

[ERC RESOLUTION NO. 07, S. 2011, March 07, 2011]

**A RESOLUTION ALLOWING THE DISTRIBUTION UTILITIES TO
INCLUDE IN THEIR MONTHLY TRANSMISSION COST THE
NATIONAL GRID CORPORATION OF THE PHILIPPINES'
NATIONAL FRANCHISE TAX BILLING**

WHEREAS, on December 1, 2008, Republic Act No. 9511 entitled "An Act Granting the National Grid Corporation of the Philippines a Franchise to Engage in the Business of Conveying or Transmitting Electricity Through High Voltage Back-Bone System of Interconnected Transmission Lines, Substations and Related Facilities, and for Other Purposes" was signed into law and became effective on January 15, 2009;

WHEREAS, Section 9 of the said Act requires NGCP to pay a three percent (3%) national franchise tax in lieu of all other taxes except realty tax;

WHEREAS, on November 22, 2010, the Energy Regulatory Commission (ERC) approved the Final Determination of NGCP for the 2011 to 2015 Regulatory Period, including the recovery of the 3% national franchise tax from its customers;

WHEREAS, during the December 26, 2010 to January 25, 2011 billing period, NGCP started charging its customers the 3% national franchise tax;

WHEREAS, the ERC recognizes the need for a uniform implementation of the recovery of NGCP's franchise tax charges;

WHEREAS, the NGCP's franchise tax is considered to be a pass through cost on the part of the DUs that can be included in the determination of the total transmission cost used in the Transmission Rate Adjustment Mechanism (TRAM) formula;

NOW THEREFORE, the ERC, after thorough and due deliberation, hereby RESOLVES, as it is hereby RESOLVED, to APPROVE and ADOPT the inclusion of the three percent (3%) national franchise tax billed by NGCP as part of the DUs' total monthly transmission cost in the Transmission Rate Adjustment Mechanism (TRAM) formula.

This Resolution shall take effect fifteen (15) days following its publication in a newspaper of general circulation in the country,

Let this Resolution be posted on the ERC website and filed with the University of the Philippines Law Center – Office of the National Administrative Register (UPLC-ONAR).

Adopted: 07 March 2011