

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



**IN THE MATTER OF  
APPLICATION FOR THE  
APPROVAL OF THE 18<sup>th</sup>  
GENERATION RATE  
ADJUSTMENT MECHANISM  
(18<sup>th</sup> GRAM) WITH PRAYER  
FOR PROVISIONAL  
AUTHORITY**

**ERC CASE No. 2019-025 RC**

**NATIONAL POWER  
CORPORATION,**  
**Applicant.**

Promulgated:  
JUL 16 2019

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**NOTICE OF PUBLIC HEARING**

**TO ALL INTERESTED PARTIES:**

Notice is hereby given that on 5 April 2019, the National Power Corporation (NPC) filed an *Application* dated 01 April 2019, for the approval of its 18<sup>th</sup> Generation Rate Adjustment Mechanism (GRAM), with prayer for provisional authority.

In its *Application*, NPC alleged, among others, the following:

1. Applicant NPC is a government-owned and controlled corporation, created and existing by virtue of Republic Act No. 6395, as amended, (the "NPC Charter") with principal office address at NPC-Office Building Complex ("NPC-OBC"), corner Quezon Avenue and BIR Road, East Triangle, Diliman, Quezon City.
2. Pursuant to Section 70 of R.A. 9136, otherwise known as the Electric Power Industry Reform Act ("EPIRA") of 2001, NPC through its Small Power Utilities Group ("SPUG"), with the same principal office address stated above, is responsible for providing power generation and its associated power delivery systems in areas that are not connected to the transmission system.

3. In the performance of its missionary electrification function, NPC through its SPUG, incurs additional operating costs as a result of the fluctuation of fuel prices used in power generation. As such, NPC is allowed by the rules to recover through the Generation Rate Adjustment Mechanism ("GRAM") the said additional costs incurred in the operation that is beyond the approved rate.
4. In the Order dated 24 February 2003, this Honorable Commission issued and adopted the Implementing Rules for the GRAM providing for, among others, the mechanisms for the recovery or refund of the deferred fuel costs and purchased power costs.
5. This application is being filed pursuant to the said GRAM Implementing Rules vis-à-vis Section 4(e) Rule 3 of the Implementing Rules and Regulations ("IRR"), as amended, of Republic Act (RA) 9136 (Electric Power Industry Reform Act or EPIRA) dated June 8, 2001.
6. The Application covers the billing period from January to December 2017. Applicant has fully complied with the GRAM's monthly reportorial requirements in support of the calculated allowable costs covering the billing period, as evidenced by the submitted reports/compliances duly received by this Honorable Commission and hereto attached as Annex "A" and Series.
7. Under this application, NPC through its SPUG operation, has incurred total actual fuel costs during the afore-said test period as follows:

**Table 1. Total Actual Fuel Costs, in PhP**

	<b>Actual Fuel Costs, PhP</b>
LUZON	1,445,512,978
VISAYAS	263,478,319
MINDANAO	1,288,319,285
<b>PHILIPPINES</b>	<b>2,997,310,582</b>

8. The costs of fuel consumed without generation (start-up) were not subjected to ERC - approved Heat Rate Cap as the fuel was used during start-up operations. Said costs are included in the Allowable Fuel Costs calculated together with the costs for the fuel consumed with generation that were subjected to ERC - approved Heat Rate cap for Luzon, Visayas and Mindanao. The said Allowable Fuel Costs are provided, as follows:



**Table 2. Allowable Fuel Costs, in PhP**

	<b>Allowable Fuel Costs, PhP</b>
LUZON	1,443,914,816
VISAYAS	263,478,319
MINDANAO	1,284,185,688
<b>PHILIPPINES</b>	<b>2,991,578,823</b>

9. The Applicant has accounted the corresponding fuel costs recovered through the Subsidized Approved Generation Rate (SAGR) using the breakdown in the unbundled SAGR approval by the Honorable Commission under ERC Case No. 2002-01 as follows:

**Table 3. Fuel Recovery under SAGR, in PhP**

	<b>Fuel Recovery under the SAGR</b>	
	<b>(PhP/kWh)</b>	<b>Amount</b>
LUZON	2.0282	395,453,882
VISAYAS	3.8942	103,330,083
MINDANAO	3.2787	561,751,887
<b>PHILIPPINES</b>		<b>1,060,535,852</b>

10. As authorized under the implementing rules of the GRAM, the following carrying interest charges were utilized by the Applicant:

**Table 4. Allowable Carrying Charge Interest Rates**

<b>Test/Billing Mos.</b>	<b>Prevailing 91-day T-Bill Rate <sup>1/</sup></b>	<b>Authorized Allowance <sup>2/</sup></b>	<b>Allowable Rate</b>
January	1.178	3.000	4.178
February	2.104	3.000	5.104
March	2.367	3.000	5.367
April	2.347	3.000	5.347
May	2.177	3.000	5.177
June	2.094	3.000	5.094
July	2.152	3.000	5.152
August	2.160	3.000	5.160
September	2.060	3.000	5.060
October	1.958	3.000	4.958
November	2.148	3.000	5.148
December <sup>3/</sup>	2.034	3.000	5.034

1/ Source: Bangko Sentral ng Pilipinas

([www.bsp.gov.ph/statistics/sdds/tbillsdds.htm](http://www.bsp.gov.ph/statistics/sdds/tbillsdds.htm))

2/ As authorized in the GRAM Implementing Rules

3/ There was no T-Bill Rate for Dec. 2017, hence, the data was based on the 4<sup>th</sup> quarter

11. The table below shows the calculated deferred fuel costs and the corresponding DAA for Luzon, Visayas and Mindanao under the subject 18th GRAM Application covering the test period January to December 2017 and the corresponding proposed rates in P/kWh calculated for recovery for a period of two (2) years:

**Table 5. Eighteenth (18<sup>th</sup>) GRAM DAA Summary**

	<b>LUZON</b>	<b>VISAYAS</b>	<b>MINDANAO</b>	<b>PHILIPPINES</b>
Principal	1,048,460,934	160,148,236	722,433,801	1,931,042,971
Carrying Charge	29,387,784	4,256,791	19,232,179	52,876,754
<b>TOTAL, PhP</b>	<b>1,077,848,718</b>	<b>164,405,027</b>	<b>741,665,980</b>	<b>1,983,919,725</b>
Two (2) Years Projected Energy Sales (MWh)	580,120	95,138	439,410	1,114,668
<b>18<sup>th</sup> GRAM DAA, PhP/kWh</b>	<b>1.8580</b>	<b>1.7281</b>	<b>1.6879</b>	<b>1.7798</b>

12. The Applicant proposes to recover the above calculated DAA within two (2) years to mitigate the impact thereof to customers in the missionary areas.
13. In support of the proposed 18th GRAM DAA, Applicant respectfully submits the following documents annexed herewith to form part of this Application:

List of Plants	<b>Annex B &amp; series</b>
Summary of DAA	<b>Annex C &amp; series</b>
Summary of Net Generation, kWh	<b>Annex D &amp; series</b>
91-day Treasury Bill Rates	<b>Annex E</b>
Actual Energy Sales, kWh	<b>Annex F &amp; series</b>
Projected Energy Sales, Mwh	<b>Annex G</b>

14. The proposed 18th GRAM DAA Application was approved for filing by the National Power Board on 28 March 2019, a certified copy of the Secretary's Certificate is attached hereto as Annex "H" and made an integral part hereof

15. With due respect, the proposed GRAM DAA adjustment, once approved, should be implemented or applied on top of the SAGR in both NPC-SPUG and delegated NPC-SPUG areas, or upon entry of NPPs thereof to levelize the rates in the said areas and consistent with ERC letter dated 05 March 2012 issued to NPC during the implementation of the 4th to 6th GRAM and ICERA DAA, copy of which is attached as in the Application.
16. The proposed 18th GRAM DAA is fair and reasonable as it is computed in line with the GRAM rules as approved by the Honorable Commission.

**ALLEGATIONS IN SUPPORT OF THE PRAYER FOR  
PROVISIONAL AUTHORITY**

17. The proposed deferred accounting adjustment will reflect the recent costs authorized under the GRAM rules/mechanism and NPC would increase the revenue commensurate with its cost and ultimately reduce the burden of the UC-ME on all electricity end-users.
18. Since these expenses were already incurred in the year 2017, immediate recovery of the needed adjustment through a provisional authority would help alleviate the operational funding of applicant, without prejudice on the authority of the Honorable Commission to approve the recovery of this adjustment as part of the True Cost Generation Rate (TCGR).
19. Pursuant to Rule 15, Section 3 of the Commission's Rules of Practice and Procedure, the Honorable Commission has the authority to grant a provisional authority pending final approval of the instant petition, it states, as follows:

*"Section 3. Action and Motion. – Motions for provisional authority or interim relief may be acted upon with or without hearing. The Commission shall act on the motion on the basis of the allegations of the application or petition and supporting documents and other evidences that applicant or petitioner has submitted and the comments or oppositions filed by any interested person, if there be any."* (Emphasis supplied)
20. Based on the foregoing justifications, NPC deems it proper to respectfully request the Honorable Commission for the issuance of a provisional authority pending the hearing on the merits and the final approval of the proposed GRAM DAA as well as the corresponding rate for CY 2017.

**PRAYER**

**WHEREFORE**, premises considered, it is most respectfully prayed that this Honorable Commission issues an Order:

1. Approving the recovery of the proposed Deferred Accounting Adjustments covering the test period from January to December 2017 for the deferred fuel costs in the amount of PhP 1,983,919,725 recoverable for a period of two (2) years through the imposition of the following proposed rates in P/kWh:

<b>LUZON</b>	<b>VISAYAS</b>	<b>MINDANAO</b>	<b>PHILIPPINES (Average)</b>
<b>1.8580</b>	<b>1.7281</b>	<b>1.6879</b>	<b>1.7798</b>

2. Imposing/charging the GRAM directly to consumers in NPC-SPUG areas as per applicable GRAM rules, subject to the discretion of the Honorable Commission in line with ERC Resolution No. 21.
3. Allowing the continued collection of the GRAM adjustments even with the entry of private sector players in a specific NPC-SPUG area.
4. Approving the implementation of the proposed rates on top of the existing Subsidized Approved Generation Rates (SAGR) of NPC-SPUG and SAGR of Delegated NPC-SPUG areas where NPPs operate for the purpose of determining the level of subsidy.
5. Granting Applicant NPC Provisional Authority for the implementation of the proposed rates and DAAs for the immediate recovery of deferred GRAM adjustments within the above proposed two (2) years recovery period.

Other reliefs, just and equitable, are likewise prayed for.

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The Commission has set the *Application* for determination of compliance with the jurisdictional requirements, expository presentation, Pre-trial Conference, and presentation of evidence on the following dates:

<b>Date and Time</b>	<b>Venue</b>	<b>Hearing Coverage</b>
18 September 2019 (Wednesday), at two o'clock in the afternoon (2:00 PM)	ERC Hearing Room 15 <sup>th</sup> Floor, Pacific Center Bldg. San Miguel Ave. Pasig City	Jurisdictional and Expository Presentation for Luzon Stakeholders
26 September 2019 (Thursday), at two o'clock in the afternoon (2:00 PM)	ERC Visayas Field Office St. Mary's Drive Banalad, Cebu City	Expository Presentation for Visayas Stakeholders
03 October 2019 (Thursday), at two o'clock in the afternoon (2:00 PM)	ERC Mindanao Field Office Mintrade Bldg. Monteverde Ave. cor. Sales St. Davao City	Expository Presentation for Mindanao Stakeholders
10 October 2019 (Thursday), at two o'clock in the afternoon (2:00 PM)	ERC Hearing Room 15 <sup>th</sup> Floor, Pacific Center Bldg. San Miguel Ave. Pasig City	Pre-trial Conference and Presentation of Evidence

All persons who have an interest in the subject matter of the instant case may become a party by filing with the Commission a verified Petition to Intervene at least five (5) days prior to the initial hearing and subject to the requirements under Rule 9 of the 2006 ERC Rules of Practice and Procedure, indicating therein the docket number and title of the case and stating the following:

- 1) The petitioner's name and address;
- 2) The nature of petitioner's interest in the subject matter of the proceeding and the way and manner in which such interest is affected by the issues involved in the proceeding; and
- 3) A statement of the relief desired.

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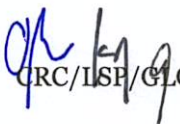
All other persons who may want their views known to the Commission with respect to the subject matter of the case may file their Opposition or Comment thereon at any stage of the proceeding before Applicant rests its case, subject to the requirements under Rule 9 of the 2006 ERC Rules of Practice and Procedure. No particular form of Opposition or Comment is required, but the document, letter, or writing should contain the following:

- 1) The name and address of such person;
- 2) A concise statement of the Opposition or Comment; and
- 3) The grounds relied upon.

All such persons who wish to have a copy of the *Application* may request from the Applicant that they be furnished with the same, prior to the date of the initial hearing. Applicant is hereby directed to furnish all those making such request with copies of the *Application* and its attachments, subject to the reimbursement of reasonable photocopying costs. Any such person may likewise examine the *Application* and other pertinent records filed with the Commission during the standard office hours.

**WITNESS**, the Honorable Chairperson and CEO, **AGNES VST DEVANADERA** and the Honorable Commissioners **ALEXIS M. LUMBATAN**, and **CATHERINE P. MACEDA**, Energy Regulatory Commission, this 28th day of June 2019 in Pasig City.

  
**JOSEFINA PATRICIA A. MAGPALE-ASIRIT**  
*Oversight Commissioner for Legal*

  
ERC/ISP/CLO nph.2019-025 RC NPC 18<sup>th</sup> GRAM