nov-17  | 32,908,136.00            |
| IPP-2017-11-0815  | 09/26/2017-10/25/2017 | 12-Dec-17 | 21,312,920.00            |
| IPP-2017-12-0831  | 10/26/2017-11/25/2017 | 11-Jan-18 | 10,890,704.00            |
| IPP-2018-01-0845  | 11/26/2017-12/25/2017 | 12-Feb-18 | 5,910,008.00             |
| <b>SUBTOTAL (NORTHERN RENEWABLES)</b>                               |                       |           | <b>192,210,608.00</b>    |
| <b>FDC MISAMIS POWER CORPORATION</b>                                |                       |           |                          |
| IPP-2017-02-0635  | 12/26/2016-01/25/2017 | 9-Mar-17  | 232,975,834.89           |
| IPP-2017-03-0658  | 01/26/2017-02/25/2017 | 10-Apr-17 | 136,541,240.30           |
| DM#PSALM-17-04-0391   | 12/26/2016-01/25/2017 | 8-May-17  | 210,077.40               |
| IPP-2017-04-0686  | 02/26/2017-03/25/2017 | 15-May-17 | 150,074,950.68           |

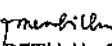
POWER SECTOR ASSETS AND LIABILITIES MANAGEMENT CORPORATION  
SUMMARY OF IPPA BILLINGS - GENERATION PAYMENTS  
For the Period 26 December 2016 to 25 December 2017

| Bill Number            | Billing Period        | Due Date  | BILLINGS (PHP)    |
|------------------------|-----------------------|-----------|-------------------|
| IPP-2017-05-0696       | 03/26/2017-04/25/2017 | 7-Jun-17  | 233,585,243.57    |
| IPP-2017-06-0715       | 04/26/2017-05/25/2017 | 5-Jul-17  | 228,039,527.40    |
| DM#PSALM-17-06-0563    | 02/26/2017-03/25/2017 | 5-Jul-17  | 268,230.48        |
| IPP-2017-07-0734       | 05/26/2017-06/25/2017 | 7-Aug-17  | 205,964,769.02    |
| IPP-2017-01-0610       | January 2017          | 26-Jan-17 | 128,000,888.88    |
| IPP-2017-02-0630       | February 2017         | 26-Feb-17 | 128,000,888.88    |
| IPP-2017-03-0650       | March 2017            | 26-Mar-17 | 128,000,888.88    |
| IPP-2017-04-0671       | April 2017            | 26-Apr-17 | 128,000,888.88    |
| IPP-2017-05-0690       | May 2017              | 26-May-17 | 128,000,888.88    |
| IPP-2017-06-0709       | June 2017             | 26-Jun-17 | 128,000,888.88    |
| IPP-2017-08-0753       | 06/26/2017-07/25/2017 | 11-Sep-17 | 242,701,817.66    |
| IPP-2017-09-0772       | 07/26/2017-08/25/2017 | 17-Oct-17 | 246,621,485.35    |
| IPP-2017-10-0792       | 08/26/2017-09/25/2017 | 9-Nov-17  | 225,000,569.72    |
| IPP-2017-07-0728       | Jul-17                | 26-Jul-17 | 128,000,888.88    |
| IPP-2017-08-0747       | Aug-17                | 26-Aug-17 | 128,000,888.88    |
| IPP-2017-09-0766       | Sep-17                | 26-Sep-17 | 128,000,888.88    |
| DM#PSALM-17-11-1468    | 07/26/2017-08/25/2017 | 12-Dec-17 | 217,479.26        |
| IPP-2017-11-0809       | 09/26/2017-10/25/2017 | 11-Dec-17 | 232,572,902.46    |
| IPP-2017-12-0825       | 10/26/2017-11/25/2017 | 10-Jan-18 | 237,979,684.65    |
| IPP-2018-01-0842       | 11/26/2017-12/21/2017 | 11-Feb-18 | 181,366,181.10    |
| IPP-2017-10-0784       | October 2017          | 26-Oct-17 | 128,000,888.88    |
| IPP-2017-11-0803       | November 2017         | 26-Nov-17 | 128,000,888.88    |
| IPP-2017-12-0819       | December 2017         | 26-Dec-17 | 128,000,888.88    |
| DM#PSALM-17-12-1551    | 08/26/2017-09/25/2017 | 2-Jan-18  | 397,879.00        |
| DM#PSALM-18-02-0259    | 10/26/2017-11/25/2017 | 14-Mar-18 | 211,162.10        |
| SUBTOTAL (FDC MISAMIS) |                       |           | 4,090,739,701.60  |
| TOTAL                  |                       |           | 27,655,845,319.04 |

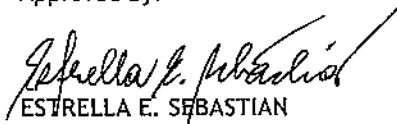
Prepared by:

  
JOFREY T. PAURA  
Sr. Finance Analyst

Reviewed by:

  
ELIZABETH M. COBILLA  
Officer-in-Charge, LAD


Approved by:

  
ESTRELLA E. SEBASTIAN  
Officer-in-Charge, Treasury Department

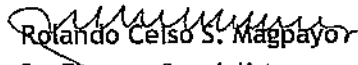
POWER SECTOR ASSETS AND LIABILITIES MANAGEMENT CORPORATION  
 VAT on Mt. Apo Monthly Payments  
 For the Period 26 DECEMBER 2016 TO 25 NOVEMBER 2017

| PERIOD         | VAT                   |
|----------------|-----------------------|
| January 2017   | 15,360,106.67         |
| February 2017  | 15,360,106.67         |
| March 2017     | 15,360,106.67         |
| April 2017     | 15,360,106.67         |
| May 2017       | 15,360,106.67         |
| June 2017      | 15,360,106.67         |
| July 2017      | 15,360,106.67         |
| August 2017    | 15,360,106.67         |
| September 2017 | 15,360,106.67         |
| October 2017   | 15,360,106.67         |
| November 2017  | 15,360,106.67         |
| <b>TOTAL</b>   | <b>168,961,173.37</b> |

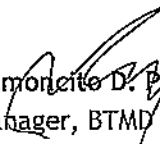
Prepared by:

  
 Tracy Pamela T. Ramos  
 Finance Specialist


Reviewed by:

  
 Rotando Celso S. Magpayor  
 Sr. Finance Specialist

Approved by:

  
 Ramoncito D. Paise  
 Manager, BTMD

Noted by:

  
 Joselyn D. Carabuena  
 Acting Manager, BPMD

**Power Sector Assets and Liabilities Management Corporation**  
**Fixed Cost of Ineligible Plants under IPPAA**  
**For the period ended 31 December 2017**

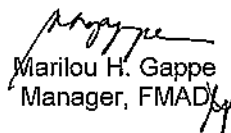
| Plant        | Independent Power Producer  | Amount in PHP                       |                          |                      |                       |                       | Total                   |
|--------------|-----------------------------|-------------------------------------|--------------------------|----------------------|-----------------------|-----------------------|-------------------------|
|              |                             | Fixed Operating and Maintenance Fee | Other OPEX               |                      |                       |                       |                         |
|              |                             |                                     | Share in National Wealth | ER 1-94              | RPT                   | Others <sup>1/</sup>  |                         |
| Bakun        | Luzon Hydro Corporation     | 305,243,165.58                      | 2,122,813.03             | 2,402,632.60         | -                     | -                     | 309,768,611.21          |
| San Roque    | San Roque Power Corporation | 553,668,178.52                      | 10,376,175.29            | -                    | 32,276,505.73         | 264,895,785.24        | 861,216,644.78          |
| Ilijan       | KEPCO Ilijan Corporation    | 1,319,549,015.20                    | -                        | 81,448,843.00        | 97,432,882.93         | 13,625,305.94         | 1,512,056,047.07        |
| Mt. Apo      | Energy Dev't Corporation    | -                                   | -                        | 7,489,724.70         | -                     | -                     | 7,489,724.70            |
| <b>Total</b> |                             | <b>2,178,460,359.30</b>             | <b>12,498,988.32</b>     | <b>91,341,200.30</b> | <b>129,709,388.66</b> | <b>278,521,091.18</b> | <b>2,690,531,027.76</b> |

*1/ Other related expenses such as insurance, maintenance, technical services and administrative services.*

Prepared by:

  
 Geezelle V. Santander  
 Sr. Finance Analyst

Reviewed by:

  
 Marilou H. Gappe  
 Manager, FMAD

Approved by:

  
 Yolanda D. Alfara  
 Manager, Controllershship Dept.

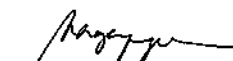
**Power Sector Assets and Liabilities Management Corporation**  
**Variable Cost of Ineligible Plants under IPPAA**  
**For the period ended 31 December 2017**

| Plant     | Independent Power Producer  | Amount in PHP           |                          |                       | Total                    |
|-----------|-----------------------------|-------------------------|--------------------------|-----------------------|--------------------------|
|           |                             | Energy Fee              | Fuel                     |                       |                          |
|           |                             |                         | Natural Gas              | Diesel                |                          |
| Bakun     | Luzon Hydro Corporation     | -                       |                          |                       | -                        |
| San Roque | San Roque Power Corporation | 114,827,249.64          |                          |                       | 114,827,249.64           |
| Ilijan    | KEPCO Ilijan Corporation    | 190,878,548.02          | 20,521,126,266.81        | 938,414,482.74        | 21,650,419,297.57        |
| Mt. Apo   | Energy Dev't Corporation    | 2,637,907,016.97        |                          |                       | 2,637,907,016.97         |
|           | <b>Total</b>                | <b>2,943,612,814.63</b> | <b>20,521,126,266.81</b> | <b>938,414,482.74</b> | <b>24,403,153,564.18</b> |

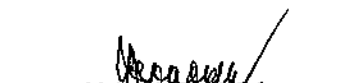
Prepared by:

  
 Geezelle J. Santander  
 Sr. Finance Analyst

Reviewed by:

  
 Marilou H. Gappe  
 Manager, FMAD

Approved by:

  
 Yolanda J. Alfara  
 Manager, Contollership Dept.



Republic of the Philippines  
**COMMISSION ON AUDIT**  
Commonwealth Avenue, Quezon City, Philippines

## INDEPENDENT AUDITOR'S REPORT

**ATTY. IRENE JOY BESIDO-GARCIA**

President & Chief Executive Officer

Power Sector Assets and Liabilities Management Corporation

Diliman, Quezon City

JUL 20 2018

CAK

9:39

### *Unqualified Opinion*

We have audited the accompanying Variance Analysis Report (VAR) of Power Sector Assets and Liabilities Management Corporation (PSALM) on the True-Up Adjustment of the National Power Corporation's (NPC) Stranded Debt (SD) Portion of the Universal Charge (UC) for CY 2017 and the related Notes to the VAR.

In our opinion, the accompanying VAR of the PSALM Corporation for the True-up Adjustment of the NPC UC-SD for CY 2017 present fairly, in all material respects, the variance or under-recovery for CY 2017 in accordance with Energy Regulatory Commission (ERC) Resolution No. 02, Series of 2011, re: "Amended Rules for the Recovery of NPC Stranded Contract Costs and Stranded Debts Portion of the Universal Charge" and ERC Decision dated January 28, 2013 on ERC Case No. 2011-092 RC.

### *Basis for Unqualified Opinion*

We conducted our audit in accordance with the International Standards of Supreme Audit Institutions (ISSAIs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Variance Analysis Report section. We are independent of the PSALM Corporation in accordance with the ethical requirements that are relevant to our audit of the VAR, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### *Emphasis of Matter*

We draw attention on Note 5 to the VAR which discloses that interest income from privatization proceeds in the amount of PhP35.42 million for CY 2017 is excluded from the UC-SD True-Up Adjustment calculations.

### *Management's Responsibility for the Variance Analysis Report*

Management is responsible for the preparation, calculation and fair presentation of the VAR, in accordance with the ERC Resolution No. 02, Series of 2011, Re: "Amended Rules for the Recovery of the NPC Stranded Contract Cost and Stranded Debts Portion of the Universal Charge", ERC Decision dated January 28, 2013 on ERC Case No. 2011-092 RC, and for

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such internal control as Management determines is necessary to enable the preparation of the VAR that is free from material misstatement whether due to fraud or error.

***Auditor's Responsibility for the Audit of Variance Analysis Report (VAR)***

Our objective is to obtain reasonable assurance about whether the VAR on the True-Up Adjustment of the NPC UC-SD for CY 2017 as a whole is free from material misstatement, whether due to fraud or error, and to issue our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the VAR on the NPC UC-SD.

As part of an audit in accordance with ISSAIs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the VAR, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the PSALM Corporation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the PSALM Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the PSALM Corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the VAR, including the disclosures, and whether the VAR represent the underlying transactions and events in a manner that achieves fair presentation.



We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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A handwritten signature in black ink, appearing to read 'P. S. G.', is written over a horizontal line.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

  
**EYREN MARANAN YULDE**  
Supervising Auditor  
July 19, 2018 

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POWER SECTOR  
ASSETS & LIABILITIES  
MANAGEMENT CORPORATION



Management  
System  
ISO 9001:2015  
  
www.tuv.com  
ID 9105076959



# Variance Analysis Report (VAR) on the True-up Adjustment of National Power Corporation Stranded Debts Portion of the Universal Charge for CY 2017

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A handwritten signature in black ink, appearing to be 'R/S' or similar, written over a horizontal line.

**POWER SECTOR ASSETS AND LIABILITIES MANAGEMENT CORPORATION**  
**VARIANCE ANALYSIS REPORT**  
 To Support the UC-SD True-up Adjustment  
 For the Period January to December 2017  
 (In Philippine Peso)

|   | Notes     | Amount              | Total                    |
|---|-----------|---------------------|--------------------------|
| <b>STRANDED DEBTS</b>   |           |                     |                          |
| NPC's outstanding financial obligations as of the effectivity of EPIRA                    |           |                     |                          |
| Principal   |           | 15,237,383.53       |                          |
| Interest  |           | 1,882,986,700.50    |                          |
| Guarantee fee   |           | 0.00                |                          |
| Other charges   |           | 80,554.17           |                          |
| Lease obligations   |           | 9,057,499,298.66    | 10,955,803,936.86        |
| New loans contracted by NPC after the effectivity of EPIRA                                |           |                     |                          |
| Principal   |           | 749,413,934.57      |                          |
| Interest  |           | 65,420,126.08       |                          |
| Guarantee fee   |           | 0.00                |                          |
| Other charges   |           | 1,439,998.86        | 816,274,059.51           |
| New loans contracted by PSALM in behalf of NPC  |           |                     |                          |
| Principal   |           | 18,810,838,785.73   |                          |
| Interest  |           | 11,492,470,141.82   |                          |
| Guarantee fee   |           | 13,439,334.64       |                          |
| Other charges   |           | 62,843,459.40       | 30,379,591,721.59        |
| <b>Total Gross Debt Service</b>   | <b>4a</b> |                     | <b>42,151,669,717.96</b> |
| <b>LESS: Principal Repayment Portion of New Loans for Refinancing</b>                     | <b>4b</b> |                     | <b>6,421,982,877.73</b>  |
| <b>Gross Debt Service Net of Principal Repayment Portion of New Loans for Refinancing</b> |           |                     | <b>35,729,686,840.23</b> |
| <b>LESS: Total Privatization Proceeds</b>   | <b>5</b>  |                     |                          |
| Sale of assets or equity  |           | 286,307,231.24      |                          |
| Privatization of ineligible IPP contracts   |           | 11,142,474,111.36   |                          |
| Interest on TransCo's Concession Fee  |           | 3,551,982,122.08    |                          |
| Other priva related transactions  |           | 623,930,732.00      | 15,604,694,196.68        |
| <b>LESS: Net Proceeds from Operations</b>   | <b>6</b>  |                     |                          |
| Revenues  |           | 51,107,178,234.64   |                          |
| Operating Costs   |           | (42,786,820,621.31) | 8,320,357,613.33         |
| <b>STRANDED DEBTS</b>   | <b>7</b>  |                     | <b>11,804,635,030.22</b> |
| <b>COST VARIANCE</b>  | <b>8</b>  |                     | <b>11,804,635,030.22</b> |
| <b>QUANTITY VARIANCE</b>  | <b>9</b>  |                     |                          |
| <b>TRUE-UP ADJUSTMENT/UNDER-RECOVERY</b>  | <b>10</b> |                     | <b>11,804,635,030.22</b> |

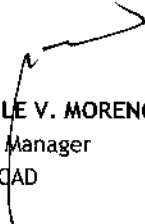
Prepared by:

Checked by:

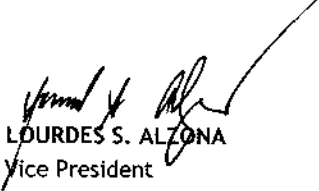
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**POWER SECTOR ASSETS AND LIABILITIES MANAGEMENT CORPORATION**  
**NOTES TO VARIANCE ANALYSIS REPORT**  
(In Philippine Peso)

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**1. GENERAL INFORMATION**

On 7 February 2011, the Energy Regulatory Commission (ERC) issued Resolution No. 02, Series of 2011, "A Resolution Adopting the Amended Rules for the Recovery of NPC Stranded Contract Costs and Stranded Debts Portion of the Universal Charge" ("Guidelines"). Article VIII of the said Guidelines provides, among others, that true-up adjustment shall be done on an annual basis to be initiated by PSALM through submission to the ERC of a detailed Variance Analysis Report (VAR) certified by an Independent Third Party auditor. The VAR shall be the basis by which the ERC will approve inclusion of any under recovery in the current year's level of National Power Corporation (NPC) Stranded Debts (SD) availment of the Universal Charge (UC) or mandate a reimbursement due to over recovery by way of a reduction in the current year's level of NPC SD appropriate share of the UC.

On 28 January 2013, the ERC rendered its decision on PSALM's Petition for the recovery of SD as of 31 December 2010 under ERC Case No. 2011-092 RC (ERC Decision), by 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 SD, for the years 2011 and beyond.

For the years 2011-2016, PSALM filed/submitted before the ERC annual True-up Adjustments of NPC SD Portion of the UC, duly supported by certification issued by COA on the VAR, details are as follows:

| Year      | ERC Case No. | Date Filed        | Amount Filed (Php B) | Date of COA Certification |
|-----------|--------------|-------------------|----------------------|---------------------------|
| 2011-2012 | 2013-195 RC  | 30 September 2013 | 41.14                | 27 September 2013         |
| 2013      | N/A          | 30 July 2014      | (49.59)              | 25 July 2014              |
| 2014      | 2015-144 RC  | 30 July 2015      | 1.35                 | 24 July 2015              |
| 2015      | 2016-150 RC  | 30 June 2016      | 27.67                | 28 June 2016              |
| 2016      | 2017-069 RC  | 31 July 2017      | 34.64                | 24 July 2017              |

In a Decision dated 27 June 2017, the ERC approved with modification PSALM's petition for the CYs 2011-2012 UC-SD True-Up Adjustments in the amount of PhP24.20 Billion with a rate equivalent to PhP0.0265/kWh to be recovered from the consumers from August 2017 billing period until the amount of SD True-up for CY 2011 and CY 2012 has been fully recovered.

On 07 August 2017, PSALM filed a Motion for Reconsideration (MR) on the ERC Decision dated 27 June 2017 to reconsider the disallowed fuel and purchased power costs in the amount of PhP15.80 Billion and to include the Automatic Cost Recovery Mechanism (ACRM) True-up Adjustments for CYs 2011-2012 applicable for ineligible

plants (for SD recovery) in the amount of PhP5.60 Billion. The ACRM True-up Adjustment is an annual verification by the ERC intended to allow PSALM to recover/refund increases/reductions in cost of producing electricity from/to its customers. To date, the ERC has yet to decide on PSALM's MR.

In a letter dated 02 February 2018, PSALM requested for an extension of the deadline to file, among others, the petition for true-up adjustment of the NPC's SD portion of the UC for CY 2017, from 15 March 2018 to 31 July 2018, on the ground that the 15 March original deadline is no longer feasible considering that the CY 2017 certified financial statements of PSALM which will serve as basis in calculating the SD is still subject for approval of the Board. Further, data contained in its financial statement needs to be analyzed and processed to identify and properly classify the components that are eligible for recovery under the SD.

The ERC, in its letter dated 13 March 2018, approved PSALM's request to extend the deadline for filing the UC-SD True-up Adjustment petition for CY 2017 until 31 July 2018.

## 2. BASIS OF PREPARATION

### The Guidelines

Under the Guidelines, SD true-up adjustment shall be conducted annually to be initiated by PSALM through submission to the ERC of a detailed VAR certified by an Independent Third Party auditor. The VAR shall be the basis by which the ERC will approve inclusion of any under recovery in the current year's level of NPC SD availment of the UC or mandate a reimbursement due to over recovery by way of a reduction in the current year's level of NPC SD appropriate share of the UC.

### UC-SD as Approved by the ERC

The ERC, in its decision dated 28 January 2013, disapproved the petition of PSALM for the recovery of NPC SD portion of the UC as of December 2010 when it set the recoverable SD to zero (0), based on the following calculations:

$$\begin{aligned}
 \text{UCSDR} &= \left[ \frac{\text{PhP } 539,915.37 - \text{PhP } 473,836.21 - 0}{1,230,000 \text{ gWh}} \right] - \left[ \frac{\text{PhP } 8,114.01}{60,703 \text{ gWh}} \right] \\
 &= \left[ \frac{\text{PhP } 66,079.16}{1,230,000 \text{ gWh}} \right] - \left[ \frac{\text{PhP } 8,114.01}{60,703 \text{ gWh}} \right] \\
 &= \left[ \text{PhP } 0.0537/\text{kWh} \right] - \left[ \text{PhP } 0.1337/\text{kWh} \right] \\
 &= -\text{PhP } 0.0800/\text{kWh}
 \end{aligned}$$

Since the above computation resulted to a negative UC-SD rate per kWh (-PhP0.0800/kWh), the ERC set the recoverable SD to zero (0), given that the allowable SD for CY 2011 can be fully covered and paid from the proceeds of NPC's

operation. This is however, without prejudice to the filing of annual true-up adjustments for the recovery of succeeding SD.

#### Statement of Compliance

The VAR has been prepared in accordance with Section 3, Article VIII of the Guidelines, which prescribes that it shall contain at the minimum, the following:

- a. Quantity Variance (QV), which refers to the difference between the billing determinant used pursuant to the ERC 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 covering Gross Debt Service (GDS), Privatization Proceeds (PP), and Cash Flow from NPC Operations (PO); and
- c. The over/under recovery for stranded debts shall be equivalent to the sum of Cost and Quantity Variance translated into absolute peso amount (Quantity Variance multiplied by the PhP/kWh stranded debt approved by the ERC).

#### Basis of Measurement

The VAR is prepared on a historical cost basis.

#### Functional and Presentation Currency

The VAR is presented in Philippine Peso, which is the Corporation's functional currency.

### **3. FINANCIAL OBLIGATIONS SERVICED IN CY 2017**

PSALM's total financial obligations serviced/paid in CY 2017 consist of: i) regular debt maturities of NPC, NPC-Small Power Utilities Group (NPC-SPUG), PSALM, and the National Transmission Corporation (TransCo) due during the said period and ii) Build-Operate-Transfer (BOT) lease obligations pertaining to eligible (for Stranded Contract Costs (SCC) calculation purposes) and ineligible Independent Power Producer (IPP) contracts (relevant in calculating SD) due during the period.

Servicing of debt maturities involves the repayment of the principal portion of the loan, payment of the corresponding interest, guarantee fee and other charges, all of which include loss/(gain) on foreign exchange, if settled using foreign denominated currency. Other charges include monitoring fee, documentary stamps, rating fee, analytical services and bank charges.

Regular debt maturities serviced in CY 2017 include the current portion of loans availed in CYs 2011, 2012 and 2016 (principal portion, corresponding interest, guarantee fee and other charges) which were contracted to pay off or refinance debt maturities (Loans for Refinancing) in said years.

BOT lease obligations serviced in CY 2017 consist of payment of capacity fees of eligible IPP contracts for Sual and Pagbilao Coal plants and non-eligible IPP contracts for San Roque Multi-Purpose Hydro, Luzon Hydro (Bakun), Ilijan Natural Gas, Kalayaan 3 and 4 Hydro, and Mindanao Coal/STEAG plants.

For CY 2017, total debts and BOT lease obligations serviced are summarized in the table below:

| Particulars   | Amount (in PhP)          |
|---|--------------------------|
| i) NPC's outstanding financial obligations as of effectivity of EPIRA | 29,070,435,161.23        |
| - Debts   | 1,898,304,638.20         |
| - Lease Obligation of all IPPs  | 27,172,130,523.03        |
| ii) New loans contracted by NPC after the effectivity of EPIRA        | 1,312,894,957.85         |
| iii) Loans incurred by PSALM in behalf of NPC                         | 43,229,100,140.47        |
| <b>Total Financial Obligations Serviced</b>                           | <b>73,612,430,259.55</b> |

The PhP73.61 Billion total financial obligations serviced in CY 2017 include debt service of the current portion of loans availed in CYs 2011, 2012 and 2016 (principal portion, corresponding interest, guarantee fee and other charges) to pay off or refinance debt maturities (Loans for Refinancing) in said years, namely, Land Bank of Philippines (LBP) PhP75Bn Syndicated Term Loan, Republic of the Philippines (ROP) Relending Facility, ROP Relent-\$500M Onshore Dollar Bond, Land Bank Short Term Loan - PhP7Bn, and Land Bank Short Term Loan - PhP8Bn.

The detailed Schedule of Financial Obligations Serviced in CY 2017 is shown below:

| CREDITORS  | TOTAL ACTUAL DEBT SERVICE |                    |                        |                  |                   |
|--|---------------------------|--------------------|------------------------|------------------|-------------------|
|  | PRINCIPAL<br>in PhP       | INTEREST<br>in PhP | GURANTEE FEE<br>in PhP | OTHERS<br>in PhP | TOTAL<br>in PhP   |
| i) NPC's outstanding financial obligations as of the effectivity of EPIRA          |                           |                    |                        |                  |                   |
| A. FOREIGN LOANS -   |                           |                    |                        |                  |                   |
| REGULAR  |                           |                    |                        |                  |                   |
| SALOMON SMITH BARNEY<br>\$300M YB  | -                         | 1,882,386,987.00   | -                      | 80,554.17        | 1,882,467,541.17  |
| INT'L. DEV. ASSOCIATION 296-<br>BATAAN THERMAL                                     | 15,237,383.53             | 599,713.50         | -                      | -                | 15,837,097.03     |
| Sub-total  |                           |                    |                        |                  | 1,898,304,638.20  |
| B. BOT LEASE OBLIGATIONS   |                           |                    |                        |                  |                   |
| TOTAL NPC's outstanding<br>financial obligations as of<br>the effectivity of EPIRA | 15,237,383.53             | 1,882,986,700.50   | -                      | 80,554.17        | 29,070,435,161.23 |
| ii) New Loans contracted by NPC after the effectivity of EPIRA                     |                           |                    |                        |                  |                   |
| OVERSEAS PRIVATE<br>INVESTMENT CORP  | 1,205,357,152.50          | 105,221,711.60     | -                      | 2,316,093.75     | 1,312,894,957.85  |
| TOTAL New Loans<br>contracted by NPC after the<br>effectivity of EPIRA             | 1,205,357,152.50          | 105,221,711.60     | -                      | 2,316,093.75     | 1,312,894,957.85  |
| iii) New Loans contracted by PSALM in behalf of NPC                                |                           |                    |                        |                  |                   |
| PSALM [NOMURA INT'L<br>TRANCHE A]  | -                         | 425,552,828.09     | 41,178,930.50          | 498,830.00       | 467,230,588.59    |
| PSALM [NOMURA INT'L<br>TRANCHE B]  | -                         | 705,762,170.86     | 61,560,421.57          | -                | 767,322,592.43    |
| HSBC/DEUTSCHE/MORGAN<br>\$1B   | -                         | 4,189,863,732.76   | -                      | 6,296,622.00     | 4,196,160,354.76  |

| CREDITORS   | TOTAL ACTUAL DEBT SERVICE |                          |                        |                      |                          |
|---|---------------------------|--------------------------|------------------------|----------------------|--------------------------|
|   | PRINCIPAL<br>in PhP       | INTEREST<br>in PhP       | GURANTEE FEE<br>in PhP | OTHERS<br>in PhP     | TOTAL<br>in PhP          |
| DBP/MS/UBS NEW CASH OFFER                                   | -                         | 2,474,083,256.59         | -                      | -                    | 2,474,083,256.59         |
| DBP/MS/UBS BOND EXCHANGE-2019                               | -                         | 84,147,097.26            | -                      | -                    | 84,147,097.26            |
| DBP/MS/UBS BOND EXCHANGE-2024                               | -                         | 2,575,120,475.71         | -                      | -                    | 2,575,120,475.71         |
| 7.750% Fixed Rate Retail Bonds due 2017                     | 18,678,000,000.00         | 723,772,500.00           | -                      | -                    | 19,401,772,500.00        |
| LBP 75Bn Syndicated Term Loan                               | 6,937,500,000.00          | 2,234,713,955.23         | -                      | -                    | 9,172,213,955.23         |
| ROP Relending Facility                                      | 350,000,000.00            | 1,493,083,586.94         | -                      | -                    | 1,843,083,586.94         |
| ROP Relent - \$500M Onshore Dollar Bond                     | 1,501,605,000.00          | 454,669,512.43           | -                      | 24,548.21            | 1,956,299,060.64         |
| Landbank Short Term Loan - PhP7Bn                           | -                         | 113,289,960.00           | -                      | 34,424,657.53        | 147,714,617.53           |
| Landbank Short Term Loan - PhP8Bn                           | -                         | 104,499,999.99           | -                      | 39,452,054.79        | 143,952,054.78           |
| <b>TOTAL New Loans contracted by PSALM in behalf of NPC</b> | <b>27,467,105,000.00</b>  | <b>15,578,559,075.87</b> | <b>102,739,352.07</b>  | <b>80,696,712.53</b> | <b>43,229,100,140.47</b> |
| <b>GRAND TOTAL</b>  | <b>28,687,699,536.03</b>  | <b>17,566,767,487.97</b> | <b>102,739,352.07</b>  | <b>83,093,360.45</b> | <b>73,612,430,259.55</b> |

#### 4. GROSS DEBT SERVICE (GDS)

##### Recoverable Financial Obligations

Pursuant to Section 2, Article V of the Guidelines, 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 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.

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.

Consistent with the ERC Decision, Capacity Fees/Lease Obligations of IPP contracts not eligible for recovery under SCC (Lease obligation of non-eligible IPPs) shall be included as part of GDS under NPC's outstanding financial obligations as of the effectivity of the EPIRA.

##### a. Total Allowable GDS

Out of the total financial obligations serviced by PSALM, 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 utilization of SD in the loan proceeds. The percentage share utilization 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 for recovery under SD (SD Percentage).

The allowable GDS also includes the capacity fees/lease obligations for ineligible IPP contracts namely San Roque, Luzon Hydro (Bakun), Ilijan, Kalayaan 3 and 4, and Mindanao Coal/STEAG. In other words, allowable GDS excludes capacity fees/lease obligations of IPP contracts for Sual and Pagbilao Coal plants which are eligible for recovery under the universal charge for SCC.

Out of the PhP73.61 Billion total financial obligations serviced in CY 2017, Allowable GDS amounts to PhP42.15 Billion, as shown below:

| Particulars   | Amount (in PhP)          |
|---|--------------------------|
| i) NPC's outstanding financial obligations as of effectivity of EPIRA | 10,955,803,936.86        |
| - Debts   | 1,898,304,638.20         |
| - Lease Obligation of non-eligible IPPs                               | 9,057,499,298.66         |
| ii) New loans contracted by NPC after effectivity of EPIRA            | 816,274,059.51           |
| iii) Loans incurred by PSALM in behalf of NPC                         | 30,379,591,721.59        |
| <b>Total Allowable GDS</b>  | <b>42,151,669,717.96</b> |

Details of the Total Allowable GDS are as follows:

| CREDITOR  | Debt Utilization<br>For SD<br>% | GROSS DEBT SERVICE, in PhP |                          |                      |                      |                          |
|---|---------------------------------|----------------------------|--------------------------|----------------------|----------------------|--------------------------|
|   |                                 | PRINCIPAL                  | INTEREST                 | GUARANTEE FEE        | OTHERS               | TOTAL                    |
| <b>i) NPC's outstanding financial obligations as of the effectivity of EPIRA</b>    |                                 |                            |                          |                      |                      |                          |
| <b>A. FOREIGN LOANS - REGULAR</b>   |                                 |                            |                          |                      |                      |                          |
| SALOMON SMITH BARNEY \$300M YB  | 100.0000%                       | -                          | 1,882,386,987.00         | -                    | 80,554.17            | 1,882,467,541.17         |
| INT'L. DEV. ASSOCIATION 296- BATAAN THERMAL   | 100.0000%                       | 15,237,383.53              | 599,713.50               | -                    | -                    | 15,837,097.03            |
| <b>Subtotal</b>   |                                 |                            |                          |                      |                      | 1,898,304,638.20         |
| <b>B. BOT LEASE OBLIGATION</b>  |                                 |                            |                          |                      |                      |                          |
| <b>TOTAL NPC's outstanding financial obligations as of the effectivity of EPIRA</b> |                                 | <b>15,237,383.53</b>       | <b>1,882,986,700.50</b>  | <b>-</b>             | <b>80,554.17</b>     | <b>10,955,803,936.86</b> |
| <b>ii) New Loans contracted by NPC after the effectivity of EPIRA</b>               |                                 |                            |                          |                      |                      |                          |
| OVERSEAS PRIVATE INVESTMENT CORP  | 62.1736%                        | 749,413,934.57             | 65,420,126.08            | -                    | 1,439,998.86         | 816,274,059.51           |
| <b>TOTAL NPC's outstanding financial obligations after the effectivity of EPIRA</b> |                                 | <b>749,413,934.57</b>      | <b>65,420,126.08</b>     | <b>-</b>             | <b>1,439,998.86</b>  | <b>816,274,059.51</b>    |
| <b>iii) Loans incurred by PSALM in behalf of NPC</b>                                |                                 |                            |                          |                      |                      |                          |
| PSALM [NOMURA INT'L TRANCHE A]  | 13.0810%                        | -                          | 55,666,565.44            | 5,386,615.90         | 65,251.95            | 61,118,433.29            |
| PSALM [NOMURA INT'L TRANCHE B]  | 13.0810%                        | -                          | 92,320,749.57            | 8,052,718.75         | -                    | 100,373,468.32           |
| HSBC/DEUTSCHE/MORGAN \$1B   | 79.6679%                        | -                          | 3,337,976,448.75         | -                    | 5,016,386.52         | 3,342,992,835.27         |
| DBP/MS/UBS NEW CASH OFFER   | 90.5020%                        | -                          | 2,239,094,828.88         | -                    | -                    | 2,239,094,828.88         |
| DBP/MS/UBS BOND EXCHANGE-2019   | 79.4443%                        | -                          | 66,850,072.39            | -                    | -                    | 66,850,072.39            |
| DBP/MS/UBS BOND EXCHANGE-2024   | 74.3228%                        | -                          | 1,913,901,640.92         | -                    | -                    | 1,913,901,640.92         |
| 7.750% Fixed Rate Retail Bonds due 2017   | 66.3286%                        | 12,388,855,908.00          | 480,068,166.44           | -                    | -                    | 12,868,924,074.44        |
| LBP 75Bn Syndicated Term Loan   | 74.5384%                        | 5,171,101,500.00           | 1,665,720,026.81         | -                    | -                    | 6,836,821,526.81         |
| ROP Relending Facility  | 78.8920%                        | 276,122,000.00             | 1,177,923,503.41         | -                    | -                    | 1,454,045,503.41         |
| ROP Relent - \$500M Onshore Dollar Bond   | 64.9145%                        | 974,759,377.73             | 295,146,440.65           | -                    | 15,935.35            | 1,269,921,753.72         |
| Landbank Short Term Loan - PhP7Bn   | 67.1536%                        | -                          | 76,078,286.58            | -                    | 23,117,396.82        | 99,195,683.40            |
| Landbank Short Term Loan - PhP8Bn   | 87.7736%                        | -                          | 91,723,411.99            | -                    | 34,628,488.76        | 126,351,900.75           |
| <b>TOTAL Loans incurred by PSALM in behalf of NPC</b>                               |                                 | <b>18,810,838,785.73</b>   | <b>11,492,470,141.82</b> | <b>13,439,334.64</b> | <b>62,843,459.40</b> | <b>30,379,591,721.59</b> |
| <b>GRAND TOTAL ALLOWABLE GDS</b>  |                                 | <b>19,575,490,103.83</b>   | <b>13,440,876,968.40</b> | <b>13,439,334.64</b> | <b>64,364,012.43</b> | <b>42,151,669,717.96</b> |



**b. Net Allowable GDS**

The total allowable GDS of PhP42.15 Billion was further reduced by PhP6.42 Billion, representing principal repayment portion of Loans for Refinancing serviced in CY 2017, to avoid double recovery. Effectively, the proceeds of said principal repayment portion of Loans for Refinancing were used to service the debt maturities included in the CYs 2011, 2012 and 2016 GDS.

Details of PhP6.42 Billion are shown below:

| <b>CREDITOR</b>  | <b>GROSS DEBT SERVICE PRINCIPAL (in PhP)</b> |
|--|--|
| <b>Principal Repayment Portion of Loans for Refinancing</b>              |  |
| LBP 75Bn Syndicated Term Loan  | 5,171,101,500.00                             |
| ROP Relending Facility   | 276,122,000.00                               |
| ROP Relent - \$500M Onshore Dollar Bond                                  | 974,759,377.73                               |
| <b>Total - 2017 Principal Repayment Portion of Loans for Refinancing</b> | <b>6,421,982,877.73</b>                      |

Hence, the allowable GDS net of debt service - principal repayment portion of loans for refinancing amounts to PhP35.73 Billion, as summarized below:

| <b>Particulars</b>   | <b>Amount (in PhP)</b>   |
|--|--------------------------|
| Allowable GDS  | 42,151,669,717.96        |
| LESS: Principal Repayment Portion of New Loans for Refinancing   | 6,421,982,877.73         |
| <b>Allowable GDS Net of Principal Repayment Portion of New Loans for Refinancing (Net Allowable GDS)</b> | <b>35,729,686,840.23</b> |

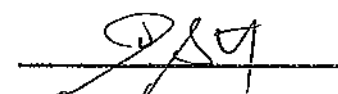
**5. PRIVATIZATION PROCEEDS (PP)**

Consistent with the EPIRA and the UC-SD formula, the following PP components shall be used to reduce the actual allowable GDS:

- 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.

Guided by the considerations on PP in the ERC Decision, the PP for CY 2017 is shown below:

| <b>PRIVATIZATION PROCEEDS</b>  | <b>Amount (in PhP)</b> |                |
|--|------------------------|----------------|
| <b>Sale of Generation Assets</b>   |                        |                |
| Sucut Thermal Power Plant - Structures, Plant Equipment Equipment, Auxiliaries and Accessories | 272,500,000.00         |                |
| <b>Unserviceable Assets, Junk and Scrap Materials:</b>   |                        |                |
| Kalayaan Pump Storage Power Plant, Kalayaan Stockyard and Malaya Thermal Power Plant.          | 8,124,999.99           |                |
| Mexico Central Warehouse   | 5,682,231.25           | 286,307,231.24 |
| <b>IPP Administrator Monthly Payment</b>   |                        |                |
| Vivant Sta. Clara Northern Generation Corp. (Luzon Hydro IPPA)                                 | 10,970,618.57          |                |
| Strategic Power Devt. Corp. (San Roque IPPA)   | 3,945,296,024.49       |                |
| South Premiere Power Corporation (Ilijan IPPA)   | 8,704,139,762.81       |                |



|  |                         |                          |
|--|-------------------------|--------------------------|
| VAT Expense (San Roque IPPA)   | (473,435,522.96)        |                          |
| VAT Expense (Ilijan IPPA)  | (1,044,496,771.55)      | 11,142,474,111.36        |
| <b>Interest on TransCo's Concession Agreement</b>                            |                         |                          |
| 17 January 2017 (16 <sup>th</sup> )  | 1,775,991,061.04        |                          |
| 21 July 2017 (17 <sup>th</sup> )   | <u>1,775,991,061.04</u> | 3,551,982,122.08         |
| <b>Other Priva-related Proceeds</b>  |                         |                          |
| Roto Coal  | 171,409,392.73          |                          |
| Forfeiture of Performance Bond - FDC Misamis Power Corp.                     | 400,000,000.00          |                          |
| Optioned Assets under the Land Lease Agreement:                              |                         |                          |
| Panay and Bohol Diesel Power Plants  | 15,525,912.14           |                          |
| Calaca Batangas Coal-Fired Thermal Power Plant(CFTPP)                        | 9,355,705.55            |                          |
| Masinloc Power Partners Co. Ltd.   | 2,812,578.72            |                          |
| Waste Materials:   |                         |                          |
| Industrial Diesel/Bio-Diesel Oil and Sludge - Ilijan Natural Gas Power Plant | 24,790,178.57           |                          |
| Used Rubber Tires  | 13,571.43               |                          |
| Used Storage Batteries   | 23,392.86               | 623,930,732.00           |
| <b>TOTAL PRIVATIZATION PROCEEDS</b>  |                         | <b>15,604,694,196.68</b> |

The proceeds from the sale of generation assets amounting to PhP0.29 Billion correspond to the sale of decommissioned Sucat Thermal Power Plant and unserviceable assets, junk and scrap materials.

The IPP administrator monthly payments amounting to PhP11.14 Billion, net of VAT shouldered by PSALM, represent the privatization proceeds from the three (3) IPP Administrators, namely, Vivant Sta. Clara Northern Renewable Generation Corp. (VSCNRGC), Strategic Power Development Corporation (SPDC), and South Premiere Power Corporation (SPPC), as a result of PSALM's privatization of IPP contracts covering Luzon Hydro, San Roque and Ilijan, respectively.

Proceeds from VSCNRGC represent interest on unpaid Monthly Payment covering Sept 2016 to March 2017 which was paid in 2017. VSCNRGC filed a petition for corporate rehabilitation with the Regional Trial Court (RTC) Branch 11, Cebu City on 16 May 2017. The RTC Branch 11 issued a Commencement/Stay Order declaring the entity under rehabilitation on 26 May 2017. Pending the court's resolution on PSALM's Opposition with prayer to lift Stay Order, Northern Renewables continues to administer the contracted capacities sans payment of Monthly Payment to PSALM.

The interest on TransCo's Concession Agreement amounting to PhP3.55 Billion represents the semi-annual interest payments made by the National Grid Corporation of the Philippines (NGCP) on the balance of the concession fee under the Concession Agreement.

The proceeds from the sale of other priva-related activities amounting to PhP0.62 Billion consist of the following: i) sale of Roto Coal, ii) forfeiture of performance bond from FDC Misamis Corporation in relation to the termination of IPP Administration Agreement of Mt. Apo 1 and 2 , iii) optioned assets under land lease agreement and iv) waste materials.

The privatization proceeds are net of the Value-Added Tax (VAT), consistent with Bureau of Internal Revenue (BIR) Revenue Memorandum Circular No. 11-2012 which states, among others, that:

“x x x Considering that the sale of electricity is now subject to VAT, the real properties sold by PSALM are regarded as real properties *used in the trade or business*. While it is clear under the Tax Code of 1997 that such sale is not subject to income tax, there is no provision under the same Code that exempts it from VAT nor subject it to VAT at zero rate. x x x”

“x x x Moreover, gross receipts of PSALM from the lease of NPC transferred assets and other assets are deemed in the ordinary course of trade or business, hence, subject to VAT under the Tax Code of 1997.”

And considering that the IPP Administrator Agreement between PSALM and the IPP Administrator provides that, “In the event that the Monthly Payments are determined with finality to be subject to value added tax, all applicable value added tax on such payments shall be for the account of PSALM...”, for purposes of SD calculations, the IPP Administrator Monthly Payment received by PSALM was reduced by the VAT shouldered by PSALM.

PSALM manages the proceeds from the privatization of non-eligible IPP Contracts by investing them in interest-bearing instrument. Interest income from privatization proceeds is excluded from the UC-SD True-up Adjustment calculations consistent with the treatment of privatization-related expenses which is excluded from the UC-SD True-up Adjustment calculations. Interest earnings amount to PhP35.42 Million and PhP716.60 Million, for 2017 and the period 2011 to 2017, respectively.

## 6. PROCEEDS FROM OPERATIONS (PO)

Consistent with the Guidelines and the ERC decision, the PO shall be used to reduce the actual allowable GDS. The actual PO includes the following:

- i) Collections from NPC Basic Generation Charges and rate adjustment such as the Automatic Recovery of Monthly Fuel and Purchased Power Costs and Foreign Exchange-Related Costs; and
- ii) Net Cash Flow from Operating and Investing Activities of NPC (excluding SPUG and PSALM).

As shown below, the Revenues were generated from the provision by the remaining generating assets and ineligible IPPs of energy and ancillary services to customers and the spot market and the generation payments billed to IPP Administrators covering ineligible IPP contracts that were privatized.

Generation payments from IPP Administrators covering ineligible IPP contracts that were privatized are considered in the PO “as billed” by PSALM. In view of the Commencement/Stay Order issued in favor of VSCNRGC for its Corporate Rehabilitation, generation payments billed to VSCNRGC for the Luzon Hydro IPPA covering 2017 billing period have remained unpaid. SPPC likewise has unpaid generation payment in relation to the Ilijan IPPA. The IPPA Agreement (IPPAA) with SPPC was terminated by PSALM on 04 September 2015 due to underpayments on its Generation Payments by virtue of its unilateral computation. SPPC filed a civil case

against PSALM before the Mandaluyong RTC and was granted a writ of preliminary injunction. SPPC continues to administer the contracted capacities in accordance with its unilateral computation of Generation Payments.

For the Mt. Apo 1 and 2 IPPA, both the Monthly Payments and generation payments billed to FDC Misamis Power Corporation were included in the PO even if it has outstanding accounts with PSALM. PSALM assumed administration of the contracted capacities of Mt. Apo 1 and 2 starting 22 December 2017. The IPPA of Mt. Apo 1 and 2 was terminated on 28 December 2017.

On the other hand, costs include fuel, purchased power costs (PPC), energy purchased from the Philippine Electricity Market Corporation (PEMC), pumping costs and other plant operating expenses (Other OPEX). Other OPEX includes NPC's Operation and Maintenance Agreement (OMA) costs, station use, share in national wealth, Energy Regulation (ER) 1-94, real property taxes, insurance and technical and administrative expenses.

Below are the details of the actual PO of the remaining generating assets and ineligible IPP contracts for CY 2017 that were considered in the SD true-up calculations:

| <b>PROCEEDS FROM OPERATIONS</b>                           | <b>Amount (in PhP)</b> | <b>Subtotal</b>   | <b>Total</b>             |
|---|------------------------|-------------------|--------------------------|
| <b>REVENUES</b>   |                        |                   |                          |
| <b>UTILITY REVENUE</b>                                    |                        |                   |                          |
| Transition Supply Contract                                |                        |                   |                          |
| Transition Supply Contract                                | 13,070,209,422.52      |                   |                          |
| Penalties   | 21,951,234.14          | 13,092,160,656.66 |                          |
| Ancillary   |                        | 2,559,752,011.83  |                          |
| Wholesale Electricity Spot Market                         |                        |                   |                          |
| Wholesale Electricity Spot Market                         | 7,628,188,702.16       |                   |                          |
| Net Settlement Surplus                                    | 34,054,113.98          | 7,662,242,816.14  | 23,314,155,484.63        |
| <b>GENERATION PAYMENT BILLINGS</b>                        |                        |                   |                          |
| Ilijan  |                        | 22,473,537,953.44 |                          |
| San Roque   |                        | 899,357,056.00    |                          |
| Luzon Hydro (Bakun)                                       |                        | 192,210,608.00    |                          |
| Mt. Apo 1 and 2   |                        | 3,921,778,528.24  | 27,486,884,145.68        |
| <b>NET, OTHER INCOME (EXPENSE)</b>                        |                        |                   | 306,138,604.33           |
| <b>TOTAL REVENUES</b>                                     |                        |                   | <b>51,107,178,234.64</b> |
| <b>OPERATING COSTS</b>                                    |                        |                   |                          |
| <b>FUEL</b>   |                        |                   |                          |
| Bunker/Diesel   |                        | 1,491,290,473.90  |                          |
| Natural Gas   |                        | 20,521,126,266.81 |                          |
| Ilijan Diesel   |                        | 938,414,482.74    | 22,950,831,223.45        |
| <b>PURCHASED POWER COSTS</b>                              |                        |                   |                          |
| PPC of Owned and Remaining IPPS                           |                        |                   |                          |
| Variable Other Power Supply                               | 3,252,700,467.06       |                   |                          |
| Variable Operating, Maintenance & Service Contract (OMSC) | 20,082,331.40          |                   |                          |
| Fixed Other Power Supply                                  | 5,969,351,619.07       |                   |                          |
| Fixed OMSC  | 245,223,071.03         | 9,487,357,488.56  |                          |
| Fixed Costs of Plants Under IPPA                          |                        |                   |                          |
| Luzon Hydro (Bakun)                                       | 305,243,165.58         |                   |                          |
| San Roque   | 553,668,178.52         |                   |                          |
| Ilijan  | 1,319,549,015.20       | 2,178,460,359.30  |                          |

| <b>PROCEEDS FROM OPERATIONS</b>          | <b>Amount (in PhP)</b> | <b>Subtotal</b>  | <b>Total</b>             |
|--|------------------------|------------------|--------------------------|
| Variable Costs of Plants Under IPPAA     |                        |                  |                          |
| Luzon Hydro (Bakun)                      | -                      |                  |                          |
| San Roque                                | 114,827,249.64         |                  |                          |
| Ilijan                                   | 190,878,548.02         |                  |                          |
| Mt. Apo 1 and 2                          | 2,637,907,016.97       | 2,943,612,814.63 | 14,609,430,662.49        |
| ENERGY PURCHASED FROM PEMC (TO MEET TSC) |                        |                  | 39,556,021.12            |
| PUMPING COSTS                            |                        |                  | 3,205,769,144.62         |
| OTHER OPEX                               |                        |                  |                          |
| Station Use                              |                        | 64,311,278.89    |                          |
| Other Opex of Gencos and IPPs            |                        | 1,404,851,622.29 |                          |
| Other Opex of Plants Under IPPA          |                        |                  |                          |
| Luzon Hydro (Bakun)                      | 4,525,445.63           |                  |                          |
| San Roque                                | 307,548,466.26         |                  |                          |
| Ilijan                                   | 192,507,031.87         |                  |                          |
| Mt. Apo 1 and 2                          | 7,489,724.70           | 512,070,668.46   | 1,981,233,569.63         |
| <b>TOTAL OPERATING COSTS</b>             |                        |                  | <b>42,786,820,621.31</b> |
| <b>NET PROCEEDS FROM OPERATIONS</b>      |                        |                  | <b>8,320,357,613.33</b>  |

## 7. NPC'S STRANDED DEBTS FOR CY 2017

Pursuant to the Guidelines, the NPC SD shall be equivalent to the Allowable GDS net of the calculated PP and PO. The calculated SD for CY 2017 is PhP11.80 Billion, as shown below:

| <b>PARTICULARS</b> | <b>AMOUNT (PhP)</b>      |
|--------------------|--------------------------|
| GDS                | 35,729,686,840.23        |
| Less: PP           | 15,604,694,196.68        |
| Less: PO           | 8,320,357,613.33         |
| <b>SD</b>          | <b>11,804,635,030.22</b> |

It should be noted that the calculated SD for CY 2017 in the amount of PhP11.80 Billion will increase to PhP13.30 Billion if we consider the unpaid generation payments amounting to PhP1.50 Billion due from SPPC, VSNRGC and FDC Misamis Power Corporation.


## 8. COST VARIANCE (CV)

As mentioned in item 2, CV refers to the difference between:

- 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.

In arriving at the CV, these two (2) items need to be established. Since the ERC set the recoverable SD to zero, it follows that the value of estimated cost is also zero. As such, actual costs (GDS less PP and PO) for CY 2017 will necessarily be equivalent to the CV for the same period, amounting to PhP11.80 Billion as shown below:

| <b>Particulars</b>           | <b>Amount (In PhP)</b> | <b>SD Approved for Recovery</b> | <b>Cost Variance (In PhP)</b> |
|------------------------------|------------------------|---------------------------------|-------------------------------|
| Gross Debt Service           | 35,729,686,840.23      | 0                               | 35,729,686,840.23             |
| Less: Privatization Proceeds | 15,604,694,196.68      | 0                               | 15,604,694,196.68             |



| Particulars                    | Amount<br>(In PhP)       | SD Approved<br>for Recovery | Cost Variance<br>(In PhP) |
|--------------------------------|--------------------------|-----------------------------|---------------------------|
| Proceeds from NPC<br>Operation | 8,320,357,613.33         | 0                           | 8,320,357,613.33          |
| <b>SD</b>                      | <b>11,804,635,030.22</b> | <b>0</b>                    | <b>11,804,635,030.22</b>  |

### 9. QUANTITY VARIANCE (QV)

Quantity Variance, as stated earlier, refers to the difference between the billing determinant used pursuant to the ERC Decision and the actual kWh sales to end-users.

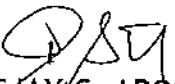
To determine the QV in absolute amount, QV is multiplied by the PhP/kWh SD approved by the ERC. Since the ERC set the recoverable SD in PhP/kWh to zero, QV in absolute amount will also be zero regardless of the QV in kWh sales that will be computed.

### 10. CY 2017 UC-SD TRUE-UP ADJUSTMENT


In accordance with the Guidelines, the true-up adjustment/under-recovery for CY 2017 amounts to **PhP11.80 Billion**, representing the sum of Cost Variance and Quantity Variance, as shown below:

| Particulars                               | Amount (in PhP)          |
|---|--------------------------|
| Cost Variance                             | 11,804,635,030.22        |
| Add: Quantity Variance                    | 0.00                     |
| <b>True-up Adjustment/ Under-Recovery</b> | <b>11,804,635,030.22</b> |


Prepared by:

  
**VEEJAY C. APOSTOL**  
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 FVTD-UCAD

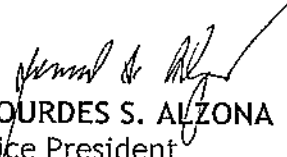
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Reviewed by:

  
**LUISA A. ESTEBAN**  
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Approved by:

  
**LOURDES S. ALZONA**  
 Vice President  
 Finance Group



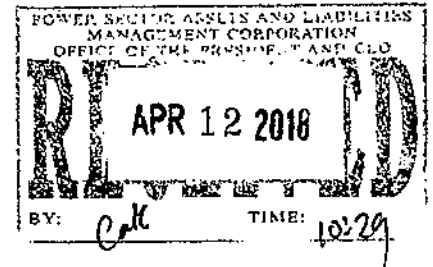


Republic of the Philippines  
**DEPARTMENT OF ENERGY**

5 April 2018

**MS. LOURDES S. ALZONA**

Vice President, Finance Group  
Power Sector Assets & Liabilities Management Corporation  
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Quezon Avenue cor BIR Road, Diliman 1101  
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**Subject: 2017 Actual Electricity Consumption and Updated Electricity Sales Forecast Covering 2018 Onwards**

**Dear Vice President Alzona:**

We refer to your letter dated 12 February 2018, requesting the 2017 actual electricity sales by sector and by grid, and updated electricity sales forecast as reference for Power Sector Assets & Liabilities Management Corporation's computation of the equivalent peso per kilowatt-hour for National Power Corporation's stranded contract costs and stranded debts, which will further be used by the Energy Regulatory Commission in the determination of universal charges (UC) and UC rates.

In this regard, we are providing you the following requested data:

- 2018-2030 Electricity Sales Forecast by Grid; and
- 2017 Monthly Electricity Sales and Consumption by Sector, by Grid.

Should you have any clarification on the information above, you may communicate directly with Ms. Thelma B. Ejercito, Officer-in-Charge of the Power Planning and Development Division of the Electric Power Industry Management Bureau at 840-2173 or send email at tejercito@yahoo.com.

We hope that the above information meets your requirement.

Very truly yours,

  
**MARIO C. MARASIGAN, CESO III**  
Director IV  
Officer-in-Charge  
Electric Power Industry Management Bureau

Cc: Undersecretary Felix William B. Fuentebella  
Assistant Secretary Redentor E. Delola  
Ms. Luningning G. Baltazar

ADICE/TBE/JRBL

Source: Power Development Plan 2016-2030, Department of Energy

| Year   | LUZON GRID    |              |  | VISAYAS GRID  |              |  | MINDANAO GRID |              |  |        |        |  |        |        |  |      |  |
|--|---------------|--------------|--|---------------|--------------|--|---------------|--------------|--|--------|--------|--|--------|--------|--|------|--|
|  | High Scenario | Low Scenario | Traditional Scenario (DDP-Based)   | High Scenario | Low Scenario | Traditional Scenario (DDP-Based)   | High Scenario | Low Scenario | Traditional Scenario (DDP-Based)   |        |        |  |        |        |  |      |  |
| 2018   | 63,113        | 62,094       | 62,362   | 3,89          | 11,898       | 6,02   | 11,663        | 6,02         | 12,180   | 11,689 | 4,70   | 11,425   | 4,70   | 11,689 | 6,38   |      |  |
| 2019   | 66,171        | 64,727       | 64,743   | 3,82          | 12,822       | 6,09   | 12,281        | 6,09         | 12,784   | 6,09   | 12,240 | 4,71   | 11,964 | 4,71   | 12,240   | 4,72 |  |
| 2020   | 69,377        | 67,471       | 67,393   | 4,00          | 13,399       | 6,15   | 12,839        | 6,15         | 13,412   | 6,15   | 12,794 | 4,52   | 12,604 | 4,52   | 12,794   | 4,52 |  |
| 2021   | 72,528        | 70,209       | 70,010   | 3,98          | 14,180       | 5,83   | 13,609        | 5,83         | 14,087   | 5,83   | 13,443 | 4,53   | 13,071 | 4,53   | 13,443   | 5,07 |  |
| 2022   | 75,823        | 73,058       | 72,825   | 4,06          | 15,015       | 5,88   | 14,220        | 5,88         | 14,807   | 5,88   | 14,126 | 4,54   | 13,664 | 4,54   | 14,126   | 5,08 |  |
| 2023   | 79,267        | 76,022       | 75,783   | 4,06          | 15,905       | 5,94   | 15,074        | 5,94         | 15,579   | 5,94   | 14,846 | 4,55   | 14,285 | 4,55   | 14,846   | 5,09 |  |
| 2024   | 82,668        | 79,107       | 78,894   | 4,06          | 16,658       | 5,98   | 15,873        | 5,98         | 16,409   | 5,98   | 15,604 | 4,55   | 14,936 | 4,55   | 15,604   | 5,10 |  |
| 2025   | 86,832        | 82,317       | 82,074   | 4,03          | 17,354       | 2,94   | 16,287        | 2,94         | 17,361   | 2,94   | 16,402 | 4,56   | 15,617 | 4,56   | 16,402   | 5,11 |  |
| 2026   | 90,567        | 85,658       | 85,381   | 4,03          | 17,883       | 3,05   | 16,728        | 3,05         | 18,377   | 3,05   | 17,242 | 4,57   | 16,330 | 4,57   | 17,242   | 5,12 |  |
| 2027   | 94,681        | 89,133       | 88,822   | 4,03          | 18,449       | 3,16   | 17,192        | 3,16         | 19,462   | 3,16   | 18,126 | 4,58   | 17,078 | 4,58   | 18,126   | 5,13 |  |
| 2028   | 98,981        | 92,750       | 92,401   | 4,03          | 19,053       | 3,28   | 17,686        | 3,28         | 20,622   | 3,28   | 19,057 | 4,58   | 17,860 | 4,58   | 19,057   | 5,14 |  |
| 2029   | 103,477       | 96,514       | 96,125   | 4,03          | 19,699       | 3,39   | 18,210        | 3,39         | 21,860   | 3,39   | 20,038 | 4,59   | 18,679 | 4,59   | 20,038   | 5,15 |  |
| 2030   | 108,178       | 100,430      | 99,999   | 4,03          | 20,388       | 3,50   | 18,765        | 3,50         | 23,183   | 3,50   | 21,070 | 4,59   | 19,538 | 4,59   | 21,070   | 5,15 |  |
| Average Growth Rates:  |               |              |  |               |              |  |               |              |  |        |        |  |        |        |  |      |  |
| 2018-2020  | 4.85          | 4.24         | 3.90   | 6.09          | 6.09         | 6.09   | 6.09          | 6.09         | 6.09   | 6.09   | 4.85   | 4.85   | 4.85   | 4.85   | 4.87   |      |  |
| (2021-2030)  | 4.54          | 4.06         | 4.03   | 4.30          | 4.30         | 4.30   | 4.30          | 4.30         | 4.30   | 4.30   | 4.56   | 4.56   | 4.56   | 4.56   | 5.12   |      |  |
| (2018-2030)  | 4.61          | 4.10         | 4.00   | 4.71          | 4.71         | 4.71   | 4.71          | 4.71         | 4.71   | 4.71   | 4.58   | 4.58   | 4.58   | 4.58   | 5.06   |      |  |
| SUTL and Load Factor Assumptions:  |               |              |  |               |              |  |               |              |  |        |        |  |        |        |  |      |  |
| High Scenario  |               |              | Low Scenario   |               |              | Traditional Scenario (DDP-Based)   |               |              | High Scenario  |        |        | Low Scenario   |        |        | Traditional Scenario (DDP-Based)   |      |  |
| SUTL: 7.15   |               |              | SUTL: 7.6%   |               |              | SUTL: 5.88%  |               |              | SUTL: 7.6%   |        |        | SUTL: 3.84%  |        |        | SUTL and Load Factor Assumptions:  |      |  |
| Load Factor: 74.6%   |               |              | Load Factor: 71.6%   |               |              | Load Factor: 72.6%   |               |              | Load Factor: 72.6%   |        |        | Load Factor: 72.6%   |        |        | Load Factor: 72.6%   |      |  |
| GDP Growth Rate: 2017 - 7%; 2018-2020 - 8%; 2021-2030 - 7.5%                 |               |              | GDP Growth Rate: 2017 - 7%; 2018-2020 - 8%; 2021-2030 - 7.5%                 |               |              | GDP Growth Rate: 2017 - 7%; 2018-2020 - 8%; 2021-2030 - 7.5%                 |               |              | GDP Growth Rate: 2017 - 7%; 2018-2020 - 8%; 2021-2030 - 7.5%                 |        |        | GDP Growth Rate: 2017 - 7%; 2018-2020 - 8%; 2021-2030 - 7.5%                 |        |        | GDP Growth Rate: 2017 - 7%; 2018-2020 - 8%; 2021-2030 - 7.5%                 |      |  |
| Electricity-to-GRDP Elasticity: 2017 - 0.7; 2018-2020 - 0.7; 2021-2030 - 0.7 |               |              | Electricity-to-GRDP Elasticity: 2017 - 1.0; 2018-2020 - 1.0; 2021-2030 - 1.0 |               |              | Electricity-to-GRDP Elasticity: 2017 - 1.0; 2018-2020 - 1.0; 2021-2030 - 1.0 |               |              | Electricity-to-GRDP Elasticity: 2017 - 1.0; 2018-2020 - 1.0; 2021-2030 - 1.0 |        |        | Electricity-to-GRDP Elasticity: 2017 - 1.0; 2018-2020 - 1.0; 2021-2030 - 1.0 |        |        | Electricity-to-GRDP Elasticity: 2017 - 1.0; 2018-2020 - 1.0; 2021-2030 - 1.0 |      |  |

Electricity Sales Forecast (in GWh) by Grid, 2018-2030



**2017 MONTHLY ELECTRICITY SALES and POWER CONSUMPTION DATA**  
Philippines, in MWh

|                   | 2017 MONTHLY ELECTRICITY SALES and POWER CONSUMPTION by SECTOR |           |           |           |           |           |           |           |           |           |           |           | Total     | %SHARE     |         |
|-------------------|--|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|------------|---------|
|                   | Jan  | Feb       | Mar       | Apr       | May       | Jun       | Jul       | Aug       | Sep       | Oct       | Nov       | Dec       |           |            |         |
| Residential       | 426,362  | 524,410   | 425,509   | 439,423   | 483,724   | 487,428   | 471,821   | 448,700   | 476,452   | 464,690   | 429,003   | 453,040   | 494,626   | 5,267,457  | 28.19%  |
| Commercial        | 480,871  | 502,901   | 427,299   | 462,663   | 469,753   | 476,280   | 467,688   | 473,319   | 471,350   | 467,603   | 462,250   | 464,604   | 494,604   | 4,960,504  | 26.15%  |
| Industrial        | 296,208  | 343,927   | 380,740   | 438,631   | 450,703   | 458,739   | 452,799   | 458,697   | 455,693   | 457,284   | 457,917   | 450,263   | 480,289   | 4,428,994  | 25.89%  |
| Others            | 68,546   | 79,619    | 66,276    | 90,084    | 83,554    | 88,937    | 88,461    | 91,641    | 90,836    | 93,244    | 84,932    | 84,932    | 84,932    | 801,390    | 4.42%   |
| Total Sales       | 4,274,987  | 4,377,268 | 4,377,268 | 4,229,823 | 4,229,823 | 4,864,922 | 5,124,739 | 5,124,739 | 5,124,739 | 5,124,739 | 5,124,739 | 5,124,739 | 5,124,739 | 49,290,628 | 258.92% |
| System Loss       | 387,173  | 390,955   | 392,448   | 488,951   | 499,975   | 481,889   | 444,327   | 448,592   | 442,756   | 404,341   | 458,044   | 470,467   | 453,068   | 4,317,630  | 23.37%  |
| System Loss       | 568,743  | 637,410   | 682,464   | 824,583   | 892,415   | 891,078   | 896,262   | 927,497   | 924,322   | 901,268   | 948,980   | 964,831   | 962,403   | 8,920,628  | 46.55%  |
| Total Consumption | 5,209,574  | 5,405,571 | 5,390,648 | 5,927,495 | 6,274,129 | 6,385,993 | 6,915,119 | 6,993,913 | 6,904,518 | 6,887,001 | 6,977,497 | 6,593,615 | 6,924,603 | 69,211,256 | 360.00% |

|                   | 2017 MONTHLY ELECTRICITY SALES and POWER CONSUMPTION by SECTOR |           |         |           |           |           |         |           |           |           |           |           | Total     | %SHARE     |         |
|-------------------|--|-----------|---------|-----------|-----------|-----------|---------|-----------|-----------|-----------|-----------|-----------|-----------|------------|---------|
|                   | Jan  | Feb       | Mar     | Apr       | May       | Jun       | Jul     | Aug       | Sep       | Oct       | Nov       | Dec       |           |            |         |
| Residential       | 266,961  | 263,341   | 266,075 | 307,636   | 261,656   | 333,819   | 228,426 | 315,435   | 331,831   | 302,824   | 231,797   | 310,922   | 316,481   | 3,614,881  | 27.93%  |
| Commercial        | 127,445  | 127,434   | 128,438 | 164,416   | 141,267   | 145,700   | 134,395 | 145,169   | 144,469   | 139,038   | 143,693   | 144,604   | 144,604   | 1,642,462  | 12.69%  |
| Industrial        | 288,452  | 296,372   | 279,852 | 275,562   | 304,351   | 322,040   | 271,572 | 318,929   | 311,425   | 308,483   | 310,782   | 307,701   | 309,521   | 3,589,521  | 27.47%  |
| Others            | 94,214   | 99,289    | 102,229 | 108,955   | 108,907   | 96,433    | 75,183  | 85,936    | 94,788    | 100,049   | 108,042   | 101,022   | 101,022   | 1,201,960  | 9.29%   |
| Total Sales       | 793,772  | 786,366   | 752,642 | 809,986   | 880,883   | 897,028   | 765,529 | 865,470   | 869,241   | 870,390   | 877,745   | 874,350   | 874,350   | 10,048,725 | 77.65%  |
| System Loss       | 128,856  | 128,892   | 130,836 | 141,193   | 138,297   | 131,275   | 101,424 | 107,445   | 110,850   | 120,418   | 129,418   | 134,392   | 134,392   | 1,515,721  | 11.71%  |
| System Loss       | 31,932   | 99,929    | 91,968  | 177,076   | 131,107   | 116,104   | 72,859  | 135,569   | 137,142   | 138,457   | 146,266   | 146,266   | 146,266   | 1,721,021  | 13.22%  |
| Total Consumption | 1,015,959  | 1,014,978 | 974,759 | 1,077,656 | 1,150,286 | 1,144,839 | 990,651 | 1,141,838 | 1,147,285 | 1,102,265 | 1,158,676 | 1,109,676 | 1,109,676 | 12,770,746 | 100.00% |

|                   | 2017 MONTHLY ELECTRICITY SALES and POWER CONSUMPTION by SECTOR |         |         |           |           |         |         |           |         |           |           |           | Total     | %SHARE     |         |
|-------------------|--|---------|---------|-----------|-----------|---------|---------|-----------|---------|-----------|-----------|-----------|-----------|------------|---------|
|                   | Jan  | Feb     | Mar     | Apr       | May       | Jun     | Jul     | Aug       | Sep     | Oct       | Nov       | Dec       |           |            |         |
| Residential       | 260,489  | 275,247 | 269,829 | 307,629   | 302,484   | 386,108 | 291,579 | 301,757   | 300,876 | 293,727   | 208,008   | 303,622   | 315,074   | 3,614,881  | 27.93%  |
| Commercial        | 120,628  | 121,845 | 117,425 | 129,922   | 129,478   | 131,243 | 122,567 | 131,279   | 130,074 | 129,567   | 129,825   | 129,229   | 129,229   | 1,642,462  | 12.69%  |
| Industrial        | 299,108  | 317,872 | 298,265 | 329,576   | 321,856   | 337,713 | 329,290 | 343,962   | 341,564 | 339,668   | 348,033   | 336,492   | 336,492   | 3,589,521  | 27.47%  |
| Others            | 79,052   | 84,040  | 85,229  | 96,840    | 96,199    | 89,293  | 69,646  | 74,091    | 80,643  | 80,643    | 82,759    | 81,402    | 81,402    | 946,178    | 7.32%   |
| Total Sales       | 750,607  | 756,003 | 710,069 | 800,256   | 800,917   | 810,362 | 733,121 | 828,289   | 816,080 | 803,643   | 828,647   | 807,747   | 807,747   | 9,496,590  | 80.35%  |
| System Loss       | 77,101   | 64,893  | 64,636  | 74,792    | 72,689    | 54,302  | 68,358  | 65,733    | 77,733  | 79,759    | 84,512    | 87,678    | 87,678    | 839,896    | 7.18%   |
| System Loss       | 64,646   | 128,400 | 106,606 | 146,012   | 131,541   | 123,414 | 115,027 | 116,584   | 106,572 | 122,651   | 135,104   | 124,383   | 124,383   | 1,447,551  | 12.26%  |
| Total Consumption | 919,954  | 948,996 | 880,370 | 1,020,062 | 1,007,246 | 987,773 | 967,366 | 1,010,610 | 998,983 | 1,006,153 | 1,048,263 | 1,008,855 | 1,008,855 | 11,944,137 | 100.00% |

|                   | 2017 MONTHLY ELECTRICITY SALES and POWER CONSUMPTION by SECTOR |              |              |              |              |              |              |              |              |              |              |              |               |
|-------------------|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|---------------|
|                   | Jan  | Feb          | Mar          | Apr          | May          | Jun          | Jul          | Aug          | Sep          | Oct          | Nov          | Dec          | Total         |
| Philippines       | 2,089,113.2  | 1,979,999.8  | 1,850,542.2  | 2,303,023.1  | 2,146,046.6  | 2,517,747.5  | 2,292,183.7  | 2,365,992.1  | 2,383,791.1  | 2,244,262.2  | 2,272,202.1  | 2,798,697.2  | 26,762,039.9  |
| Residential       | 572,645.5  | 552,100.0    | 665,162.2    | 1,891,958.1  | 1,966,497.7  | 2,103,974.5  | 1,929,220.0  | 2,109,263.1  | 1,988,747.7  | 1,946,624.0  | 1,935,783.1  | 1,914,233.3  | 22,411,937.6  |
| Commercial        | 14,883,777.8   | 12,073,520.9 | 11,953,027.7 | 22,060,923.9 | 21,674,916.1 | 22,241,474.1 | 21,127,321.1 | 21,254,589.1 | 21,202,468.4 | 21,224,105.6 | 21,288,741.2 | 21,443,255.5 | 251,574,267.1 |
| Industrial        | 202,812.2  | 243,943.8    | 213,773.2    | 223,879.9    | 228,660.0    | 223,668.8    | 202,891.0    | 217,668.8    | 228,743.2    | 223,928.8    | 235,133.1    | 234,733.5    | 2,897,629.9   |
| Others            | 5,813,366.6  | 5,919,666.6  | 5,692,504.4  | 6,479,824.2  | 6,823,539.9  | 7,022,322.9  | 6,552,050.0  | 6,847,616.6  | 6,808,626.6  | 6,655,745.5  | 6,651,832.2  | 6,491,417.4  | 77,792,810.0  |
| Total Sales       | 590,100.0  | 584,540.0    | 589,340.0    | 6,991,835.5  | 7,429,660.0  | 6,667,445.5  | 5,851,091.0  | 6,917,773.5  | 6,615,716.6  | 6,607,748.8  | 6,772,624.4  | 6,630,584.4  | 75,521,147.1  |
| System Losses     | 736,421.1  | 665,439.1    | 879,193.3    | 845,524.4    | 889,102.2    | 928,236.6    | 735,998.8    | 763,547.7    | 797,043.3    | 740,274.6    | 725,351.1    | 801,233.3    | 9,102,584.4   |
| Total Consumption | 7,144,087.7  | 7,069,545.5  | 7,161,777.7  | 8,102,521.3  | 8,434,061.1  | 8,518,010.1  | 7,873,135.6  | 8,222,938.8  | 8,161,386.7  | 7,954,419.9  | 8,084,436.6  | 7,701,933.3  | 94,370,344.1  |
|                   |  |              |              |              |              |              |              |              |              |              |              |              | 100.00%       |

Notes:  
 Own Use includes Distribution Utilities company used and Power Plants Station Used.  
 System Losses includes Distribution Utilities losses and Transmission losses (substation used, transformation and other unaccounted losses).  
 Others includes public buildings, street lights, irrigation, energy recovered and others not elsewhere classified.

Released 21 March 2018


Source: 2017 Power Statistics, Department of Energy

Power Sector Assets and Liabilities Management Corporation  
 Universal Charge Stranded Debt True-Up Adjustment  
 Outstanding Gross Debt Service  
 As of 31 December 2017

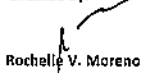
| PARTICULARS   | SD<br>Percentage<br>% | INVENTORY OF FINANCIAL OBLIGATIONS (FOR GROSS DEBT SERVICE) |                          |                         |                       | TOTAL<br>in PhP           |
|---|-----------------------|---|--------------------------|-------------------------|-----------------------|---------------------------|
|   |                       | PRINCIPAL<br>in PhP   | INTEREST<br>in PhP       | GURANTEE FEE<br>in PhP  | OTHERS<br>in PhP      |                           |
| <b>i) NPC's outstanding financial obligations as of the effectivity of EPIRA</b>    |                       |   |                          |                         |                       |                           |
| <b>A. FOREIGN LOANS - REGULAR</b>   |                       |   |                          |                         |                       |                           |
| SALOMON SMITH BARNEY \$300M YB  | 100.0000%             | 14,801,278,054.95   | 19,993,288,272.00        | 1,647,459,000.00        | 20,093,508.27         | 35,862,118,835.22         |
| INT'L DEV. ASSOCIATION 296- BATAAN THERMAL  | 100.0000%             | 67,503,402.92   | 1,406,320.82             | 1,875,094.43            | -                     | 70,784,818.17             |
| <b>B. BOT Lease Obligation</b>  |                       |   |                          |                         |                       |                           |
| <b>TOTAL NPC's outstanding financial obligations as of the effectivity of EPIRA</b> |                       |   |                          |                         |                       |                           |
|   |                       | <b>14,868,781,457.87</b>                                    | <b>19,994,694,592.82</b> | <b>1,649,334,094.43</b> | <b>20,093,508.27</b>  | <b>102,972,765,193.12</b> |
| <b>ii) New Loans contracted by NPC after the effectivity of EPIRA</b>               |                       |   |                          |                         |                       |                           |
| OVERSEAS PRIVATE INVESTMENT CORP  | 62.1736%              | 739,022,061.34  | 39,907,191.31            | 7,390,220.61            | 3,561,499.52          | 789,880,972.79            |
| <b>TOTAL New Loans contracted by NPC after the effectivity of EPIRA</b>             |                       |   |                          |                         |                       |                           |
|   |                       | <b>739,022,061.34</b>                                       | <b>39,907,191.31</b>     | <b>7,390,220.61</b>     | <b>3,561,499.52</b>   | <b>789,880,972.78</b>     |
| <b>iii) New Loans contracted by PSALM in behalf of NPC</b>                          |                       |   |                          |                         |                       |                           |
| PSALM [NOMURA INT'L TRANCHE A]  | 13.0810%              | 1,430,326,408.26  | 137,468,856.89           | 42,959,017.78           | 41,506,381.35         | 1,652,260,664.28          |
| PSALM [NOMURA INT'L TRANCHE B]  | 13.0810%              | 2,138,289,634.72  | 379,977,574.75           | 107,035,936.55          | 17,033,299.90         | 2,642,336,445.92          |
| HSBC/DEUTSCHE/MORGAN \$1B   | 79.6679%              | 38,024,426,495.19   | 4,145,772,130.55         | 762,440,851.59          | 11,852,236.50         | 42,944,491,713.84         |
| DBP/MS/UBS NEW CASH OFFER   | 90.5020%              | 25,208,462,031.87   | 13,040,337,409.09        | 1,764,592,342.23        | 23,720,189.57         | 40,037,111,972.76         |
| DBP/MS/UBS BOND EXCHANGE-2019   | 79.4443%              | 833,214,089.25  | 90,515,374.42            | 16,646,505.64           | -                     | 940,375,969.31            |
| DBP/MS/UBS BOND EXCHANGE-2024   | 74.3228%              | 20,949,009,099.59   | 11,113,587,702.97        | 1,503,868,430.71        | 19,479,690.01         | 33,585,944,923.28         |
| LAND BANK SYNDICATED LOAN   | 74.5384%              | 47,446,429,878.47   | 3,373,934,089.50         | 1,186,278,636.00        | -                     | 52,006,642,603.97         |
| ROP Relent - USD500M ONSHORE DOLLAR BOND  | 64.9145%              | 7,889,290,561.86  | 1,310,914,412.11         | -                       | -                     | 9,200,204,973.96          |
| ROP Relending Facility  | 78.8920%              | 19,110,606,798.44   | 3,291,792,012.59         | -                       | -                     | 22,402,398,811.03         |
| LAND BANK SHORT TERM LOAN (PHP 7BN)   | 67.1536%              | 4,700,752,000.00  | 64,635,340.00            | 19,386,466.67           | -                     | 4,784,973,806.67          |
| LAND BANK SHORT TERM LOAN (PHP 8BN)   | 87.7736%              | 7,021,888,000.00  | 123,307,864.22           | 36,572,333.33           | -                     | 7,181,768,197.55          |
| <b>TOTAL New Loans contracted by PSALM in behalf of NPC</b>                         |                       |   |                          |                         |                       |                           |
|   |                       | <b>174,752,694,997.65</b>                                   | <b>37,072,242,767.08</b> | <b>5,439,980,520.51</b> | <b>113,591,797.33</b> | <b>217,378,510,082.57</b> |
| <b>GRAND TOTAL</b>  |                       |   |                          |                         |                       |                           |
|   |                       | <b>190,360,498,516.86</b>                                   | <b>56,506,844,551.71</b> | <b>7,096,704,835.55</b> | <b>137,246,805.12</b> | <b>321,141,156,248.47</b> |

Source: Inventory of Financial Obligation (Principal), PSALM Controllership Department  
 Inventory of Financial Obligation (Interest, Guarantee Fee and Other Charges), PSALM Treasury Department  
 Lease Obligation Report, PSALM Controllership Department  
 Debt Allocation Report, PSALM Treasury Department

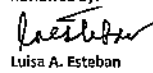
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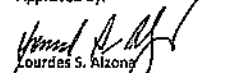
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Approved by:

  
 Lourdes S. Alzons  
 Vice President  
 Finance Group

Power Sector Assets and Liabilities Management Corporation  
 Inventory of Financial Obligations  
 as of 31 December 2017

| CREDITOR  |   | CURR | PRINCIPAL             |                           |
|---|---|------|-----------------------|---------------------------|
|   |   |      | ORIGINAL CURRENCY     | PHP EQUIVALENT            |
| <b>i) NPC's outstanding financial obligations as of the effectivity of EPIRA</b>    |   |      |                       |                           |
| <b>A. FOREIGN LOANS - REGULAR</b>   |   |      |                       |                           |
| LID   |   |      |                       |                           |
| 834   | SALOMON SMITH BARNEY \$300M YB              | USD  | 296,482,143.60        | 14,801,278,054.95         |
| 517   | INT'L. DEV. ASSOCIATION 296- BATAAN THERMAL | USD  | 1,352,150.37          | 67,503,402.92             |
| <b>TOTAL NPC's outstanding financial obligations as of the effectivity of EPIRA</b> |   |      |                       | <b>14,868,781,457.87</b>  |
| <b>ii) New Loans contracted by NPC after the effectivity of EPIRA</b>               |   |      |                       |                           |
| 870   | OVERSEAS PRIVATE INVESTMENT CORP            | USD  | 23,809,523.00         | 1,188,642,866.65          |
| <b>TOTAL New Loans contracted by NPC after the effectivity of EPIRA</b>             |   |      |                       | <b>1,188,642,866.65</b>   |
| <b>iii) New Loans contracted by PSALM in behalf of NPC</b>                          |   |      |                       |                           |
| 863   | PSALM [NOMURA INT'L TRANCHE A]              | JPY  | 24,721,639,671.50     | 10,934,381,226.70         |
| 864   | PSALM [NOMURA INT'L TRANCHE B]              | JPY  | 36,958,015,707.03     | 16,346,530,347.22         |
| 905   | HSBC/DEUTSCHE/MORGAN \$1B                   | USD  | 956,045,645.23        | 47,728,666,746.82         |
| 906   | DBP/MS/UBS NEW CASH OFFER                   | USD  | 557,940,000.00        | 27,854,038,620.00         |
| 907   | DBP/MS/UBS BOND EXCHANGE-2019               | USD  | 21,008,410.12         | 1,048,802,858.42          |
| 908   | DBP/MS/UBS BOND EXCHANGE-2024               | USD  | 564,599,835.66        | 28,186,517,595.66         |
| 912   | LAND BANK SYNDICATED LOAN                   | PhP  | 63,653,673,648.04     | 63,653,673,648.04         |
| 914   | USD500M ONSHORE DOLLAR BOND                 | USD  | 243,442,029.39        | 12,153,356,433.24         |
| 913   | NG Relanding Facility                       | PhP  | 24,223,757,539.98     | 24,223,757,539.98         |
| 915   | LAND BANK SHORT TERM LOAN (PHP 7BN)         | PhP  | 7,000,000,000.00      | 7,000,000,000.00          |
| 916   | LAND BANK SHORT TERM LOAN (PHP 8BN)         | PhP  | 8,000,000,000.00      | 8,000,000,000.00          |
| <b>TOTAL New Loans contracted by PSALM in behalf of NPC</b>                         |   |      |                       | <b>247,129,725,016.08</b> |
| <b>iv) Loans contracted by TransCo prior to its privatization</b>                   |   |      |                       |                           |
| <b>TOTAL Loans contracted by TransCo prior to its privatization - PhP Equiv.</b>    |   |      | -                     |                           |
| <b>iv) Others</b>   |   |      |                       |                           |
|   | QAPA - DOE                                  | PhP  | 118,381,564.87        | 118,381,564.87            |
| <b>TOTAL Others</b>   |   |      | <b>118,381,564.87</b> | <b>118,381,564.87</b>     |
| <b>TOTAL DEBT</b>   |   |      | <b>-</b>              | <b>263,305,530,905.47</b> |

Exchange Rates as of 31 December 2017

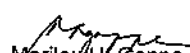
USD 49.9230

JPY 0.4423

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**POWER SECTOR ASSETS AND LIABILITIES MANAGEMENT CORPORATION**  
TERMSHEET  
as of December 31, 2017

POWER SECTOR ASSETS AND LIABILITIES MANAGEMENT CORPORATION  
Inventory of Financial Obligations  
as of 31 December 2017

| CREDITOR   | LOAN NO.  | PROJECT          | LOAN DATE | CURR | LOAN AMOUNT              | INTEREST (PHP EQUIVALENT) | GUARANTEE FEE (PHP EQUIVALENT) | OTHER BORROWING COST (PHP EQUIVALENT) |
|--|-----------|------------------|-----------|------|--------------------------|---------------------------|--------------------------------|---------------------------------------|
| <b>i) NPC's Outstanding Financial Obligations as of the Effectivity of EPIRA</b> |           |                  |           |      |                          |                           |                                |                                       |
| IDA  | 02960-PHI | BATAAN THERMAL 2 | 04/03/72  | USD  | 10,015,929.31            | 1,406,320.82              | 1,875,094.43                   | -                                     |
| SALOMON BROTHERS/MORGAN STANLEY  |           |                  | 05/05/98  | USD  | 300,000,000.00           | 19,393,288,272.00         | 1,647,459,000.00               | 20,093,508.27                         |
|  |           |                  |           |      | <b>Subtotal</b>          | <b>19,394,694,592.82</b>  | <b>1,649,334,094.43</b>        | <b>20,093,508.27</b>                  |
| <b>ii) Loans Contracted by NPC After the Effectivity of EPIRA</b>                |           |                  |           |      |                          |                           |                                |                                       |
| OVERSEAS PRIVATE INVESTMENT CORPORATION  |           | VARIOUS          | 09/26/03  | USD  | 250,000,000.00           | 64,186,714.80             | 11,886,428.67                  | 5,728,314.79                          |
|  |           |                  |           |      | <b>Subtotal</b>          | <b>64,186,714.80</b>      | <b>11,886,428.67</b>           | <b>5,728,314.79</b>                   |
| <b>iii) Loans Contracted By PSALM</b>  |           |                  |           |      |                          |                           |                                |                                       |
| NOMURA INT'L PLC   |           | TRANSCHE A       | 12/10/02  | JPY  | 24,750,000,000.00        | 1,050,904,800.00          | 328,407,750.00                 | 317,302,815.92                        |
| NOMURA INT'L PLC   |           | TRANSCHE B       | 12/10/02  | JPY  | 37,000,000,000.00        | 2,904,805,250.00          | 818,255,000.00                 | 130,214,050.16                        |
| DEUTSCHE/HSBC/MORGAN STANLEY \$1B  |           | GENERAL FUNDING  | 05/19/09  | USD  | 1,000,000,000.00         | 5,203,817,510.63          | 957,023,910.00                 | 14,877,054.00                         |
| DBP/MS/UBS BOND EXCHANGE TAP 2019  |           | GENERAL FUNDING  | 12/02/09  | USD  | 20,986,000.00            | 113,935,643.48            | 20,953,681.56                  | -                                     |
| DBP/MS/UBS BOND EXCHANGE 2024  |           | GENERAL FUNDING  | 12/02/09  | USD  | 579,014,000.00           | 14,953,133,766.45         | 2,023,428,114.54               | 26,209,575.00                         |
| DBP/MS/UBS USD600M NEW CASH OFFER  |           | GENERAL FUNDING  | 12/02/09  | USD  | 600,000,000.00           | 14,408,894,178.13         | 1,949,782,703.40               | 26,209,575.00                         |
| LBP SYNDICATED TERM LOAN FACILITY  |           | GENERAL FUNDING  | 04/28/11  | PHP  | 75,000,000,000.00        | 4,526,437,500.00          | 1,591,500,000.00               | -                                     |
| ROP RELENDING FACILITY   |           | GENERAL FUNDING  | 11/08/12  | PHP  | 35,000,000,000.00        | 4,172,529,550.00          | -                              | -                                     |
| ROP RELENT US\$500M ONSHORE DOLLAR BONDS   |           | GENERAL FUNDING  | 12/18/12  | USD  | 500,000,000.00           | 2,019,447,753.75          | -                              | -                                     |
| LBP SHORT TERM LOAN LINE (STLL)  |           | GENERAL FUNDING  | 10/13/16  | PHP  | 7,000,000,000.00         | 96,250,000.00             | 29,166,666.67                  | -                                     |
| LBP SHORT TERM LOAN LINE (STLL)  |           | GENERAL FUNDING  | 10/13/16  | PHP  | 8,000,000,000.00         | 140,484,000.00            | 41,666,666.67                  | -                                     |
|  |           | <b>Subtotal</b>  |           |      | <b>49,590,639,952.43</b> | <b>7,760,184,492.83</b>   | <b>514,813,070.08</b>          | <b>69,049,521,260.05</b>              |
|  |           | <b>Subtotal</b>  |           |      | <b>69,049,521,260.05</b> | <b>9,421,405,015.93</b>   | <b>540,634,893.14</b>          | <b>540,634,893.14</b>                 |

Exchange Rates as of December 29, 2017

|     |     |          |
|-----|-----|----------|
| USD | PHP | 49.92300 |
| JPY | PHP | 0.442300 |

Prepared by:

*Jofredo M. Pauro*  
Sr. Finance Analyst  
Loans Administration Division

Reviewed by:

*Dante Zeus L. Verano*  
Officer-in-Charge  
Loans Administration Division

Approved by:

*Estrella E. Sebastian*  
Officer-in-Charge  
Treasury Department



Republic of the Philippines  
**COMMISSION ON AUDIT**  
Commonwealth Avenue, Quezon City, Philippines

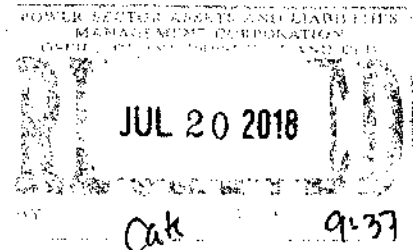
## INDEPENDENT AUDITOR'S REPORT

**ATTY. IRENE JOY BESIDO-GARCIA**

President & Chief Executive Officer

Power Sector Assets and Liabilities Management Corporation

Diliman, Quezon City



### *Unqualified Opinion*

We have audited the accompanying Variance Analysis Report (VAR) of Power Sector Assets and Liabilities Management Corporation (PSALM) on the Update on the Implementation of the CYs 2011-2012 True-up Adjustment of the National Power Corporation's (NPC) Stranded Debt (SD) Portion of the Universal Charge (UC) covering the remittance period September 1 to December 31, 2017 and the related Notes to the VAR.

In our opinion, the accompanying VAR of the PSALM Corporation for the Update on the Implementation of the CYs 2011-2012 True-up Adjustment of the NPC UC-SD covering the remittance period September 1 to December 31, 2017 present fairly, in all material respects, the variance or under-recovery as of December 31, 2017 in accordance with Energy Regulatory Commission (ERC) Resolution No. 02, Series of 2011, re: "Amended Rules for the Recovery of NPC Stranded Contract Costs and Stranded Debts Portion of the Universal Charge" and ERC Decision dated June 27, 2017 on ERC Case No. 2013-195 RC.

### *Basis for Unqualified Opinion*

We conducted our audit in accordance with the International Standards of Supreme Audit Institutions (ISSAIs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Variance Analysis Report section. We are independent of the PSALM Corporation in accordance with the ethical requirements that are relevant to our audit of the VAR, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### *Management's Responsibility for the Variance Analysis Report*

Management is responsible for the preparation, calculation and fair presentation of the VAR, in accordance with the ERC Resolution No. 02, Series of 2011, Re: "Amended Rules for the Recovery of the NPC Stranded Contract Cost and Stranded Debts Portion of the Universal Charge", ERC Decision dated June 27, 2017 under Case No. 2013-195 RC, and for such internal

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control as Management determines is necessary to enable the preparation of the VAR that is free from material misstatement whether due to fraud or error.

***Auditor's Responsibility for the Audit of Variance Analysis Report (VAR)***

Our objective is to obtain reasonable assurance about whether CYs 2011-2012 VAR on the Update on the Implementation of NPC UC-SD as a whole is free from material misstatement, whether due to fraud or error, and to issue our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the CYs 2011-2012 VAR on the Update on the Implementation of the NPC UC-SD.

As part of an audit in accordance with ISSAIs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:


- Identify and assess the risks of material misstatement of the VAR, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the PSALM Corporation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the PSALM Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the PSALM Corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the VAR, including the disclosures, and whether the VAR represent the underlying transactions and events in a manner that achieves fair presentation.

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We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

  
**EYREN MARANAN-YULDE**  
Supervising Auditor  
July 17, 2018

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\_\_\_\_\_





POWER SECTOR  
ASSETS & LIABILITIES  
MANAGEMENT CORPORATION



Management  
System  
ISO 9001:2015

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# Update on the Implementation of the National Power Corporation's Stranded Debt (SD) Portion of the Universal Charge (UC) for CYs 2011-2012

For the Remittance Period  
01 September 2017 to 31 December 2017

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A handwritten signature in black ink, appearing to be "D/Sy", written over a horizontal line.

**POWER SECTOR ASSETS AND LIABILITIES MANAGEMENT CORPORATION**  
**CYs 2011 - 2012 UNIVERSAL CHARGE - STRANDED DEBT**  
**VARIANCE ANALYSIS REPORT**  
**For the Remittance Period 01 September 2017 to 31 December 2017**

| <b>PARTICULARS</b>   | <b>QUANTITY<br/>VARIANCE<br/>(GWh)</b> | <b>AMOUNT<br/>(PhP)</b>  | <b>Rate<br/>PhP/kWh</b> |
|--|--|--------------------------|-------------------------|
| Billing Determinant and Approved Level of CYs 2011-2012 UC-SD True-up Adjustment pursuant to the ERC Decision                        | 914,561.00                             | 24,198,852,235.17        | 0.0265                  |
| Less: Energy Sales Billed/Remitted covering 1 September 2017 to 31 December 2017 Remittance Period (PhP526,004,320.71/PhP0.0265/kWh) | 19,879.58                              | 526,004,320.71           | 0.0265                  |
| <b>Quantity Variance/ Under Recovery</b>   | <b>894,681.42</b>                      | <b>23,672,847,914.46</b> | <b>0.0265</b>           |

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**POWER SECTOR ASSETS AND LIABILITIES MANAGEMENT CORPORATION**  
**NOTES TO VARIANCE ANALYSIS REPORT**  
**(In Philippine Peso)**

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**GENERAL INFORMATION**

On 7 February 2011, the Energy Regulatory Commission (ERC) issued Resolution No. 2, series of 2011 entitled "A Resolution Adopting the Amended Rules for the Recovery of NPC Stranded Contract Costs and Stranded Debts Portion of the Universal Charge ("Guidelines"). The Guidelines defined, among others, the general framework that the ERC shall use in deciding petitions by PSALM with respect to the recovery of the Stranded Contract Costs (SCC) and Stranded Debts (SD) of the National Power Corporation (NPC) through the Universal Charge (UC).

**BASIS OF PREPARATION**

**Statement of Compliance**

The update on the implementation of the CYs 2011-2012 UC-SD True-up Adjustment to be submitted by PSALM to the ERC has been prepared in accordance with the Guidelines, pursuant to the ERC directive on its Decision dated 27 June 2017, which provides that PSALM shall, on a yearly basis, include in its Variance Analysis Report (VAR) the status of collection of the approved UC-SD True-up amount for CYs 2011 and 2012.

**Functional and Presentation Currency**

The VAR is presented in Philippine Peso, which is the Corporation's functional currency.

**1. ERC-APPROVED CYs 2011-2012 UC-SD & BILLING DETERMINANT**

Under the ERC Decision dated 28 January 2013 covering PSALM's Petition for the recovery of SD as of 31 December 2010, the ERC set 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.

On 27 June 2017, the ERC issued a Decision on ERC Case No. 2013-195 RC: "In the Matter of the Petition for True-Up Adjustments for the National Power Corporation's Stranded Debts Portion of the Universal Charge for Luzon, Visayas and Mindanao Grids for Calendar Years 2011 and 2012, with Prayer for Provisional Authority (PA)" authorizing PSALM to recover UC-SD for CYs 2011-2012 amounting to PhP24.20 Billion at the rate of PhP0.0265/kWh for the Luzon, Visayas and Mindanao Grids until the approved amount ✓

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has been fully recovered. The ERC directed all distribution utilities (DUs) and the National Grid Corporation of the Philippines (NGCP) to collect from the consumers the approved UC-SD starting August 2017 billing period. Pursuant to Section 34 of Republic Act No. 9136, such collections by the DUs and the National Transmission Corporation or TRANSCO (now NGCP) shall be remitted to PSALM Corporation on or before the 15<sup>th</sup> of the succeeding month.

***UC-SD Rate and Billing Determinant***

The UC-SD rate of PhP0.0265/kWh was derived by the ERC by dividing the ERC-approved SD amount of PhP24,198,852,235.17 by the Department of Energy's (DOE) projected Philippine energy sales of 914,561 GWh covering January 2017 to June 2026.

**2. UC-SD REMITTANCES COVERING 01 SEPTEMBER TO 31 DECEMBER 2017**

From 01 September 2017 to 31 December 2017, total UC remittances made by the collecting entities to PSALM pertaining to the PhP0.0265/kWh CYs 2011-2012 UC-SD approved by the ERC amounted to PhP526,004,320.71, as follows:

| Period                | Amount (PhP)          |
|-----------------------|-----------------------|
| September 1-15, 2017  | 41,270,807.86         |
| September 16-30, 2017 | 393,798.86            |
| October 1-18, 2017    | 146,060,288.31        |
| October 19-31, 2017   | 3,658,748.87          |
| November 1-16, 2017   | 166,502,488.43        |
| November 16-30, 2017  | 2,280,220.41          |
| December 1-15, 2017   | 161,507,032.14        |
| December 16-30, 2017  | 4,330,935.83          |
| <b>Total</b>          | <b>526,004,320.71</b> |

***Energy Sales Billed/Remitted***

The equivalent energy sales billed/remitted corresponding to the actual UC-SD remittance for the period 01 September 2017 to 31 December 2017 is 19,879.58 GWh, derived by dividing the remittance amounting to PhP526,004,320.71 by the ERC-approved UC-SD rate of PhP0.0265/kWh (PhP24,198,852,235.17/914,561GWh). ✓

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### 3. UNDER-RECOVERY AS OF 31 DECEMBER 2017

The under recovery, pursuant to the Guidelines, is calculated by multiplying the quantity variance (QV) of 894,681.42 GWh by the PhP0.0265/kWh SD rate approved by the ERC. The resulting under recovery for the CYs 2011-2012 UC-SD for the period 01 September 2017 to 31 December 2017 is PhP23,672,847,914.46, details of which are shown below:

| PARTICULARS  | QUANTITY VARIANCE (GWh) <sup>1</sup> | AMOUNT (PhP)             | Rate PhP/kWh  |
|--|--------------------------------------|--------------------------|---------------|
| Billing Determinant and Approved Level of CYs 2011-2012 SD pursuant to the ERC Decision  | 914,561.00                           | 24,198,852,235.17        | 0.0265        |
| Less: Energy Sales Billed/Remitted covering 01 September 2017 to 31 December 2017 Remittance Period (PhP526,004,320.71 / PhP0 .0265/kWh) | 19,879.58                            | 526,004,320.71           | 0.0265        |
| <b>Quantity Variance/ Under or (Over) Recovery</b>   | <b>894,681.42</b>                    | <b>23,672,847,914.46</b> | <b>0.0265</b> |

<sup>1</sup>One (1) gigawatt-hour is equivalent to one (1) million kilowatt-hours


Prepared by:

  
**VEEJAY C. APOSTOL**  
 Finance Specialist  
 FVTD-UCAD

Approved by:

  
**LUISA A. ESTEBAN**  
 Department Manager  
 UCAD

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## **CERTIFICATE OF ACKNOWLEDGEMENT AND POSTING**

This is to certify that the **PETITION** dated 24 July 2018 of the Energy Regulatory Commission relative to unnumbered ERC Case, entitled:

**"PETITION FOR TRUE-UP ADJUSTMENT OF THE NATIONAL POWER CORPORATION'S STRANDED DEBTS PORTION OF THE UNIVERSAL CHARGE FOR THE LUZON, VISAYAS AND MINDANAO GRIDS FOR CALENDAR YEAR 2017, WITH PRAYER FOR THE ISSUANCE OF PROVISIONAL AUTHORITY (PA),**


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

was received by this office on 27 July 2018 and same was posted at the Bulletin Board of the Quezon City Council on the same date and will remain thereat for a period of 15 days.

This certification is issued upon the request of Mr. Geoffry D. Masancay for whatever legal purpose it may serve.

Quezon City, 30 July 2018.

|                               |
|-------------------------------|
| <b>PSALM CORP.</b>            |
| OFFICE OF THE GENERAL COUNSEL |
| <b>RECEIVED</b>               |
| BY: <u>H. ANDAN</u>           |
| DATE: <u>JUL 30 2018</u>      |
| TIME: <u>11:00 AM</u>         |
| CONTROL NO. _____             |

  
**ATTY. JOHN THOMAS S. ALFEROS III**  
Secretary to the Sangguniang Panlungsod

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

**AFFIDAVIT OF PUBLICATION**

I, **ARLYN F. SERVAÑEZ**, of legal age, single, 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 and state:

That I am the **CLASSIFINDER MANAGER** 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 Power Sector Assets and Liabilities Management Corporation (PSALM)

captioned as follows: Petition


Please see attached printed text which had been published in **The Philippine STAR** in its issues of: July 28, 2018

FURTHER AFFIANT SAYETH NAUGHT.  
Manila, Philippines

  
**ARLYN F. SERVAÑEZ**  
Affiant

SUBSCRIBED AND SWORN to before me this 30<sup>th</sup> day of July 2018 affiant exhibited to me her Driver's License No. NO1-01-259491 issued by LTO on September 22, 2015 which expiry date is September 24, 2018.

Doc. No. 252  
Page No. 52  
Book No. V  
Series of 2018

  
**GARRY A. SAGUIS**  
Notary Public  
Until December 31, 2018  
JBR No. 17-01-0001-17/Q.C.,  
RPL No. 17-01-0001-16/O.C.,  
MOLE Compliance No. 17-0023  
Roll No. 44281

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

**PETITION FOR TRUE-UP ADJUSTMENT OF THE NATIONAL POWER CORPORATION'S STRANDED DEBTS PORTION OF THE UNIVERSAL CHARGE FOR THE LUZON, VISAYAS AND MINDANAO GRIDS FOR CALENDAR YEAR 2017, WITH PRAYER FOR THE ISSUANCE OF PROVISIONAL AUTHORITY (PA).**

ERC CASE NO. 2018-\_\_\_\_\_

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

**PETITION**

Petitioner **POWER SECTOR ASSETS AND LIABILITIES MANAGEMENT CORPORATION (PSALM)**, through undersigned counsel and unto this Honorable Commission, respectfully states:

**I.**

**NATURE OF PETITION**

1. This Petition for True-Up Adjustment for the National Power Corporation's (hereinafter, "NPC") Stranded Debt (hereinafter, "SD") Portion of the Universal Charge (hereinafter, "UC") for Calendar Year 2017 to be collected from all end-users of electricity, is being filed pursuant to Republic Act No. 9136 or the "Electric Power Industry Reform Act of 2001" (hereinafter, "EPIRA"), its Implementing Rules and Regulations (hereinafter, "EPIRA-IRR") and the Amended Rules for Recovery of NPC Stranded Contract Costs (hereinafter, "SCC") and SD Portion of the UC (hereinafter, "Amended Rules for Recovery") as adopted by the Energy Regulatory Commission (hereinafter, "ERC") in its Resolution No. 02-2011 dated 7 February 2011.

**II.**

**TIMELINESS OF PETITION**

2. Article VIII of said Amended Rules for Recovery provides that true-up adjustment shall be done on an annual basis to be initiated by PSALM through submission before this Honorable Commission on or before the 15<sup>th</sup> day of March of every year of a detailed Variance Analysis Report (hereinafter, "VAR") certified by an Independent Third-Party Auditor as well as the relevant documents to support true-up adjustment as part of the VAR. The VAR shall be the basis by which the Honorable Commission will approve inclusion of any under recovery in the current year's level of NPC SD allotment of the UC or mandate a reimbursement due to over recovery by way of a reduction in the current year's level of NPC SD Portion of the UC.

3. In a letter dated 02 February 2018, PSALM requested the Honorable Commission for an extension of the deadline to file, among others, the True-Up Adjustment of the NPC SD Portion of the UC for Calendar Year (hereinafter, "CY") 2017 and the update VAR on the implementation of the NPC's SD Portion of the UC for CY 2011-2012, from 15 March 2018 to 31 July 2018. The extension was necessary for the following reasons: (a) to provide time in processing the data contained in the certified financial statements which was only approved by the PSALM Board last 04 April 2018; (b) to properly identify and classify the components which are eligible for recovery under the SCC and SD True-Up Adjustment; (c) to secure requisite approvals from the PSALM Board; and (d) to ensure compliance with the Amended Rules for Recovery and other relevant rules and regulations, prior to the filing of the UC petitions before the Honorable Commission.

4. Further, as the VARs corresponding to the True-Up Adjustment of the NPC SD Portion of the UC for CY 2017 and implementation of the ERC-approved CYs 2011-2012 UC-SD is required to be certified by the Commission on Audit (hereinafter, "COA"), our Independent Third-Party Auditor, under the Amended Rules for Recovery, it should be afforded ample time to verify and validate the SD VARs to enable it to issue separate certifications thereon.

Attached as Annex "A" is a copy of PSALM's letter to the ERC dated 02 February 2018.

5. The ERC, in its letter dated 13 March 2018, approved PSALM's request to extend the deadline for filing the True-Up Adjustment of the NPC SD Portion of the UC for CY 2017 and submission of the update VAR on the implementation of the NPC's SD Portion of the UC for CYs 2011-2012 until 31 July 2018.

Attached as Annex "B" is a copy of ERC's letter dated 13 March 2018.

6. Hence, the instant Petition for True-Up Adjustment is filed within the period granted by this Honorable Commission.

**III.**

**PETITIONER**

7. Petitioner PSALM is a government-owned and controlled corporation created by virtue of RA 9136 or the EPIRA, with principal office address at 3/F National Transmission Corporation (hereinafter, "TransCo") Building, Quezon Avenue corner BIR Road, Quezon City.

8. The principal mandate of PSALM is to manage the orderly sale, disposition and privatization of NPC generation assets, real estate and other disposable assets, and Independent Power Producer (hereinafter, "IPP") contracts with the objective of liquidating all NPC financial obligations and stranded contract costs in an optimal manner (See: SEC EPIRA). To attain its objectives, PSALM shall, among others, (i) calculate the amount of the stranded debts and stranded contract costs of NPC which shall form the basis for ERC in the determination of the universal charge (emphasis supplied); 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 (See: SEC EPIRA).

9. It is PSALM's responsibility to calculate the amount of the SD of NPC that can be recovered through the UC, subject to the review and approval by the Honorable Commission. The recovery of NPC SD through the UC shall be uniform to all the end-users.

10. PSALM 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.

**IV.**

**ANTECEDENTS**

11. Stranded Debts of NPC refer to "any unpaid financial obligations which have not been liquidated by the proceeds from the sales and privatization of NPC assets".

12. On 07 February 2011, this Honorable Commission approved and adopted ERC Resolution No. 2 Series of 2011 or the Amended Rules for Recovery which, among others, established the procedure and manner in which PSALM shall file its petitions for liquidation from the UC with respect to NPC SCC and SD recovery, and defined the parameters in calculating said SCC and SD.

13. On 25 January 2013, the Honorable Commission rendered its decision on ERC Case No. 2011-092 RC (hereinafter, "ERC Decision"), disapproving the petition of PSALM for its 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."

**V. VARIANCE ANALYSIS REPORT TO SUPPORT THE CY 2017 UC-SD TRUE-UP ADJUSTMENT**

14. Under Section 5, Article VIII of the Amended Rules for Recovery, the VAR to be submitted by PSALM to the Honorable Commission shall contain, at the minimum, the following:

- a. Quantity Variance (hereinafter, "QV"), which refers to the difference between the billing determinand used pursuant to the ERC Decision and the Actual kWh sales to end-users;
- b. Cost Variance (hereinafter, "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 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 PkP/kWh stranded debt approved by the Honorable Commission).

**VI.**

**FINANCIAL OBLIGATIONS SERVICED IN CY 2017**

15. PSALM's total financial obligations serviced/paid in CY 2017 consist of (i) debt maturities of NPC, NPC Small Power Utilities Group (hereinafter, "NPC-SFUG"), PSALM, and the TransCo due for the said period; and (ii) Build-Operate-Transfer (hereinafter, "BOT") lease obligations pertaining to eligible (for SCC calculation purposes) and ineligible IPP contracts (relevant in calculating SD) due for the said year.

16. For CY 2017, total debts and BOT lease obligations serviced are summarized in the table below:

| Total Financial Obligations  | Amount (in PHP)          |
|--|--------------------------|
| (i) NPC's outstanding financial obligations as of effectivity of EPIRA | 29,070,635,761.28        |
| - Debt   | 1,498,304,814.70         |
| - Lease Obligation of all IPPs   | 27,572,330,946.58        |
| (ii) New loans contracted by NPC after the effectivity of EPIRA        | 1,814,494,997.85         |
| (iii) Loans incurred by PSALM in behalf of NPC                         | 43,229,100,140.47        |
| <b>Total Financial Obligations Serviced</b>                            | <b>74,684,525,896.35</b> |

Table 1: Summary of Financial Obligations Serviced in CY 2017

Attached hereto are the schedules of Financial Obligations Serviced in CY 2017 consisting of Total Actual Debt Service for the period ended 31 December 2017, Actual Debt Service for the period ended 31 December 2017 and Lease Obligations paid in 2017 as Annexes "C", "C-1" and "C-2", respectively.

**VII.**

**GROSS DEBT SERVICE (GDS)**

**Recoverable Financial Obligations**

17. 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 effectivity of 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.

18. 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-SFUG.

19. Consistent with the ERC 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**

20. Out of the total financial obligations serviced by PSALM in 2017, 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 utilization of SD in the loan proceeds. The percentage share utilization 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 for recovery under SD (hereinafter, "SD Percentage").

21. The allowable GDS also includes the capacity fees/lease obligations for eligible IPP contracts, namely: San Roque, Luzon Hydro (Bakun), Ilijan, Kalyayana 3 and 4, and Mindanao Coal/STEAG. In other words, allowable GDS excludes capacity fees/lease obligations of IPP contracts for Sual and Pagbilao Coal plants which are eligible for recovery under the UC-SD.

22. Out of the PHP73.61 Billion total financial obligations serviced in CY 2017, Allowable GDS amounts to PHP42.15 Billion, as shown below:

| Items  | Amount (in PHP)          |
|--|--------------------------|
| (i) NPC's outstanding financial obligations as of effectivity of EPIRA | 10,983,803,936.56        |
| - Debt   | 7,894,304,814.70         |
| - Lease Obligation of non-eligible IPPs                                | 3,089,499,121.86         |
| (ii) New loans contracted by NPC after effectivity of EPIRA            | 816,224,999.51           |
| (iii) Loans incurred by PSALM in behalf of NPC                         | 30,779,591,721.59        |
| <b>Total Allowable GDS</b>   | <b>42,151,629,717.06</b> |

Table 2: Summary of Total Allowable GDS for CY 2017

23. The total allowable GDS of PHP42.15 Billion was further reduced by PHP4.42 Billion, representing principal repayment portion of loans consisting of EPIF 728A Cylindrical Term Loan, RCFP Relending Facility and ROP Eminent 8500K Cylindrical Term Loan that were used to service debt maturities included in the CYs 2011 and 2012 GDS and SD calculations (Loans for Refinancing), to avoid double recovery.

24. Hence, Net Allowable GDS, net of the above-mentioned principal repayment portion of Loans for Refinancing, amounts to PHP37.73 Billion, as shown below:

| Not Allowable GDS   | Amount (in PHP)          |
|---|--------------------------|
| Gross Debt Service  | 42,151,629,717.06        |
| LESS: Principal Repayment Portion of New Loans for Refinancing                                    | 4,421,892,877.73         |
| <b>Net Allowable GDS</b>  | <b>37,729,736,839.33</b> |
| Allowable GDS Net of Principal Repayment Portion of New Loans for Refinancing (Net Allowable GDS) | 37,729,736,839.33        |

Table 3: Summary of Net Allowable GDS for CY 2017

The details of Net Allowable GDS are in Annex "D" while the schedule of Lease Obligations of Ineligible IPP Plants paid in 2017 is attached as Annex "D-1".

**VIII.**

**PRIVATIZATION PROCEEDS (PP)**

25. Consistent with the EPIRA and the UC-SD formula under the Amended Rules for Recovery, the following PP components shall be used to further reduce the allowable GDS:

- 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.

26. Guided by the considerations on PP in the ERC Decision, the PP for CY 2017 is shown below:

| Privatization Proceeds                      | Amount (in PHP)          |
|---|--------------------------|
| Sale of Generation Assets                   | 28,630,721,231.34        |
| IPP Administrator Monthly Payment           | 11,442,474,111.35        |
| Interest on EPIF 728A Cylindrical Term Loan | 3,579,812,268.00         |
| Other Debt-related Proceeds                 | 623,264,712.00           |
| <b>Total Privatization Proceeds</b>         | <b>44,276,272,322.69</b> |

Table 4: Details of Privatization Proceeds for CY 2017

27. The details of the privatization proceeds for CY 2017 are as follows:

d. The proceeds from the sale of generation assets amounting to PHP29.63 Billion correspond to the sale of decommissioned Sual Thermal Power Plant and unserviceable assets, junk and scrap materials;

e. The IPP administrator monthly payments amounting to PHP11.44 Billion, net of Value Added Tax (hereinafter, "VAT") shouldered by PSALM, represent the privatization proceeds from the three (3) IPP Administrators, namely, Vivant Sa. Clara Northern Renewable Generation Corp. (VSCNRGC), Strategic Power Development Corporation (SPDC), and South Frontier Power Corporation (SFC), as a result of PSALM's privatization of IPP contracts covering Luzon Hydro (Bakun), San Roque and Ilijan, respectively.

Proceeds from VSCNRGC represent interest on unpaid Monthly Payment covering September 2016 to March 2017 which was paid in July 2017. VSCNRGC filed a petition for corporate rehabilitation with the Regional Trial Court (hereinafter, "RTC") Branch 11, Cebu City on 16 May 2017. The RTC Branch 11 issued a Commencement/Stay Order declaring the entity under rehabilitation on 26 May 2017. Pending the court's resolution on PSALM's Opposition with prayer to lift Stay Order, Northern Renewables continues to administer the contracted capacities sans payment of Monthly Payment to PSALM.

f. The interest on TransCo's Concession Agreement amounting to PHP3.55 Billion represents the semi-annual interest payments made by the National Grid Corporation of the Philippines (hereinafter, "NGCP") on the balance of the concession fee under the Concession Agreement and

g. The proceeds from the sale of other privatization-related activities amounting to PHP0.62 Billion consist of the following: i) sale of Poro Coal; ii) forfeiture of performance bond from EDC Misamis Corporation in relation to the termination of IPP Administration Agreement of Mt. Apo 1 and 2; iii) exercise of option codominance notice on assets under land lease agreement; and iv) sale of waste materials.

28. The PP are net of VAT, consistent with Bureau of Internal Revenue (BIR) Revenue Memorandum Circular No. 11-2012 which states, among others, that:

"x x x Considering that the sale of electricity is now subject to VAT, the real properties sold by PSALM are regarded as real properties used in the trade or business. While it is clear under the Tax Code of 1997 that such sale is not subject to income tax, there is an provision under the same Code that exempts it from VAT nor subject it to VAT at zero rate. x x x"

"x x x Moreover, gross receipts of PSALM from the sale of NPC's stranded assets and other assets are deemed in the ordinary course of trade or business, hence, subject to VAT under the Tax Code of 1997."

29. Considering that the IPP Administrator Agreement between PSALM and the IPP Administrator provides that "in the event that the Monthly Payments are determined with finality to be subject to value added tax, all applicable value added tax on such payments shall be for the account of PSALM.", for purposes of SD calculations, the IPP Administrator Monthly Payment received by PSALM was reduced by the VAT shouldered by PSALM.

Attached hereto as Annex "E" is the Schedule of Actual Privatization Proceeds (for SD Recovery) based on Annexes "B-1" and "E-1", which are the Actual Privatization Proceeds, and VAT and EPIF on Privatization Proceeds, respectively.

**IX.**

**PROCEEDS FROM NPC OPERATIONS (PO)**

30. Consistent with the Amended Rules for Recovery and ERC Decision on the UC-SD, the PO which is composed of the following items shall be used to reduce the allowable GDS. Below is the list of generating assets and ineligible IPP contracts for CY 2017 whose operating results were considered in calculating PO:

| PSALM Owned Plants | IPP Plants | IPPs under EPIA |
|--------------------|------------|-----------------|
| Malaya             | Calaya     | Luzon Hydro     |
| Agua-Palungal      | San Roque  | (Bakun)         |
|                    | and Ilijan | San Roque       |
|                    | and Ilijan | Bakun           |
|                    | Cassaman   | Mt. Apo 1 & 2   |
|                    | Mindanao   |                 |

Table 5: List of Plants and IPPs

31. The PO of the remaining generating assets and IPP contracts for CY 2017 that were considered in the SD true-up calculations are shown below:

| Financial from NPC Operations            | Amount (in PHP)          |
|--|--------------------------|
| REVENUES                                 |                          |
| Net Utility Revenue (NUR)                | 23,541,153,481.63        |
| Generation Payment Billing               | 27,485,824,458.58        |
| Net Cash Income                          | 30,926,977,940.21        |
| Total Revenue                            | 30,926,977,940.21        |
| COSTS                                    |                          |
| Fuel                                     | 22,920,831,223.45        |
| Purchased Power Cost                     | 18,004,630,622.49        |
| Energy Purchased from PEMC (To meet TSC) | 49,346,024.12            |
| Pumping Cost                             | 3,206,763,644.42         |
| Other OPEX                               | 1,091,233,529.43         |
| Total Costs                              | 45,269,455,023.91        |
| <b>Net Cash Flow / PO</b>                | <b>15,657,522,916.30</b> |

Table 6: Summary of Proceeds from NPC Operations

The detailed PO for CY 2017 is attached hereto as Annex "F".

32. The components of the PO for CY 2017 are as follows:

a. Net Utility Revenues refer to revenues generated from the provision by the remaining generating assets' that ineligible IPP plants of energy and ancillary services to customers and the spot market. These revenues were based on the Operating Results, Cash Flow and the Results of Operation (hereinafter, "ROO") for CY 2017 broken down into ineligible and eligible, attached as Annex "F-1".

b. Generation Payments represent billings made to IPP Administrators of ineligible IPP plants, namely: Luzon Hydro (Bakun), San Roque, Ilijan and Mt. Apo.

Generation Payments from IPP Administrators covering ineligible IPP contracts that were privatized are considered in the PO "as billed" by PSALM. In view of the Commencement/Stay Order issued in favor of VSCNRGC for its Corporate Rehabilitation, Generation Payments billed to VSCNRGC for the Luzon Hydro EPIA covering 2017 billing period have remained unpaid. SFC likewise has unpaid Generation Payment (EPIA) with SFC was terminated by PSALM on 04 September 2015 due to underpayments on its Generation Payments. SFC thereafter filed a civil case against PSALM before the Mandaluyong RTC with prayer for writ of preliminary injunction. The trial court granted the writ in favor of SFC and as a result, SFC continues to administer the Ilijan contracted capacities.

For the Mt. Apo 1 and 2 EPIA, both the Monthly Payments and Generation Payments billed to EDC Misamis Power Corporation were included in the PO notwithstanding the



underpaid or unpaid amounts due to PSALM. PSALM assumed administration of the contracted capacities of Mt. Apo 1 and 2 starting 22 December 2017. The IFA of Mt. Apo 1 and 2 was terminated on 23 December 2017.

Unpaid Generation Payments by VSCNRGC, SPPC and EDC Means for CY 2017 amounted to PPh0.18 Billion, PPh0.28 Billion and PPh1.03 Billion, respectively, or a total of PPh1.50 Billion.

Attached as Annex "E" and Annex "F" are the Summary of IFA Billings - Generation Payments and VAT on Mt. Apo Monthly Payments, respectively.

Net Other Income/(Expense) consists of other income/expense not directly attributable to the operations of existing power plants.

Costs include fuel and purchased power costs (hereinafter, "PCC") entirely procured from the Philippine Electricity Market Corporation (hereinafter, "PEMC"), purchasing costs, and other plant operating expenses (hereinafter, "Other OPEX"). Other OPEX includes NPC's Operation and Maintenance Agreement (hereinafter, "OMA") costs, station use, shares in national wealth, Energy Regulation (hereinafter, "ER") 1-94, real property taxes, insurance and technical and administrative expenses. For PSALM's remaining generating assets and ineligible IFP plants, the cost components are based on the CY 2017 ROC. On the other hand, cost components for IFP plants under IFA were based on the CY 2017 Schedules of Fixed and Variable Costs of Ineligible Plants under IFA, attached hereto as Annexes "E-4" and "E-5", respectively.

NPC'S STRANDED DEBTS

33. The NPC Stranded Debts shall be equivalent to the Allowable GDS net of the calculated PP and PO. The calculated Stranded Debts for CY 2017 amounts to PPh1.50 Billion as shown below.

Table 7: UC-SD for CY 2017. Table with 2 columns: STRANDED DEBTS, CY 2017 (in PPh). Rows: GDS, Less: PP, Less: PO, SD.

Table 7: UC-SD for CY 2017

34. It should be noted that the calculated SD for CY 2017 in the amount of PPh1.50 Billion will increase to PPh1.39 Billion if we consider the unpaid Generation Payments amounting to PPh1.50 Billion due from SPPC, VSCNRGC and EDC Means Power Corporation.

COST VARIANCE (CV)

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

- a) Estimated costs covering GDS, PP and PO considered in establishing the approved level of stranded debts; and
b) Actual costs covering GDS, PP and PO.

36. In arriving at the CV, three (3) items need to be established. Since the ERC set the recoverable SD to zero, it follows that the value of estimated cost is also zero. As such, actual costs (GDS less PP and PO) for CY 2017 will necessarily be equivalent to the CV for the same period, amounting to PPh11.60 Billion as shown below.

Table 8: Cost Variance. Table with 2 columns: Particulars, Amount (PPh). Rows: Total Actual Cost, Less: Recoverable SD, CV.

Table 8: Cost Variance

QUANTITY VARIANCE (QV)

37. Quantity Variance (QV), as stated earlier, refers to the difference between the billing determinant used pursuant to the ERC Decision and the Actual kWh sales. This will be the QV in kWh sales.

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

CY 2017 UC-SD TRUE-UP ADJUSTMENT

39. As mentioned above, the VAR to support the SD True-up Adjustment is the sum of the CV and the Peso Value of the QV. Thus, the NPC SD True-up Adjustment is equivalent to the CV (Allowable GDS, net of the calculated PP and PO plus the zero (0) QV. The calculated SD True-up Adjustment for CY 2017 amounts to PPh11.60 Billion as shown below:

Table 9: UC-SD True-up Adjustment for CY 2017. Table with 2 columns: Particulars, Amount (PPh). Rows: CV, QV, UC-SD True-up Adjustment.

Table 9: UC-SD True-up Adjustment for CY 2017

A copy of the COA Independent Auditor's Report on the VAR on the True-up Adjustment of the NPC SD Portion of the UC for CY 2017 to support the True-up Adjustment is attached hereto as Annex "G".

40. The equivalent rate of the CY 2017 UC-SD True-up Adjustment is PPh0.0152/kWh, calculated by dividing the PPh11.60 Billion by the projected energy sales from January 2019 to June 2026 based on the Department of Energy's Electricity Sales Forecast by Grid (2016-2026) with details as follows:

Table 10: UC-SD True-up Adjustment for CY 2017 in PPh/kWh. Table with 3 columns: UC-SD True-up Adjustment (in PPh), Energy Sales Forecast (in kWh), UC-SD Rate (PPh/kWh).

Table 10: UC-SD True-up Adjustment for CY 2017 in PPh/kWh

A copy of the Electricity Sales Forecast, PDF (2016-2026) as sourced from the DOE is hereby attached as Annex "H".

ACTUAL OUTSTANDING DEBT SERVICE AS OF 31 DECEMBER 2017

41. Pursuant to Section 3, Article V of the ERC 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: PSALM's 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.

42. Shown below is the actual outstanding GDS as of 31 December 2017 as compared with the outstanding GDS as of 31 December 2010, 31 December 2011 and 2012, 31 December 2013, 31 December 2014, 31 December 2015 and 31 December 2016. The GDS as of 31 December 2010 was considered by the ERC in its Decision dated 28 January 2013 under ERC Case No. 2011-092. As to the GDS as of 31 December 2011 and 2012, 2013, 2014, 2015 and 2016, these were

reported in PSALM's petition under ERC Case No. 2013-195, submitted in PSALM's compliance to the ERC, reported in PSALM's petition under ERC Case No. 2016-144-RC, ERC Case No. 2016-150-RC and ERC Case No. 2017-099-RC, respectively, to wit:

Table 11: Outstanding GDS as of 31 December 2010, 2011, 2012, 2013, 2014, 2015, 2016 and 2017. Table with 10 columns: Particulars, 2010, 2011, 2012, 2013, 2014, 2015, 2016, 2017.

Table 11: Outstanding GDS as of 31 December 2010, 2011, 2012, 2013, 2014, 2015, 2016 and 2017

The details of the Actual Outstanding GDS as of 31 December 2017 are hereto attached as Annex "I", based on the Inventory of Financial Obligations (Principal), attached as Annex "I-1" and Inventory of Financial Obligations (Interest, Guarantee Fee and Other Charges) as of 31 December 2017 attached as Annex "I-2", and Lease Obligations as of 31 December 2017.

XV.

UPDATE ON THE IMPLEMENTATION OF THE NPC'S SD PORTION OF THE UC FOR CY 2013-2012

43. On 27 June 2017, the ERC issued a Decision on ERC Case No. 2013-195 "in the Matter of the Petition for True-Up Adjustments for the NPC's SD Portion of the UC for Luzon, Visayas and Mindanao Grids for CYs 2011 and 2012, with Prayer for Provisional Authority (PA) authorizing PSALM to recover UC-SD for CYs 2011-2012 amounting to PPh24.0 Billion at the rate of PPh0.0265/kWh for the Luzon, Visayas and Mindanao Grids until the approved amount has been fully recovered. The ERC directed all distribution utilities (DUs) and NCCP to collect from the consumers the approved UC-SD starting August 2017 billing period. Pursuant to Section 34 of Republic Act No. 9156, such collections by the DUs and TransCo (now NGCP) shall be remitted to PSALM Corporation on or before the 15th of the succeeding month.

44. Further, PSALM is directed, on a yearly basis, to include in its VAR the status of the collection of the ERC-approved CYs 2011-2012 UC-SD True-Up amount.

UC-SD Rate and Billing Determinant

45. The UC-SD rate of PPh0.0265/kWh was derived by the ERC by dividing the ERC-approved SD amount of PPh24,198,892,235.17 by the Department of Energy's (DOE) projected Philippine energy sales of 914,561 GWh covering January 2017 to June 2017.

Energy Sales Remitted for the Period 01 September 2017 to 31 December 2017

46. From 01 September 2017 to 31 December 2017, the total UC remittance made by the collecting entities to PSALM pertaining to the PPh0.0265/kWh CY 2012-2012 UC-SD approved by the ERC amounted to PPh25,034,320.77, as follows:

Table 12: CY 2012-2012 UC-SD Remittance. Table with 2 columns: Period, Amount (PPh). Rows: September 2017, October 1-18, 2017, October 19-31, 2017, November 1-16, 2017, November 17-30, 2017, December 1-15, 2017, December 16-30, 2017, Total.

Table 12: CY 2012-2012 UC-SD Remittance

47. The equivalent energy sales billed/remitted corresponding to the actual UC-SD remittance for the period 01 September 2017 to 31 December 2017 is 19,879.58 GWh. This was derived by dividing the remittance amounting to PPh25,034,320.77 by the ERC-approved UC-SD rate of PPh0.0265/kWh (PPh24,198,892,235.17/914,561 GWh).

Under-Recovery as of 31 December 2017

48. The under-recovery, pursuant to the Amended Rules for Recovery, is calculated by multiplying the quantity variance (QV) of 894,631.22 GWh by the PPh0.0265/kWh SD rate approved by the ERC. The resulting under-recovery for the CYs 2011-2012 UC-SD for the period 01 September 2017 to 31 December 2017 is PPh23,672,847,914.46, details of which are shown below:

Table 13: CY 2011-2012 UC-SD Under-Recovery as of 31 December 2017. Table with 4 columns: Particulars, Quantity (GWh), Amount (PPh), Rate (PPh/kWh). Rows: Billing Determinant and Approved Level, Less: Energy Sales Billed/Remitted, Quantity Variance/Multiplier (QV).

Table 13: CY 2011-2012 UC-SD Under-Recovery as of 31 December 2017

A copy of the COA Independent Auditor's Report on the VAR on the update on the implementation of the CYs 2011-2012 True-up Adjustment of the NPC SD Portion of the UC covering the remittance period 01 September 2017 to 31 December 2017 is attached as Annex "J".

49. In compliance with Section 4(e) of Rule 3 of the EPIRA-IRR and ERC Resolution No. 38-2006, a copy of the instant Petition (including Annexes) was furnished to the Sangguniang Panglungsod of Quezon City. A copy of the Affidavit of Service is hereto attached as Annex "K". The Petition (excluding Annexes) was also published in a newspaper of general circulation. A copy of the Affidavit of Publication is hereto attached as Annex "L".

XVI.

ALLEGATIONS IN SUPPORT FOR THE ISSUANCE OF PROVISIONAL AUTHORITY

50. The petition covers the true-up adjustment for the UC-SD for CY 2017. As PSALM has vigorously pursued its mandate of privatizing the generation assets and the power facilities, revenues from the sale of electricity of the remaining assets are not enough to cover its operations and provide funds for the payment of NPC debts and obligations. To address the funding gap, PSALM is forced to resort to temporary solution by borrowing, which entails borrowing costs which in turn will form part of the UC-SD, effectively increasing the UC burden of all electricity end-users.

51. On the other hand, if PSALM be allowed to immediately recover the UC-SD under this petition through provisional approval, new loans and refinancing to service maturing debts and lease obligations would lessen. This would redound to the benefit of electricity end-users due to reduced borrowing costs effectively reducing the UC burden.

52. Pursuant to the Honorable Commission's Rules of Procedure and Procedure, the Honorable Commission may exercise its discretion by granting provisional authority (hereinafter, "PA") or interim relief prior to a final decision. PSALM humbly requests that the Honorable Commission's indulgence to grant the PA to enable it to immediately recover the SD and accumulate sufficient funds to service its financial obligations. Early SD recovery will likewise translate to substantial

savings on borrowing costs, as PSALM need not resort to refinancing to service its maturing financial obligations.

53. In support of the prayer for the issuance of PA, the Affidavit of Ms. Luisa A. Estabro, Manager of PSALM's Universal Charge and Administration Department, establishing certain facts and circumstances that would justify the Honorable Commission's exercise of discretion granting the prayer for interim relief prior to a final decision is attached hereto and made an integral part hereof as Annex "M".

54. It is understood that the interim relief sought by Petitioner PSALM that shall be granted by the Commission shall be subject to adjustments and other conditions that the Commission may impose after hearing and that determination of the Honorable Commission.

PRAYER

WHEREFORE, premises considered, Petitioner respectfully prays of the Honorable Commission that after due notice and hearing:

- 1. The petition for true-up adjustment for the NPC's SD Portion of the UC covering the remittance period 01 September 2017 to 31 December 2017 (Annex "A") be granted in FULL COMPLIANCE to the directive of ERC Resolution No. 02, Series of 2011;
2. Provisional Authority allowing PSALM to charge, collect the computed UC-SD True-up Rate or such amount determined by the Honorable Commission be GRANTED; and
3. Submission of the following documents be deemed in FULL COMPLIANCE to the directive of ERC Resolution No. 02, Series of 2011:
a) Details of Outstanding GDS as of 31 December 2017 (Annex "I-1"); and
b) Inventory of Financial Obligations (Principal) as of 31 December 2017 (Annex "I-2");
c) Inventory of Financial Obligations (Interest, Guarantee Fee, and Other Charges) as of 31 December 2017 (Annex "I-3");
d) Outstanding Lease Obligations of Eligible and Ineligible IFPs as of 31 December 2017 (Annex "I-4");
e) Outstanding Lease Obligations of Ineligible IFP Plants as of 31 December 2017 (Annex "I-5");
4. Submission of the COA Independent Auditor's Report relating to the VAR on the update on the implementation of the CYs 2011-2012 True-Up Adjustment of the NPC SD Portion of the UC covering the remittance period 01 September 2017 to 31 December 2017 (Annex "J") be deemed in FULL COMPLIANCE to the directive of this Honorable Commission in its 27 June 2017 Decision under ERC Case No. 2013-195 RC and Resolution No. 02, Series of 2011;
Other reliefs just and equitable are likewise prayed for.

Quezon City, Philippines, 24 July 2018.

Signature block for GEORGE B. MARIANO, Atty. in Law, MCLB Compliance No. 001-015-139, Roll of Attorneys.

Signature block for MARILYN C. OIC-Corpo, MCLB Compliance No. 001-015-139, Roll of Attorneys.

Signature block for LUCAS C. PARAGUE, OIC-Corporate Legal Counsel, MCLB Compliance No. V-002149 (03-14-2016), Roll of Attorneys No. 63192.

Signature block for PABLO S. AQUINO, JR., Corporate Attorney, MCLB Compliance No. V-0004732 (12-08-2017), Roll of Attorneys No. 68011.

Signature block for POWER SECTOR ASSETS AND LIABILITIES MANAGEMENT CORPORATION, Atty. in Law, MCLB Compliance No. V-0004732 (12-08-2017), Roll of Attorneys No. 68011.

Signature block for Republic of the Philippines, Quezon City.

VERIFICATION AND CERTIFICATION

I, LUISA A. ESTABRO - GARCIA of legal age, married, with office address at the Power Sector Assets and Liabilities Management (PSALM) Corporation, 377 National Highway, Quezon City, Philippines, being duly sworn to and depone that the foregoing Petition for True-up Adjustment for the NPC's SD Portion of the UC for CY 2017 is true and correct to the best of my knowledge and belief.

- (1) I, the designated President and Chief Executive Officer of the Power Sector Assets and Liabilities Management (PSALM) Corporation with authority to execute, affix the sign and file the foregoing Petition for True-up Adjustment for the NPC's SD Portion of the UC for CY 2017;
(2) I have read the Petition and the allegations therein are true and correct to the best of my personal knowledge as the authentic records available to PSALM;
(3) PSALM has not commenced any other action or proceeding involving the same issues in the Supreme Court, the Court of Appeals or any court, tribunal, or quasi-judicial agency and, to the best of my knowledge, no such other action or claim is pending therein; and
(4) If PSALM should be found liable to pay the same as a similar action or claim has been filed or is pending in the Supreme Court, the Court of Appeals or any court, tribunal, or quasi-judicial agency, I shall report the same to the Office of the Secretary of Justice and to the Office of the Public Prosecutor within five (5) days from discovery thereof to the Honorable Commission.

Signature block for LUISA A. ESTABRO - GARCIA, Atty. in Law, MCLB Compliance No. V-0004732 (12-08-2017), Roll of Attorneys No. 68011.

Signature block for NOTARY PUBLIC, Atty. in Law, MCLB Compliance No. V-0004732 (12-08-2017), Roll of Attorneys No. 68011.

Signature block for ATTY. GEORGE B. MARIANO, Atty. in Law, MCLB Compliance No. 001-015-139, Roll of Attorneys.





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

IN THE MATTER OF THE TRUE-UP  
ADJUSTMENT OF THE NATIONAL  
POWER CORPORATION'S  
STRANDED DEBTS PORTION OF  
THE UNIVERSAL CHARGE FOR  
THE LUZON, VISAYAS AND  
MINDANAO GRIDS FOR  
CALENDAR YEAR 2017, WITH  
PRAYER FOR THE ISSUANCE OF  
PROVISIONAL AUTHORITY (PA),

ERC CASE NO. 2018-\_\_\_\_\_

POWER SECTOR ASSETS AND  
LIABILITIES MANAGEMENT  
CORPORATION (PSALM)

*Petitioner.*

x-----x

JUDICIAL AFFIDAVIT of  
LUISA A. ESTEBAN

[A] Witness-deponent is **Luisa A. Esteban**, of legal age and currently the Manager of the Universal Charge Administration Department (hereinafter, "UCAD") of the Power Sector Assets and Liabilities Management (PSALM) Corporation, with office address at the 3/F National Transmission Corporation Building, Power Center, Quezon Avenue corner BIR Road, Diliman, Quezon City.

[B] Examining counsel is **ATTY. LALAINÉ MAE O. PARLADE**, Corporate Attorney of the Office of the General Counsel, PSALM, with office address at the 3/F National Transmission Corporation Building, Power Center, Quezon Avenue corner BIR Road, Diliman, Quezon City. Ms. Esteban's affidavit was taken at PSALM's Office. *pel*

[C] Witness was made fully aware that she was examined under oath and she was fully informed that she may face criminal prosecution for false testimony or perjury.

[D] The testimony of Ms. Esteban is offered to prove that there is a necessity for the issuance of a Provisional Authority in connection with PSALM's True-up Adjustment of the National Power Corporation's Stranded Debts (SD) Portion of the Universal Charge (UC) for Calendar Year 2017.

[E] The questions asked of the witness and her corresponding answers are as follows:

Q.1 What is your current position in PSALM?

A.1 I am currently the Manager of PSALM's UCAD.

Q.2 As Manager of PSALM's UCAD, what are some of your duties and responsibilities?

A.2 As Manager of UCAD, my duties and responsibilities include among others, planning, directing, coordinating and overseeing the activities relating to the calculation of various tariffs, including the UC-SD True-up Adjustment.

Q.3 In PSALM's present Petition, why is there a prayer for the issuance of a provisional authority?

A.3 The prayer for the issuance of provisional authority to collect the calculated UC-SD for CY 2017 is intended to allow PSALM to immediately raise and generate additional funds to service portion of the USD 958.5 Million bullet maturing obligation which is due in early 2019. This will enable Petitioner to reduce its financing requirements to service its maturing debt obligations, thus, decreasing additional borrowing costs, and effectively reducing the SD and the UC burden of electricity end-users.

Further, considering that UC-SD is recoverable over the life span of PSALM which expires in June 2026, early <sup>2019</sup>

implementation of the CY 2017 UC-SD True-up Adjustment will allow it to recover the UC-SD over a longer period, effectively reducing the UC-SD rate for electricity end-users.

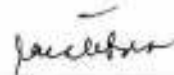
Pursuant to Energy Regulatory Commission (ERC) Rules of Practice and Procedures, the ERC may exercise its discretion by granting provisional authority or interim relief prior to a final decision.

It is understood that the interim relief sought by Petitioner PSALM that may be granted by the Honorable Commission, shall be subject to adjustments and other conditions that the Commission may impose after hearing and final determination of the Honorable Commission.

Q.4 Finally, Ms. Witness, do you confirm the contents and affirm the truthfulness of the statements in your affidavit?

A.4 Yes, I do.


IN WITNESS WHEREOF, I have hereunto set my hands this 27<sup>th</sup> day of July 2018 in Quezon City, Philippines.



\_\_\_\_\_  
LUIA A. ESTEBAN  
Affiant

SUBSCRIBED and SWORN TO before me this 27<sup>th</sup> day of July 2018, with affiant presenting to me her Government Service Insurance System I.D. No. CRN-006-0050-7343-4 known to me and known to be the same person who executed the foregoing Judicial Affidavit.

Doc. No. 116;  
Page No. 25;  
Book No. XIX  
Series of 2018.



ATTY. TOMAS B. BAGA, JR.  
NOTARY PUBLIC  
ADM NO. NP-013 (2018-2019)  
UNTIL DECEMBER 31, 2019  
ATTYS. ROLL NO. 13003  
IBP NO. 01/529/11-22-17  
PTR NO. 8539289 / 3-6-18 N. COT.  
MCLE NO. IV-0028098  
NTA BLDG. SCT. REYES, Q.C.  
CELL # 09208474724



ATTESTATION

I, ATTY. LALAINA MAE PARLADE, of legal age, employed as CORPORATE ATTORNEY of the Office of the General Counsel (OGC), PSALM, with office address at the 3<sup>rd</sup> Floor TransCo Building, Power Center, Quezon Avenue cor. BIR Road, Diliman Quezon City, after having been duly sworn to in accordance with law, hereby attest that I have faithfully recorded the questions I asked from the witness LUISA A. ESTEBAN and the corresponding answers she gave me and that neither I nor any other person present, coached the witness regarding her answers.

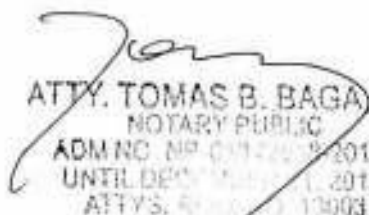
IN WITNESS WHEREOF, I have hereunto set my hand this 27<sup>th</sup> day of July 2018 in Quezon City, Philippines.

  
LALAINA MAE PARLADE  
Counsel for PSALM

SUBSCRIBED AND SWORN to before me this 27<sup>th</sup> day of July 2018 at Quezon City, Philippines, affiant having exhibited her IBP Lifetime Identification Card No. 012817.

NOTARY PUBLIC

Doc. No. 1A ;  
Page No. 28 ;  
Book No. XIX ;  
Series of 2018.

  
ATTY. TOMAS B. BAGA JR.  
NOTARY PUBLIC  
ADM NO. NP 011728 (2019)  
UNTIL DEC 31 2019  
ATTYS. REG. NO. 13003  
IBP NO. 011728 11-22-17  
PTR NO. 05303897 3-11-18 N. COE.  
MCLE NO. 19-0028098  
NTA BLDG. SCT. REYES, Q.C.  
CELL # 09208474724



## CERTIFICATION

To Whom It May Concern:

This is to certify that the following are lawyers with permanent status assigned to the Office of the General Counsel of the Power Sector Assets and Liabilities Management (PSALM) Corporation, a government-owned and controlled corporation:


- |                           |   |                         |
|---------------------------|---|-------------------------|
| 1. Geoffry DL. Masancay   | - | Corporate Legal Counsel |
| 2. Maria Ilyn G. Albito   | - | Corporate Attorney A    |
| 3. Lalaine Mae O. Parlade | - | Corporate Attorney A    |
| 4. Limuel V. Baldoza      | - | Corporate Attorney A    |
| 5. Paterno S. Aquino, Jr. | - | Corporate Attorney B    |

This is to further certify that as lawyers they are authorized to sign pleadings for and in behalf of the PSALM Corporation.

This certification is being issued for whatever legal purpose it may serve.

Done on the 24<sup>th</sup> day of July 2018.

Quezon City

  
**ROSARIO R. ILAGAN**  
Division Manager  
Human Resource Division



POWER SECTOR  
ASSETS & LIABILITIES  
MANAGEMENT CORPORATION



Management  
System  
ISO 9001:2015

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## SECRETARY'S CERTIFICATE

I, MARIA BELEN P. MONTES-NERA, of legal age, Filipino, and with office address at 3<sup>rd</sup> Floor, National Transmission Corporation (TransCo) Building, Power Center, BIR Road corner Quezon Avenue, Diliman, Quezon City 1101, hereby certify that:

1. I am the duly appointed Corporate Secretary of the Power Sector Assets and Liabilities Management Corporation ("PSALM"), a corporation duly organized and existing under and by virtue of Republic Act 9136, with office address at the 3<sup>rd</sup> Floor, National Transmission Corporation (TransCo) Building, Power Center, BIR Road corner Quezon Avenue, Diliman, Quezon City 1101. As such Corporate Secretary, I am the custodian of the corporate records of the Corporation, including but not limited to Resolutions of the Board.
2. At a regular meeting of the Board of Directors held on 19 June 2018, at which meeting a quorum was present and acting throughout, the following resolution, among others, was approved and adopted by the Board, thus:

### BOARD RESOLUTION 2018-0619-01

#### REPORT ON THE IMPLEMENTATION OF THE ENERGY REGULATORY COMMISSION (ERC) - APPROVED CYs 2011-2012 NATIONAL POWER CORPORATION- STRANDED DEBTS (NPC-SD) PORTION OF THE UNIVERSAL CHARGE (UC) AND PETITION FOR TRUE-UP ADJUSTMENT OF THE NPC-SD PORTION OF THE UC FOR CY 2017

NOW, THEREFORE, BE IT RESOLVED AS IT IS HEREBY RESOLVED, that as recommended by the Management and endorsed by the Board Review Committee, the Board of Directors hereby approves and confirms the following:

- i. Submission of a Report that out of the PhP24,198,852,235.17 ERC-approved CYs 2011-2012 NPC-SD Portion of the UC, PSALM has collected PhP526,004,320.71 covering 01 September to 31 December 2017 remittance period leaving an unrecovered UC-SD amounting to PhP23,672,847,914.46, subject to adjustment based on the certification that will be issued by COA;
- ii. Filing of the Petition for True-Up Adjustment of the NPC-SD Portion of the UC for CY 2017, duly supported by VAR, in the amount of PhP11,804,635,030.22, with an equivalent rate of PhP0.0152/kWh based on a seven and one half (7½) years recovery period, subject to adjustment based on the certification that will be issued by COA on the VAR; and



- iii. Authorize the President and CEO or her duly authorized representative to sign, execute and deliver documents relating to the foregoing, and to perform such other actions necessary to implement the same, including the following:
  - a. Commence, initiate, file, and represent PSALM in its Petition for True-Up Adjustment of the NPC SD Portion of the UC for CY 2017; and
  - b. Execute a verification and certification against forum shopping on PSALM's behalf.

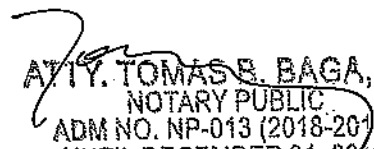
**APPROVED and CONFIRMED.**  
19 June 2018.

- 3. The foregoing resolution has not been revoked, amended, nor in any manner modified and may be relied upon until written notice to the contrary is issued by PSALM.

  
**MARIA BELÉN P. MONTES-NERA**  
*Corporate Secretary*

Republic of the Philippines }  
Quezon City, Metro Manila }

**SUBSCRIBED AND SWORN TO BEFORE ME** on 30 July 2018 at Quezon City, Metro Manila, Affiant exhibiting to me her IBP ID No. 37737, IBP Chapter Quezon Province.

  
**ATTY. TOMASE BAGA, JR.**  
NOTARY PUBLIC  
ADM NO. NP-013 (2018-2019)  
UNTIL DECEMBER 31, 2019  
ATTYS. ROLL NO. 13003  
IBP NO. 017520 11-22-17  
PTR NO. 8539383 / 3-6-18 N. COT.  
MCLE NO. IV-0026098  
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CELL # 09206474724

DOC NO. 199 :  
PAGE NO. 41 :  
BOOK NO. XLIX :  
SERIES OF 2018 :