



NATIONAL ELECTRIFICATION ADMINISTRATION
"The 1st Performance Governance System-Institutionalized National Government Agency"
57 NIA Road, Government Center, Diliman, Quezon City 1100



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10 September 2019

MEMORANDUM

TO : ALL CONCERNED ELECTRIC COOPERATIVES
Attention: EC General Managers

SUBJECT : ERC Public Hearing for 18th GRAM and 18th ICERA in Missionary Areas

May we furnish you with a copy of the Orders and Notices of Public Hearing issued by the Energy Regulatory Commission (ERC) on the filed application of the National Power Corporation (NPC) for:

- a) ERC Case No. 2019-025 - 18th Generation Rate Adjustment Mechanism (GRAM)
- b) ERC Case No. 2019-026- 18th Incremental Currency Exchange Rate Adjustment (ICERA)

Corollary to this, all concerned Electric Cooperatives (ECs) are requested to prepare all the necessary requirements to this activity and attend the said public hearing on the following schedules:

Date and Time		Venue	Hearing Coverage
		LUZON	
18 September 2019 (Wednesday)		ERC Hearing Room, 15 th Floor, Pacific Center Bldg., San Miguel Ave. Pasig City	Jurisdictional and Expository Presentation for Luzon Stakeholders
18 th ICERA, 10:00 am	18 th GRAM, 2:00 pm		
		VISAYAS	
26 September 2019 (Thursday)		ERC- Visayas Field Office, St. Mary's Drive, Banilad, Cebu City	Expository Presentation for Visayas Stakeholders
18 th ICERA, 10:00 am	18 th GRAM, 2:00 pm		
		MINDANAO	
03 October 2019 (Thursday)		ERC- Mindanao Field Office, Mintrade Bldg., Monteverde Ave., cor. Sales St., Davao City	Expository Presentation for Mindanao Stakeholders
18 th ICERA, 10:00 am	18 th GRAM, 2:00 pm		
		LUZON	
10 October 2019 (Thursday)		ERC Hearing Room, 15 th Floor, Pacific Center Bldg., San Miguel Ave. Pasig City	Pre-trial and presentation of evidence
18 th ICERA, 10:00 am	18 th GRAM, 2:00 pm		

For your appropriate action.

for: 
EDGARDO R. MASONGSONG
Administrator



(02) 929-1909
www.nea.gov.ph

"Energizing the Countryside, Electrifying the Future"

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



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

ERC CASE No. 2019-025 RC

**NATIONAL POWER
CORPORATION,**
Applicant.

X ----- X

Promulgated:
JUL 16 2019

ORDER

On 5 April 2019, the National Power Corporation (NPC) filed an *Application* dated 01 April 2019, for the approval of its 18th 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

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

- 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

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

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

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

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

Test/Billing Mos.	Prevailing 91-day T-Bill Rate ^{1/}	Authorized Allowance ^{2/}	Allowable Rate
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 ^{3/}	2.034	3.000	5.034

1/ Source: Bangko Sentral ng Pilipinas
(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 4th 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 (18th) GRAM DAA Summary

	LUZON	VISAYAS	MINDANAO	PHILIPPINES
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
TOTAL, PhP	1,077,848,718	164,405,027	741,665,980	1,983,919,725
Two (2) Years Projected Energy Sales (MWh)	580,120	95,138	439,410	1,114,668
18th GRAM DAA, PhP/kWh	1.8580	1.7281	1.6879	1.7798

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	Annex B & series
Summary of DAA	Annex C & series
Summary of Net Generation, kWh	Annex D & series
91-day Treasury Bill Rates	Annex E
Actual Energy Sales, kWh	Annex F & series
Projected Energy Sales, Mwh	Annex G

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:

LUZON	VISAYAS	MINDANAO	PHILIPPINES (Average)
1.8580	1.7281	1.6879	1.7798

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.

(This space is intentionally left blank.)

Finding the said *Application* sufficient in form and substance with the required fees having been paid, the same is hereby set for determination of compliance with the jurisdictional requirements, expository presentation, Pre-trial Conference, and presentation of evidence on the following dates:

Date and Time	Venue	Hearing Coverage
18 September 2019 (Wednesday), at two o'clock in the afternoon (2:00 PM)	ERC Hearing Room 15 th 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 Banilad, 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 th Floor, Pacific Center Bldg. San Miguel Ave. Pasig City	Pre-trial Conference and Presentation of Evidence

Accordingly, NPC is hereby directed to:

- 1) Cause the publication of the attached Notice of Public Hearing in two (2) newspapers of nationwide circulation in the Philippines at its own expense, twice (2x) within two (2) successive weeks, the dates of publication not being less than seven (7) days apart and the date of the last publication to be made not later than ten (10) days before the date of the scheduled initial hearing;

- 2) Furnish with copies of this *Order* and the attached *Notice of Public Hearing*, the Offices of the Provincial Governors, the City and Municipal Mayors, and the Local Government Unit (LGU) legislative bodies covered by the franchise area of the distribution utilities where the National Power Corporation-Small Power Utilities Group (NPC-SPUG) principally operates for the appropriate posting thereof on their respective bulletin boards;
- 3) Inform of the filing of the *Application*, its reasons therefor, and of the scheduled hearing thereon, the consumers within the affected franchise area, by any other means available and appropriate;
- 4) Furnish with copies of this *Order* and the attached *Notice of Public Hearing*, the Office of the Solicitor General (OSG), the Commission on Audit (COA), and the Committees on Energy of both Houses of Congress. They are hereby requested, if they so desire to send their duly authorized representatives at the scheduled hearings; and
- 5) Furnish with copies of the *Application* and its attachments all those making requests therefor, subject to reimbursement of reasonable photocopying costs.

On the date of the initial hearing, Applicant NPC must submit to the Commission its written compliance with the aforementioned jurisdictional requirements attaching therewith, methodically arranged and duly marked the following:

- 1) The evidence of publication of the attached *Notice of Public Hearing* consisting of affidavits of the Editors or Business Managers of the newspapers where the said Notice of Public Hearing was published, and the complete issues of the said newspapers;
- 2) The evidence of actual posting of this *Order* and the attached *Notice of Public Hearing* consisting of certifications issued to that effect, signed by the aforementioned Governors, Mayors, and LGU legislative bodies or their duly authorized representatives, bearing the seals of their offices;

- 3) The evidence of other means employed by NPC to inform of the filing of the *Application*, its reasons therefore, and of the scheduled hearings thereon, the consumers within the affected franchise area;
- 4) The evidence of receipt of copies of this Order and the attached Notice of Public Hearing by the Office of the Solicitor General (OSG), the Commission on Audit (COA), and the Committees on Energy of both Houses of Congress;
- 5) The evidence of receipt of copies of the *Application* and its attachments by all those making requests therefor, if any; and
- 6) Such other proofs of compliance with the requirements of the Commission.

NPC and all interested parties are also required to submit, at least five (5) days before the date of initial hearing and Pre-Trial Conference, their respective Pre-Trial Briefs containing, among others:

- 1) A summary of admitted facts and proposed stipulation of facts;
- 2) The issues to be tried or resolved;
- 3) The documents or exhibits to be presented, stating the purposes and proposed markings therefore; and
- 4) The number and names of the witnesses, with their written testimonies in a Judicial Affidavit form attached to the Pre-trial Brief.

Failure of NPC to comply with the above requirements within the prescribed period shall be a ground for cancellation of the scheduled hearing, and the resetting of which shall be six (6) months from the said date of cancellation.

NPC must also be prepared to make an expository presentation of the instant *Application*, aided by whatever communication medium that it may deem appropriate for the purpose, in order to put in plain words and explain, for the benefit of the consumers and other

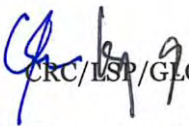
concerned parties, the nature of the *Application* with relevant information and pertinent details substantiating the reasons and justification being cited in support thereof.

SO ORDERED.

Pasig City, 28 June 2019.

FOR AND BY AUTHORITY
OF THE COMMISSION:


JOSEFINA PATRICIA A. MAGPALE- ASIRIT
Commissioner

 CRC/LSP/GLO ord.2019-025 RC NPC- 18TH GRAM IO

Copy Furnished:

1. Atty. Melchor P. Ridulme, Atty. Delfin L. Buenafe II, Atty. May Rose C. Pintor, Atty. Diwa Rafael B. Bontuyan
Counsels for National Power Corporation
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BIR Road cor. Quezon Avenue
Diliman, Quezon City
Tel. No. 02-921-9670
2. Office of the Solicitor General (OSG)
134 Amorsolo Street, Legaspi Village
Makati City, Metro Manila
3. Commission on Audit (COA)
Commonwealth Avenue
Quezon City, Metro Manila
4. Senate Committee on Energy
GSIS Bldg. Roxas Blvd., Pasay City
Metro Manila
5. House of Representatives Committee on Energy
Batasan Hills, Quezon City, Metro Manila
6. Office of the City Mayor
Quezon City
7. Sangguniang Panlungsod ng Quezon
Quezon City
8. Provincial Governor
Bulacan
9. Sangguniang Panlalawigan ng Bulacan
Bulacan
10. Office of the City Mayor
Cebu City
11. Sangguniang Panlungsod ng Cebu
Cebu City

12. Office of the City Mayor
Davao City
13. Sangguniang Panlungsod ng Davao
Davao City
14. Office of the City Mayor
Zamboanga City
15. Sangguniang Panlungsod ng Zamboanga
Zamboanga City
16. Provincial Governor
Batanes
17. Sangguniang Panlalawigan ng Batanes
Batanes
18. Office of the Municipal Mayor
Basco, Batanes
19. Sangguniang Bayan ng Basco
Basco, Batanes
20. Office of the Municipal Mayor
Itbayat, Batanes
21. Sangguniang Bayan ng Itbayat
Itbayat, Batanes
22. Office of the Municipal Mayor
Sabtang, Batanes
23. Sangguniang Bayan ng Sabtang
Sabtang, Batanes
24. Office of the Municipal Mayor
Mahatao, Batanes
25. Sangguniang Bayan ng Mahatao
Mahatao, Batanes
26. Office of the Municipal Mayor
Ivana, Batanes
27. Office of the Municipal Mayor
Uyugan, Batanes
28. Sangguniang Bayan ng Ivana
Ivana, Batanes
29. General Manager
Batanes Electric Cooperative, Inc. (BATANELCO)
30. Provincial Governor
Cagayan
31. Sangguniang Panlalawigan ng Cagayan
Cagayan
32. Office of the Municipal Mayor
Calayan, Cagayan
33. Sangguniang Bayan ng Calayan
Calayan, Cagayan
34. General Manager

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Cagayan II Electric Cooperative, Inc. (CAGELCO II)

35. Provincial Governor
Apayao
36. Sangguniang Panlalawigan ng Apayao
Apayao
37. Office of the Municipal Mayor
Kabugao, Apayao
38. Sangguniang Bayan ng Kabugao
Kabugao, Apayao
39. Provincial Governor
Kalinga
40. Sangguniang Panlalawigan ng Kalinga
Kalinga
41. Office of the Municipal Mayor
Lubuagan, Kalinga
42. Sangguniang Bayan, Lubuagan
Lubuagan, Kalinga
43. General Manager
Kalinga-Apayao Electric Cooperative, Inc. (KAELCO)
44. Provincial Governor
Isabela
45. Sangguniang Panlalawigan ng Isabela
Isabela
46. Office of the Municipal Mayor
Palanan, Isabela
47. Sangguniang Bayan, Palanan
Palanan, Isabela
48. Office of the Municipal Mayor
Maconacon, Isabela
49. Sangguniang Bayan, Maconacon
Maconacon, Isabela
50. Office of the Municipal Mayor
Dinapigue, Isabela
51. Sangguniang Bayan, Dinapigue
Dinapigue, Isabela
52. General Manager
Isabela II Electric Cooperative, Inc. (ISELCO II)
53. Provincial Governor
Aurora
54. Sangguniang Panlalawigan ng Aurora
Aurora
55. Office of the Municipal Mayor
Casiguran, Aurora
56. Sangguniang Bayan Casiguran
Casiguran, Aurora

57. Office of the Municipal Mayor
Dingalan, Aurora
58. Sangguniang Bayan Dingalan
Dingalan, Aurora
59. Office of the Municipal Mayor
Dilasag, Aurora
60. Sangguniang Bayan Dilasag
Dilasag, Aurora
61. Office of the Municipal Mayor
Dinalungan, Aurora
62. Sangguniang Bayan Dinalungan
Dinalungan, Aurora
63. General Manager
Aurora Electric Cooperative, Inc. (AURELCO)
64. Provincial Governor
Quezon
65. Sangguniang Panlalawigan ng Quezon
Quezon
66. Office of the Municipal Mayor
Jomalig, Quezon
67. Sangguniang Bayan Jomalig
Jomalig, Quezon
68. Office of the Municipal Mayor
Patnanungan, Quezon
69. Sangguniang Bayan Patnanungan
Patnanungan, Quezon
70. Office of the Municipal Mayor
Polilio, Quezon
71. Sangguniang Bayan Polilo
Polilio, Quezon
72. General Manager
Quezon II Electric Cooperative, Inc. (QUEZELCO II)
73. Provincial Governor
Batangas
74. Sangguniang Panlalawigan ng Batangas
Batangas
75. Office of the Municipal Mayor
Tingloy, Batangas
76. Sangguniang Bayan Tingloy
Tingloy, Batangas
77. General Manager
Batangas II Electric Cooperative, Inc. (BATELEC II)
78. Provincial Governor
Marinduque

79. Sangguniang Panlalwigan ng Marinduque
Marinduque
80. Office of the Municipal Mayor
Boac, Marinduque
81. Sangguniang Bayan Boac
Boac, Marinduque
82. Office of the Municipal Mayor
Mogpog, Marinduque
83. Sangguniang Bayan Mogpog
Mogpog, Marinduque
84. Office of the Municipal Mayor
Santa Cruz, Marinduque
85. Sangguniang Bayan Santa Cruz
Santa Cruz, Marinduque
86. Office of the Municipal Mayor
Torrijos, Marinduque
87. Sangguniang Bayan Torrijos
Torrijos, Marinduque
88. Office of the Municipal Mayor
Buenavista, Marinduque
89. Sangguniang Bayan Buenavista
Buenavista, Marinduque
90. Office of the Municipal Mayor
Gasán, Marinduque
91. Sangguniang Bayan Gasan
Gasán, Marinduque
92. General Manager
Marinduque Electric Cooperative (MARELCO)
93. Provincial Governor
Occidental Mindoro
94. Sangguniang Panlalawigan ng Occidental Mindoro
Occidental Mindoro
95. Office of the City Mayor
Lubang City, Occidental Mindoro
96. Sangguniang Panlungsod Lubang
Lubang City, Occidental Mindoro
97. Office of the Municipal Mayor
Mamburao, Occidental Mindoro
98. Sangguniang Bayan Mamburao
Mamburao, Occidental Mindoro

99. Office of the Municipal Mayor
Paluan, Occidental Mindoro
100. Sangguniang Bayan Paluan
Paluan, Occidental Mindoro
101. Office of the Municipal Mayor
San Jose, Occidental Mindoro
102. Sangguniang Bayan San Jose
San Jose, Occidental Mindoro
103. Office of the Municipal Mayor
Abra de Ilog, Occidental Mindoro
104. Sangguniang Bayan Abra de Ilog
Abra de Ilog, Occidental Mindoro
105. Office of the Municipal Mayor
Calintaan, Occidental Mindoro
106. Sangguniang Bayan Calintaan
Calintaan, Occidental Mindoro
107. Office of the Municipal Mayor
Looc, Occidental Mindoro
108. Sangguniang Bayan Looc
Looc, Occidental Mindoro
109. Office of the Municipal Mayor
Magsaysay, Occidental Mindoro
110. Sangguniang Bayan Magsaysay
Magsaysay, Occidental Mindoro
111. Office of the Municipal Mayor
Rizal, Occidental Mindoro
112. Sangguniang Bayan Rizal
Rizal, Occidental Mindoro
113. Office of the Municipal Mayor
Sablayan, Occidental Mindoro
114. Sangguniang Bayan Sablayan
Sablayan, Occidental Mindoro
115. Office of the Municipal Mayor
Sta. Cruz, Occidental Mindoro
116. Sangguniang Bayan Sta. Cruz
Sta. Cruz, Occidental Mindoro
117. General Manager
Occidental Mindoro Electric Cooperative (OMECO)
118. General Manager
Lubang Island Electric Cooperative (LUBELCO)
119. Provincial Governor
Oriental Mindoro
120. Sangguniang Panlalawigan ng Oriental Mindoro
Oriental Mindoro

121. Office of the City Mayor
Calapan City, Oriental Mindoro
122. Sangguniang Panlungsod Calapan
Calapan City, Oriental Mindoro
123. Office of the Municipal Mayor
Baco, Oriental Mindoro
124. Sangguniang Bayan Baco
Baco, Oriental Mindoro
125. Office of the Municipal Mayor
San Teodoro, Oriental Mindoro
126. Sangguniang Bayan San Teodoro
San Teodoro, Oriental Mindoro
127. Office of the Municipal Mayor
Puerto Galera, Oriental Mindoro
128. Sangguniang Bayan Puerto Galera
Puerto Galera, Oriental Mindoro
129. Office of the Municipal Mayor
Naujan, Oriental Mindoro
130. Sangguniang Bayan Naujan
Naujan, Oriental Mindoro
131. Office of the Municipal Mayor
Victoria, Oriental Mindoro
132. Sangguniang Bayan Victoria
Victoria, Oriental Mindoro
133. Office of the Municipal Mayor
Socorro, Oriental Mindoro
134. Sangguniang Bayan Socorro
Socorro, Oriental Mindoro
135. Office of the Municipal Mayor
Pola, Oriental Mindoro
136. Sangguniang Bayan Pola
Pola, Oriental Mindoro
137. Office of the Municipal Mayor
Pinamalayan, Oriental Mindoro
138. Sangguniang Bayan Pinamalayan
Pinamalayan, Oriental Mindoro
139. Office of the Municipal Mayor
Gloria, Oriental Mindoro
140. Sangguniang Bayan Gloria
Gloria, Oriental Mindoro
141. Office of the Municipal Mayor
Bansud, Oriental Mindoro
142. Sangguniang Bayan Bansud
Bansud, Oriental Mindoro

143. Office of the Municipal Mayor
Bongabong, Oriental Mindoro
144. Sangguniang Bayan Bongabong
Bongabong, Oriental Mindoro
145. Office of the Municipal Mayor
Roxas, Oriental Mindoro
146. Sangguniang Bayan Roxas
Roxas, Oriental Mindoro
147. Office of the Municipal Mayor
Mansalay, Oriental Mindoro
148. Sangguniang Bayan Mansalay
Mansalay, Oriental Mindoro
149. Office of the Municipal Mayor
Bulalacao, Oriental Mindoro
150. Sangguniang Bayan Bulalacao
Bulalacao, Oriental Mindoro
151. General Manager
Oriental Mindoro Electric Cooperative (ORMECO)
152. Provincial Governor
Palawan
153. Sangguniang Panlalawigan ng Palawan
Palawan
154. Office of the City Mayor
Puerto Prinsesa City, Palawan
155. Sangguniang Panlungsod ng Puerto Prinsesa
Puerto Prinsesa City, Palawan
156. Office of the Municipal Mayor
Agulaya, Palawan
157. Sangguniang Bayan Agulaya
Agulaya, Palawan
158. Office of the Municipal Mayor
Araceli, Palawan
159. Sangguniang Bayan Araceli
Araceli, Palawan
160. Office of the Municipal Mayor
Batabac, Palawan
161. Sangguniang Bayan Batabac
Batabac, Palawan
162. Office of the Municipal Mayor
Busuanga, Palawan
163. Sangguniang Bayan Busuanga
Busuanga, Palawan
164. Office of the Municipal Mayor
Coron, Palawan

165. Sangguniang Bayan Coron
Coron, Palawan
166. Office of the Municipal Mayor
Cagayancillo, Palawan
167. Sangguniang Bayan Cagayancillo
Cagayancillo, Palawan
168. Office of the Municipal Mayor
Cullion, Palawan
169. Sangguniang Bayan Cullion
Cullion, Palawan
170. Office of the Municipal Mayor
Cuyo, Palawan
171. Sangguniang Bayan Cuyo
Cuyo, Palawan
172. Office of the Municipal Mayor
El Nido, Palawan
173. Sangguniang Bayan El Nido
El Nido, Palawan
174. Office of the Municipal Mayor
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175. Sangguniang Bayan Linapacan
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176. Office of the Municipal Mayor
Magsaysay, Palawan
177. Sangguniang Bayan Magsaysay
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178. Office of the Municipal Mayor
Narra, Palawan
179. Sangguniang Bayan Narra
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180. Office of the Municipal Mayor
Rizal, Palawan
181. Sangguniang Bayan Rizal
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182. Office of the Municipal Mayor
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184. Office of the Municipal Mayor
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185. Sangguniang Bayan San Vicente
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186. Office of the Municipal Mayor
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196. Office of the Municipal Mayor
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198. Office of the Municipal Mayor
Dumaran, Palawan
199. Sangguniang Bayan Dumaran
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200. General Manager
Main Office
Palawan Electric Copperative, Inc. (PALECO)
201. Manager
Sub-Office
Palawan Electric Copperative, Inc. (PALECO)
202. General Manager
Busuanga Island Electric Cooperative, Inc. (BISELCO)
203. Provincial Governor
Romblon
204. Sangguniang Panlalawigan ng Romblon
Romblon
205. Office of the Municipal Mayor
Banton, Romblon
206. Sangguniang Bayan ng Banton
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207. Office of the Municipal Mayor
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209. Office of the Municipal Mayor
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210. Sangguniang Bayan ng Corcuera
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211. Office of the Municipal Mayor
Odiongan, Romblon
212. Sangguniang Bayan ng Odiongan
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213. Office of the City Mayor
Romblon City, Romblon
214. Sangguniang Panlungsod ng Romblon
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215. Office of the Municipal Mayor
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216. Sangguniang Bayan ng San Fernando
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219. Office of the Municipal Mayor
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220. Sangguniang Bayan ng Alcantara
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221. Office of the Municipal Mayor
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222. Sangguniang Bayan ng Calatrava
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223. Office of the Municipal Mayor
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227. Office of the Municipal Mayor
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237. Office of the Municipal Mayor
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238. Sangguniang Bayan ng Cadidiocan
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239. General Manager
Romblon Electric Cooperative, Inc. (ROMELCO)
240. General Manager
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241. Provincial Governor
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242. Sangguniang Panlalawigan ng Camarines Sur
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247. Office of the Municipal Mayor
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249. General Manager
Camarines Sur IV Electric Cooperative, Inc. (CASURECO IV)
250. Provincial Governor
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251. Sangguniang Panlalawigan ng Catanduanes
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252. Office of the Municipal Mayor
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253. Sangguniang Bayan ng Bato
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271. Sangguniang Bayan ng San Andres
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277. Provincial Governor
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279. Office of the Municipal Mayor
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280. Sangguniang Bayan ng Rapu-rapu
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281. General Manager
Albay Power and Energy Corp. (APEC)/Albay Electric Cooperative, Inc. (ALECO)
282. Provincial Governor
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288. Office of the Municipal Mayor
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296. Office of the Municipal Mayor
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297. Sangguniang Bayan ng Dimasalang
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298. Office of the Municipal Mayor
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300. Office of the Municipal Mayor
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301. Sangguniang Bayan ng Mandaon
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314. Office of the Municipal Mayor
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316. Office of the Municipal Mayor
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324. General Manager
Masbate Electric Cooperative, Inc. (MASELCO)
325. General Manager
Ticao Island Electric Cooperative (TISELCO)
326. Provincial Governor
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327. Sangguniang Panlalawigan ng Iloilo
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328. Office of the Municipal Mayor
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329. Sangguniang Bayan ng Carles
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330. Provincial Governor
Guimaras
331. Sangguniang Panlalawigan ng Guimaras
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332. Office of the Municipal Mayor
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333. Sangguniang Bayan ng Nueva Valencia
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334. Provincial Governor
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335. Sangguniang Panlalawigan ng Antique
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336. Office of the Municipal Mayor
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337. Sangguniang Bayan ng Caluya
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338. Office of the Municipal Mayor
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339. Sangguniang Bayan ng Culasi
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340. General Manager
Antique Electric Cooperative, Inc. (ANTECO)

- 341. Provincial Governor
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- 342. Sangguniang Panlalawigan ng Cebu
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- 343. Office of the Municipal Mayor
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- 344. Sangguniang Bayan ng Bantayan
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- 345. Office of the Municipal Mayor
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- 346. Sangguniang Bayan ng Pilar
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- 347. Office of the Municipal Mayor
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- 348. Sangguniang Bayan ng Poro
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- 349. Office of the Municipal Mayor
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- 350. Sangguniang Bayan ng Santa Fe
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- 351. General Manager
Bantayan Electric Cooperative, Inc. (BANELCO)
- 352. General Manager
Camotes Electric Cooperative, Inc. (CELCO)
- 353. Provincial Governor
Siquijor
- 354. Sangguniang Panlalawigan ng Siquijor
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- 355. Office of the Municipal Mayor
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- 356. Sangguniang Bayan ng Larena
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- 357. Office of the Municipal Mayor
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- 358. Sangguniang Bayan ng Lazi
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- 359. Office of the Municipal Mayor
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- 360. Sangguniang Bayan ng Siquijor
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- 361. General Manager
Province of Siquijor Electric Cooperative, Inc. (PROSIELCO)
- 362. Provincial Governor
Biliran

- 363. Sangguniang Panlalawigan ng Biliran
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- 364. Office of the Municipal Mayor
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- 365. Sangguniang Bayan ng Maripipi
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- 366. General Manger
Maripipi Multi-Purpose Cooperative, Inc. (MMPC)
- 367. Provincial Governor
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- 368. Sangguniang Panlalawigan ng Southern Leyte
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- 369. Office of the Municipal Mayor
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- 370. Sangguniang Bayan ng Limasawa
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- 371. General Manager
Southern Leyte Electric Cooperative, Inc (SOLECO).
- 372. Provincial Governor
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- 373. Sangguniang Panlalawigan ng Samar
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- 374. Office of the Municipal Mayor
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- 376. Office of the Municipal Mayor
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- 377. Sangguniang Bayan ng Santo Niño
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- 378. Office of the Municipal Mayor
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- 379. Sangguniang Bayan ng Tagapul-an
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- 380. Office of the Municipal Mayor
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- 381. Sangguniang Bayan ng Zumarraga
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- 382. General Manager
Samar I Electric Cooperative, Inc. (SAMECO I)
- 383. General Manager
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- 384. Provincial Governor
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392. Office of the Municipal Mayor
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394. General Manager
Northern Samar Electric Cooperative, Inc. (NORSAMELCO)
395. Provincial Governor
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Bohol
397. Office of the Municipal Mayor
Baclayon, Bohol
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Baclayon, Bohol
399. Office of the Municipal Mayor
Calape, Bohol
400. Sangguniang Bayan ng Calape
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401. Office of the Municipal Mayor
Inabanga, Bohol
402. Sangguniang Bayan ng Inabanga
Inabanga, Bohol
403. Office of the Municipal Mayor
Loon, Bohol
404. Sangguniang Bayan ng Loon
Loon, Bohol
405. Office of the Municipal Mayor
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- 410. Sanggunianang Panlalawigan ng Zamboanga Del Sur
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- 411. Provincial Governor
Davao Del Sur
- 412. Sanggunianang Panlalawigan ng Davao Del Sur
Davao Del Sur
- 413. Office of the Municipal Mayor
Jose Abad Santos, Davao Del Sur
- 414. Sangguniang Bayan ng Jose Abad Santos
Jose Abad Santos, Davao Del Sur
- 415. Office of the Municipal Mayor
Sarangani, Davao Del Sur
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- 417. Provincial Governor
Davao Del Norte
- 418. Sanggunianang Panlalawigan ng Davao Del Norte
Davao Del Norte
- 419. Office of the City Mayor
Samal City, Davao Del Norte
- 420. Sangguniang Panlunsod ng Samal
Samal City, Davao Del Norte
- 421. General Manager
Davao Del Norte Electric Cooperative, Inc. (DANECO)
- 422. Provincial Governor
Sultan Kudarat
- 423. Sangguniang Panlalawigan ng Sultan Kudarat
Sultan Kudarat
- 424. Office of the Municipal Mayor
Kalamansig, Sultan Kudarat
- 425. Sangguniang Bayan ng Kalamansig
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- 426. Office of the Municipal Mayor
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- 431. Sangguniang Bayan ng Sen. Ninoy Aquino
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- 432. General Manager
Sultan Kudarat Electric Cooperative, Inc. (SUKELCO)
- 433. Provincial Governor
Basilan
- 434. Sangguniang Panlalawigan ng Basilan
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- 435. Office of the City Mayor
Isabela City, Basilan
- 436. Sangguniang Panlunsod ng Isabela
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- 437. Provincial Governor
Sulu
- 438. Sangguniang Panlalawigan ng Sulu
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- 439. Office of the Municipal Mayor
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- 440. Sangguniang Bayan ng Jolo
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- 441. Office of the Municipal Mayor
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- 442. Sangguniang Bayan ng Luuk
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- 443. Office of the Municipal Mayor
Siasi, Sulu
- 444. Sangguniang Bayan ng Siasi
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- 445. Office of the Municipal Mayor
Bangulngi (Tongkil), Sulu
- 446. Sangguniang Bayan ng Bangulngi (Tongkil)
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- 447. Office of the Municipal Mayor
Hadji Pangalima Tahlil (Marungas), Sulu
- 448. Sangguniang Bayan ng Hadji Pangalima Tahlil (Marungas)
Hadji Pangalima Tahlil (Marungas), Sulu
- 449. Office of the Municipal Mayor
Lugus, Sulu
- 450. Sangguniang Bayan ng Lugus
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- 451. Office of the Municipal Mayor
Pangutaran, Sulu
- 452. Sangguniang Bayan ng Pangutaran
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- 453. Office of the Municipal Mayor
Pata, Sulu
- 454. Sangguniang Bayan ng Pata
Pata, Sulu
- 455. Office of the Municipal Mayor
Tapul, Sulu
- 456. Sangguniang Bayan ng Tapul
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- 457. General Manager
Sulu Electric Cooperative, Inc. (SULECO)
- 458. General Manager
Siasi Electric Cooperative, Inc. (SIASELCO)
- 459. Provincial Governor
Tawi-tawi
- 460. Sangguniang Panlalawigan ng Tawi-tawi
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- 461. Office of the Municipal Mayor
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- 462. Sangguniang Bayan ng Bongao
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- 463. Office of the Municipal Mayor
Mapun, Tawi-tawi
- 464. Sangguniang Bayan ng Mapun
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- 465. Office of the Municipal Mayor
Panglima Sugala, Tawi-tawi
- 466. Sangguniang Bayan ng Panglima Sugala
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- 467. Office of the Municipal Mayor
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- 468. Sangguniang Bayan ng Simunul
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- 469. Office of the Municipal Mayor
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- 470. Sangguniang Bayan ng Sitangkai
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- 471. Office of the Municipal Mayor
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- 472. Sangguniang Bayan ng Tandubas
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- 473. Office of the Municipal Mayor
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- 474. Sangguniang Bayan ng Sapa-sapa
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- 475. Office of the Municipal Mayor
South Ubian, Tawi-tawi
- 476. Sangguniang Bayan ng South Ubian
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- 477. General Manager
Tawi-tawi Electric Cooperative, Inc. (TAWELCO)
- 478. General Manager
Cagayan de Sulu Electric Cooperative, Inc. (CASELCO)
- 479. Provincial Governor
Dinagat Islands
- 480. Sangguniang Panlalawigan ng Dinagat Islands
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- 481. Office of the Municipal Mayor
San Jose, Dinagat Islands
- 482. Sangguniang Bayan ng San Jose
San Jose, Dinagat Islands
- 483. Office of the Municipal Mayor
Loreto, Dinagat Islands
- 484. Sangguniang Bayan ng Loreto
Loreto, Dinagat Islands
- 485. General Manager
Dinagat Islands Electric Cooperative, Inc. (DIELCO)
- 486. Provincial Governor
Surigao Del Norte
- 487. Sangguniang Panlalawigan ng Surigao Del Norte
Surigao Del Norte
- 488. Office of the City Mayor
Surigao City, Surigao Del Norte
- 489. Sangguniang Panlungsod ng Surigao
Surigao City, Surigao Del Norte
- 490. General Manager
Surigao Del Norte Electric Cooperative, Inc. (SURNECO)

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



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

ERC CASE No. 2019-025 RC

**NATIONAL POWER
CORPORATION,**
Applicant.

Promulgated:
JUL 16 2019

X ----- X

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 18th 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

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

- 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

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

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

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

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

Test/Billing Mos.	Prevailing 91-day T-Bill Rate ^{1/}	Authorized Allowance ^{2/}	Allowable Rate
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 ^{3/}	2.034	3.000	5.034

1/ Source: Bangko Sentral ng Pilipinas
(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 4th 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 (18th) GRAM DAA Summary

	LUZON	VISAYAS	MINDANAO	PHILIPPINES
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
TOTAL, PhP	1,077,848,718	164,405,027	741,665,980	1,983,919,725
Two (2) Years Projected Energy Sales (MWh)	580,120	95,138	439,410	1,114,668
18th GRAM DAA, PhP/kWh	1.8580	1.7281	1.6879	1.7798

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	Annex B & series
Summary of DAA	Annex C & series
Summary of Net Generation, kWh	Annex D & series
91-day Treasury Bill Rates	Annex E
Actual Energy Sales, kWh	Annex F & series
Projected Energy Sales, Mwh	Annex G

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:

LUZON	VISAYAS	MINDANAO	PHILIPPINES (Average)
1.8580	1.7281	1.6879	1.7798

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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ERC CASE NO. 2019-025 RC
NOTICE OF PUBLIC HEARING/28 JUNE 2019
PAGE 7 OF 8

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:

Date and Time	Venue	Hearing Coverage
18 September 2019 (Wednesday), at two o'clock in the afternoon (2:00 PM)	ERC Hearing Room 15 th 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 Banilad, 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 th 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.

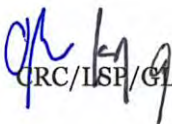
All other persons who may want their views known to the Commission with respect to the subject matter of the case may file their Opposition or Comment thereon at any stage of the proceeding before Applicant rests its case, subject to the requirements under Rule 9 of the 2006 ERC Rules of Practice and 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/LSP/CLO nph.2019-025 RC NPC 18th GRAM

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



**IN THE MATTER OF THE 18th
APPLICATION FOR THE
RECOVERY OF THE
INCREMENTAL COSTS ON
FOREIGN CURRENCY
EXCHANGE RATE
FLUCTUATIONS UNDER THE
INCREMENTAL CURRENCY
EXCHANGE RATE
ADJUSTMENT (ICERA) WITH
PRAYER FOR PROVISIONAL
AUTHORITY (PA)**

ERC CASE NO. 2019-026 RC

**NATIONAL POWER
CORPORATION,**
Applicant.
X-----X

Promulgated:
JUL 16 2019

ORDER

On 5 April 2019, the National Power Corporation (NPC) filed an *Application* dated 01 April 2019, for the approval of its recovery of the Incremental Costs on Foreign Currency Exchange Rate fluctuations under the Incremental Currency Exchange Rate Adjustment (ICERA), with prayer for provisional authority.

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

1. NPC is a government-owned and controlled corporation, created and existing under and by virtue of Republic Act No. 6395, as amended, (otherwise known as 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 (NPC-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-SPUG incurs additional operating costs/savings as a result of the fluctuation of foreign exchange which affects the costs of servicing foreign currency debts (excluding interest) and/or foreign exchange-related expenses such as insurance and imported power plant/transmission parts.
 4. In the Order dated 24 February 2003, this Honorable Commission issued and adopted the Implementing Rules for the Incremental Currency Exchange Rate Adjustment (ICERA) providing for, among others, the mechanisms for the recovery/(refund) of the deferred incremental costs/(savings) on foreign currency exchange rate fluctuations and carrying charges.
 5. This Application is being filed consistent with Section 4(e) Rule 3 of the Implementing Rules and Regulations (IRR), as amended, of EPIRA dated June 8, 2001.
 6. The Application covers the billing period from January 2017 to December 2017. Further, Applicant has fully complied with the ICERA'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 attached in the said Application.
 7. Applicant proposes to recover the Deferred Accounting Adjustments (DAAs) corresponding to additional costs from foreign exchange fluctuations in the settlement of Debt Service (principal repayment portion) and Operating Expenses (OPEX), as well as the corresponding carrying charges for the billing period January 2017 to December 2017 for Luzon, Visayas and Mindanao.
 8. Considering the foregoing, and pursuant to all the relevant Decisions and Orders issued by the Honorable Commission, the Applicant has calculated the total deferred costs for recovery under this instant Application comprising of the deferred debt service, OPEX and the corresponding carrying charges for Luzon, Visayas and Mindanao covering the billing period from January 2017 to December 2017, as shown below:

Table 1. Total Deferred FOREX Costs, in PhP

	Principal	Carrying Charges	Total DAA
TOTAL	23,150,323	375,341	23,525,664

9. This application seeks the Honorable Commission’s approval for the recovery of the above-stated total deferred FOREX costs for the billing period January 2017 to December 2017 through the imposition of the following proposed DAA charges:

Table 2. Total Deferred FOREX Costs, in PhP/kWh

Deferred Cost (PhP)	Recovery Period	Projected Energy Sales (MWh)	ICERA DAA Rate (PhP/kWh)
23,525,664	12 months	538,462	0.0437

10. Applicant NPC proposes a recovery period of twelve (12) months as approved by its Board of Directors. If this application is approved as filed, the proposed rate above shall be billed to island grid customers for twelve months.
11. As authorized under the Implementing Rules of the ICERA, Applicant utilized the carrying charge interest rates, as shown in Table 3:

Table 3. Allowable Carrying Charge Interest Rates

Test/Billing Months	Prevailing 91-day T-Bill Rate ^{1/}	Authorized Allowance ^{2/}	Allowable Rate
JAN 2017	1.178	3.00	4.178
FEB	2.104	3.00	5.104
MAR	2.367	3.00	5.367
APR	2.347	3.00	5.347
MAY	2.177	3.00	5.177
JUN	2.094	3.00	5.094
JUL	2.152	3.00	5.152
AUG	2.160	3.00	5.160
SEP	2.060	3.00	5.060
OCT	1.958	3.00	4.958
NOV	2.148	3.00	5.148
DEC ^{3/}	2.034	3.00	5.034

1- Source: Bangko Sentral ng Pilipinas
(www.bsp.gov.ph/statistics/sdds/tbillsdds.htm)
2- As authorized in the ICERA Implementing Rules
3- There was no T-bill rates for December hence, the data used was based on 4th quarter

12. The proposed ICERA DAA is fair and reasonable as it is computed in line with the ICERA Guidelines.
13. In support of the proposed 18th ICERA DAA, Applicant respectfully submits the following documents annexed herewith to form part of this Application:

Calculation of Deferred Cost and Proposed Charges	Annex “B”
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Calculation of Deferred Debt Service/OPEX and corresponding carrying charges	Annex “C” and series
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The Projected Energy Sales (in MWh) used to calculate the proposed DAA charges in P/kWh	Annex “D”
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91-day Treasury Bill Rates	Annex “E”
----------------------------	------------------

14. The proposed ICERA was approved for filing by the Board of Directors of Applicant on 28 March 2019, a certified true copy of Secretary’s Certificate is hereto attached as Annex “F and series” and made an integral part hereof.

ALLEGATIONS IN SUPPORT OF THE PRAYER FOR
PROVISIONAL AUTHORITY

15. Consistent with the principle of structural and functional unbundling of the electric power industry participants, the proposed ICERA is based on foreign exchange-related adjustments attributable only to NPC-SPUG operations, i.e. excluding those associated with NPC’s operation in the main grids.
16. The existing approved based foreign exchange rates used in the calculation are based on the 1993 levels of P27.40 to US1.00 and P0.2329 to Japanese Y1.
17. Since these expenses were incurred in the year 2017 immediate recovery of this adjustment through a provisional authority would help alleviate the operational funding of applicant, without prejudice to the authority of the Honorable Commission to approve the recovery of this adjustment as part of the applicant’s True Cost Generation Rate (TCGR).
18. Moreover, 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 any there be any.”
(Emphasis supplied)

19. Based on the foregoing justifications, NPC finds it proper to respectfully request the Honorable Commission for a provisional authority pending the hearing on the merits of the subject Application and the final approval of the proposed ICERA DAA and the corresponding rate for CY 2017.
20. With due respect, the proposed 18th ICERA 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 level the rates in the said areas and consistent with Resolution 21 and with the clarification letter of ERC dated 05 March 2012 issued to NPC during the implementation of the 4th to 6th GRAM and ICERA DAA, copy of which is hereto attached as Annex “G and series” hereof.

PRAYER

WHEREFORE, PREMISES CONSIDERED, it is most respectfully prayed that this Honorable Commission issue an Order, as follows:

- 1) Approving the deferred cost of PhP23,525,664 and the corresponding proposed ICERA DAA of Po.0437/kWh for NPC-SPUG areas;
- 2) Imposing/charging the ICERA directly to consumers in NPC-SPUG areas as per the ICERA rules, subject to the discretion of the Honorable Commission in line with ERC Resolution No. 21.
- 3) Allowing the continued collection of the ICERA 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; and
- 5) Granting NPC a Provisional Authority for the implementation of the proposed rates and DAAs for the immediate recovery of deferred FOREX adjustments within the above proposed twelve (12) months recovery period.

Other just and equitable reliefs are likewise prayed for from the Honorable Commission.

Finding the said *Application* to be sufficient in form and in substance with the required fees having been paid, the same is hereby set for determination of compliance with the jurisdictional requirements, expository presentation, Pre-trial Conference, and presentation of evidence on the following dates:

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

Accordingly, NPC is hereby directed to:

- 1) Cause the publication of the attached Notice of Public Hearing in two (2) newspapers of nationwide circulation in the Philippines at its own expense, twice (2x) within two (2) successive weeks, the dates of publication not being less than seven (7) days apart and the date of the last publication to be made not later than ten (10) days before the date of the scheduled initial hearing;

- 2) Furnish with copies of this *Order* and the attached *Notice of Public Hearing*, the Offices of the Provincial Governors, the City and Municipal Mayors, and the Local Government Unit (LGU) legislative bodies covered by the franchise area of the distribution utilities where the National Power Corporation-Small Power Utilities Group (NPC-SPUG) principally operates for the appropriate posting thereof on their respective bulletin boards;
- 3) Inform of the filing of the *Application*, its reasons therefor, and of the scheduled hearing thereon, the consumers within the affected franchise area, by any other means available and appropriate;
- 4) Furnish with copies of this *Order* and the attached *Notice of Public Hearing*, the Office of the Solicitor General (OSG), the Commission on Audit (COA), and the Committees on Energy of both Houses of Congress. They are hereby requested, if they so desire to send their duly authorized representatives at the scheduled hearings; and
- 5) Furnish with copies of the *Application* and its attachments all those making requests therefor, subject to reimbursement of reasonable photocopying costs.

On the date of the initial hearing, Applicant NPC must submit to the Commission its written compliance with the aforementioned jurisdictional requirements attaching therewith, methodically arranged and duly marked the following:

- 1) The evidence of publication of the attached *Notice of Public Hearing* consisting of affidavits of the Editors or Business Managers of the newspapers where the said Notice of Public Hearing was published, and the complete issues of the said newspapers;
- 2) The evidence of actual posting of this *Order* and the attached *Notice of Public Hearing* consisting of certifications issued to that effect, signed by the aforementioned Governors, Mayors, and LGU legislative bodies or their duly authorized representatives, bearing the seals of their offices;

- 3) The evidence of other means employed by NPC to inform of the filing of the *Application*, its reasons therefore, and of the scheduled hearings thereon, the consumers within the affected franchise area;
- 4) The evidence of receipt of copies of this *Order* and the attached *Notice of Public Hearing* by the Office of the Solicitor General (OSG), the Commission on Audit (COA), and the Committees on Energy of both Houses of Congress;
- 5) The evidence of receipt of copies of the *Application* and its attachments by all those making requests therefor, if any; and
- 6) Such other proofs of compliance with the requirements of the Commission.

NPC and all interested parties are also required to submit, at least five (5) days before the date of initial hearing and Pre-Trial Conference, their respective Pre-Trial Briefs containing, among others:

- 1) A summary of admitted facts and proposed stipulation of facts;
- 2) The issues to be tried or resolved;
- 3) The documents or exhibits to be presented, stating the purposes and proposed markings therefore; and
- 4) The number and names of the witnesses, with their written testimonies in a Judicial Affidavit form attached to the Pre-trial Brief.

Failure of NPC to comply with the above requirements within the prescribed period shall be a ground for cancellation of the scheduled hearing, and the resetting of which shall be six (6) months from the said date of cancellation.

NPC must also be prepared to make an expository presentation of the instant *Application*, aided by whatever communication medium that it may deem appropriate for the purpose, in order to put in plain words and explain, for the benefit of the consumers and other

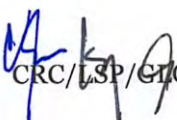
concerned parties, the nature of the *Application* with relevant information and pertinent details substantiating the reasons and justification being cited in support thereof.

SO ORDERED.

Pasig City, 28 June 2019.

FOR AND BY AUTHORITY
OF THE COMMISSION:


JOSEFINA PATRICIA A. MAGPALE- ASIRIT
Commissioner

 CRC/LSP/GTO ord.2019-026 RC NPC- 18TH ICERA IO

Copy Furnished:

1. Atty. Melchor P. Ridulme, Atty. Delfin L. Buenafe II, Atty. May Rose C. Pintor, Atty. Diwa Rafael B. Bontuyan
Counsels for National Power Corporation
Office of the General Counsel, National Power Corporation
BIR Road cor. Quezon Avenue
Diliman, Quezon City
Tel. No. 02-921-9670
2. Office of the Solicitor General (OSG)
134 Amorsolo Street, Legaspi Village
Makati City, Metro Manila
3. Commission on Audit (COA)
Commonwealth Avenue
Quezon City, Metro Manila
4. Senate Committee on Energy
GSIS Bldg. Roxas Blvd., Pasay City
Metro Manila
5. House of Representatives Committee on Energy
Batasan Hills, Quezon City, Metro Manila
6. Office of the City Mayor
Quezon City
7. Sangguniang Panlungsod ng Quezon
Quezon City
8. Provincial Governor
Bulacan
9. Sangguniang Panlalawigan ng Bulacan
Bulacan
10. Office of the City Mayor
Cebu City

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11. Sangguniang Panlunsod ng Cebu
Cebu City
12. Office of the City Mayor
Davao City
13. Sangguniang Panlunsod ng Davao
Davao City
14. Office of the City Mayor
Zamboanga City
15. Sangguniang Panlunsod ng Zamboanga
Zamboanga City
16. Provincial Governor
Batanes
17. Sangguniang Panlalawigan ng Batanes
Batanes
18. Office of the Municipal Mayor
Basco, Batanes
19. Sangguniang Bayan ng Basco
Basco, Batanes
20. Office of the Municipal Mayor
Itbayat, Batanes
21. Sangguniang Bayan ng Itbayat
Itbayat, Batanes
22. Office of the Municipal Mayor
Sabtang, Batanes
23. Sangguniang Bayan ng Sabtang
Sabtang, Batanes
24. Office of the Municipal Mayor
Mahatao, Batanes
25. Sangguniang Bayan ng Mahatao
Mahatao, Batanes
26. Office of the Municipal Mayor
Ivana, Batanes
27. Office of the Municipal Mayor
Uyugan, Batanes
28. Sangguniang Bayan ng Ivana
Ivana, Batanes
29. General Manager
Batanes Electric Cooperative, Inc. (BATANELCO)
30. Provincial Governor
Cagayan
31. Sangguniang Panlalawigan ng Cagayan
Cagayan
32. Office of the Municipal Mayor
Calayan, Cagayan
33. Sangguniang Bayan ng Calayan
Calayan, Cagayan

34. General Manager
Cagayan II Electric Cooperative, Inc. (CAGELCO II)
35. Provincial Governor
Apayao
36. Sangguniang Panlalawigan ng Apayao
Apayao
37. Office of the Municipal Mayor
Kabugao, Apayao
38. Sangguniang Bayan ng Kabugao
Kabugao, Apayao
39. Provincial Governor
Kalinga
40. Sangguniang Panlalawigan ng Kalinga
Kalinga
41. Office of the Municipal Mayor
Lubuagan, Kalinga
42. Sangguniang Bayan, Lubuagan
Lubuagan, Kalinga
43. General Manager
Kalinga-Apayao Electric Cooperative, Inc. (KAELCO)
44. Provincial Governor
Isabela
45. Sangguniang Panlalawigan ng Isabela
Isabela
46. Office of the Municipal Mayor
Palanan, Isabela
47. Sangguniang Bayan, Palanan
Palanan, Isabela
48. Office of the Municipal Mayor
Maconacon, Isabela
49. Sangguniang Bayan, Maconacon
Maconacon, Isabela
50. Office of the Municipal Mayor
Dinapigue, Isabela
51. Sangguniang Bayan, Dinapigue
Dinapigue, Isabela
52. General Manager
Isabela II Electric Cooperative, Inc. (ISELCO II)
53. Provincial Governor
Aurora
54. Sangguniang Panlalawigan ng Aurora
Aurora
55. Office of the Municipal Mayor
Casiguran, Aurora

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56. Sangguniang Bayan Casiguran
Casiguran, Aurora
57. Office of the Municipal Mayor
Dingalan, Aurora
58. Sangguniang Bayan Dingalan
Dingalan, Aurora
59. Office of the Municipal Mayor
Dilasag, Aurora
60. Sangguniang Bayan Dilasag
Dilasag, Aurora
61. Office of the Municipal Mayor
Dinalungan, Aurora
62. Sangguniang Bayan Dinalungan
Dinalungan, Aurora
63. General Manger
Aurora Electric Cooperative, Inc. (AURELCO)
64. Provincial Governor
Quezon
65. Sangguniang Panlalawigan ng Quezon
Quezon
66. Office of the Municipal Mayor
Jomalig, Quezon
67. Sangguniang Bayan Jomalig
Jomalig, Quezon
68. Office of the Municipal Mayor
Patnanungan, Quezon
69. Sangguniang Bayan Patnanungan
Patnanungan, Quezon
70. Office of the Municipal Mayor
Polilio, Quezon
71. Sangguniang Bayan Polilo
Polilio, Quezon
72. General Manager
Quezon II Electric Cooperative, Inc. (QUEZELCO II)
73. Provincial Governor
Batangas
74. Sangguniang Panlalwigan ng Batangas
Batangas
75. Office of the Municipal Mayor
Tingloy, Batangas
76. Sangguniang Bayan Tingloy
Tingloy, Batangas
77. General Manager
Batangas II Electric Cooperative, Inc. (BATELEC II)

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78. Provincial Governor
Marinduque
79. Sangguniang Panlalwigan ng Marinduque
Marinduque
80. Office of the Municipal Mayor
Boac, Marinduque
81. Sangguniang Bayan Boac
Boac, Marinduque
82. Office of the Municipal Mayor
Mogpog, Marinduque
83. Sangguniang Bayan Mogpog
Mogpog, Marinduque
84. Office of the Municipal Mayor
Santa Cruz, Marinduque
85. Sangguniang Bayan Santa Cruz
Santa Cruz, Marinduque
86. Office of the Municipal Mayor
Torrijos, Marinduque
87. Sangguniang Bayan Torrijos
Torrijos, Marinduque
88. Office of the Municipal Mayor
Buenavista, Marinduque
89. Sangguniang Bayan Buenavista
Buenavista, Marinduque
90. Office of the Municipal Mayor
Gasán, Marinduque
91. Sangguniang Bayan Gasán
Gasán, Marinduque
92. General Manager
Marinduque Electric Cooperative (MARELCO)
93. Provincial Governor
Occidental Mindoro
94. Sangguniang Panlalawigan ng Occidental Mindoro
Occidental Mindoro
95. Office of the City Mayor
Lubang City, Occidental Mindoro
96. Sangguniang Panlungsod Lubang
Lubang City, Occidental Mindoro
97. Office of the Municipal Mayor
Mamburao, Occidental Mindoro
98. Sangguniang Bayan Mamburao
Mamburao, Occidental Mindoro

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99. Office of the Municipal Mayor
Paluan, Occidental Mindoro
100. Sangguniang Bayan Paluan
Paluan, Occidental Mindoro
101. Office of the Municipal Mayor
San Jose, Occidental Mindoro
102. Sangguniang Bayan San Jose
San Jose, Occidental Mindoro
103. Office of the Municipal Mayor
Abra de Ilog, Occidental Mindoro
104. Sangguniang Bayan Abra de Ilog
Abra de Ilog, Occidental Mindoro
105. Office of the Municipal Mayor
Calintaan, Occidental Mindoro
106. Sangguniang Bayan Calintaan
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- 485. General Manager
Dinagat Islands Electric Cooperative, Inc. (DIELCO)
- 486. Provincial Governor
Surigao Del Norte
- 487. Sangguniang Panlalawigan ng Surigao Del Norte
Surigao Del Norte
- 488. Office of the City Mayor
Surigao City, Surigao Del Norte
- 489. Sangguniang Panlungsod ng Surigao
Surigao City, Surigao Del Norte
- 490. General Manager
Surigao Del Norte Electric Cooperative, Inc. (SURNECO)

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



**IN THE MATTER OF THE 18th
APPLICATION FOR THE
RECOVERY OF THE
INCREMENTAL COSTS ON
FOREIGN CURRENCY
EXCHANGE RATE
FLUCTUATIONS UNDER THE
INCREMENTAL CURRENCY
EXCHANGE RATE
ADJUSTMENT (ICERA) WITH
PRAYER FOR PROVISIONAL
AUTHORITY (PA)**

ERC CASE NO. 2019-026 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 Commission's approval of its recovery of the incremental costs on foreign currency exchange rate fluctuations under the Incremental Currency Exchange Rate Adjustment (ICERA), with prayer for provisional authority.

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

1. NPC is a government-owned and controlled corporation, created and existing under and by virtue of Republic Act No. 6395, as amended, (otherwise known as 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 (NPC-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-SPUG incurs additional operating costs/savings as a result of the fluctuation of foreign exchange which affects the costs of servicing foreign currency debts (excluding interest) and/or foreign exchange-related expenses such as insurance and imported power plant/transmission parts.
4. In the Order dated 24 February 2003, this Honorable Commission issued and adopted the Implementing Rules for the Incremental Currency Exchange Rate Adjustment (ICERA) providing for, among others, the mechanisms for the recovery/(refund) of the deferred incremental costs/(savings) on foreign currency exchange rate fluctuations and carrying charges.
5. This Application is being filed consistent with Section 4(e) Rule 3 of the Implementing Rules and Regulations (IRR), as amended, of EPIRA dated June 8, 2001.
6. The Application covers the billing period from January 2017 to December 2017. Further, Applicant has fully complied with the ICERA'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 attached in the said Application.
7. Applicant proposes to recover the Deferred Accounting Adjustments (DAAs) corresponding to additional costs from foreign exchange fluctuations in the settlement of Debt Service (principal repayment portion) and Operating Expenses (OPEX), as well as the corresponding carrying charges for the billing period January 2017 to December 2017 for Luzon, Visayas and Mindanao.
8. Considering the foregoing, and pursuant to all the relevant Decisions and Orders issued by the Honorable Commission, the Applicant has calculated the total deferred costs for recovery under this instant Application comprising of the deferred debt service, OPEX and the corresponding carrying charges for Luzon, Visayas and Mindanao covering the billing period from January 2017 to December 2017, as shown below:

Table 1. Total Deferred FOREX Costs, in PhP

	Principal	Carrying Charges	Total DAA
TOTAL	23,150,323	375,341	23,525,664

9. This application seeks the Honorable Commission’s approval for the recovery of the above-stated total deferred FOREX costs for the billing period January 2017 to December 2017 through the imposition of the following proposed DAA charges:

Table 2. Total Deferred FOREX Costs, in PhP/kWh

Deferred Cost (PhP)	Recovery Period	Projected Energy Sales (MWh)	ICERA DAA Rate (PhP/kWh)
23,525,664	12 months	538,462	0.0437

10. Applicant NPC proposes a recovery period of twelve (12) months as approved by its Board of Directors. If this application is approved as filed, the proposed rate above shall be billed to island grid customers for twelve months.
11. As authorized under the Implementing Rules of the ICERA, Applicant utilized the carrying charge interest rates, as shown in Table 3:

Table 3. Allowable Carrying Charge Interest Rates

Test/Billing Months	Prevailing 91-day T-Bill Rate ^{1/}	Authorized Allowance ^{2/}	Allowable Rate
JAN 2017	1.178	3.00	4.178
FEB	2.104	3.00	5.104
MAR	2.367	3.00	5.367
APR	2.347	3.00	5.347
MAY	2.177	3.00	5.177
JUN	2.094	3.00	5.094
JUL	2.152	3.00	5.152
AUG	2.160	3.00	5.160
SEP	2.060	3.00	5.060
OCT	1.958	3.00	4.958
NOV	2.148	3.00	5.148
DEC ^{3/}	2.034	3.00	5.034

1- Source: Bangko Sentral ng Pilipinas
(www.bsp.gov.ph/statistics/sdds/tbillsdds.htm)
2- As authorized in the ICERA Implementing Rules
3- There was no T-bill rates for December hence, the data used was based on 4th quarter

12. The proposed ICERA DAA is fair and reasonable as it is computed in line with the ICERA Guidelines.
13. In support of the proposed 18th ICERA DAA, Applicant respectfully submits the following documents annexed herewith to form part of this Application:

Calculation of Deferred Cost and Proposed Charges	Annex “B”
Calculation of Deferred Debt Service/OPEX and corresponding carrying charges	Annex “C” and series
The Projected Energy Sales (in MWh) used to calculate the proposed DAA charges in P/kWh	Annex “D”
91-day Treasury Bill Rates	Annex “E”
14. The proposed ICERA was approved for filing by the Board of Directors of Applicant on 28 March 2019, a certified true copy of Secretary’s Certificate is hereto attached as Annex “F and series” and made an integral part hereof.

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

15. Consistent with the principle of structural and functional unbundling of the electric power industry participants, the proposed ICERA is based on foreign exchange-related adjustments attributable only to NPC-SPUG operations, i.e. excluding those associated with NPC’s operation in the main grids.
16. The existing approved based foreign exchange rates used in the calculation are based on the 1993 levels of P27.40 to US1.00 and P0.2329 to Japanese Y1.
17. Since these expenses were incurred in the year 2017 immediate recovery of this adjustment through a provisional authority would help alleviate the operational funding of applicant, without prejudice to the authority of the Honorable Commission to approve the recovery of this adjustment as part of the applicant’s True Cost Generation Rate (TCGR).
18. Moreover, 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 any there be any.”
(Emphasis supplied)

19. Based on the foregoing justifications, NPC finds it proper to respectfully request the Honorable Commission for a provisional authority pending the hearing on the merits of the subject Application and the final approval of the proposed ICERA DAA and the corresponding rate for CY 2017.
20. With due respect, the proposed 18th ICERA 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 level the rates in the said areas and consistent with Resolution 21 and with the clarification letter of ERC dated 05 March 2012 issued to NPC during the implementation of the 4th to 6th GRAM and ICERA DAA, copy of which is hereto attached as Annex “G and series” hereof.

PRAYER

WHEREFORE, PREMISES CONSIDERED, it is most respectfully prayed that this Honorable Commission issue an Order, as follows:

- 1) Approving the deferred cost of PhP23,525,664 and the corresponding proposed ICERA DAA of Po.0437/kWh for NPC-SPUG areas;
- 2) Imposing/charging the ICERA directly to consumers in NPC-SPUG areas as per the ICERA rules, subject to the discretion of the Honorable Commission in line with ERC Resolution No. 21.
- 3) Allowing the continued collection of the ICERA 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; and
- 5) Granting NPC a Provisional Authority for the implementation of the proposed rates and DAAs for the immediate recovery of deferred FOREX adjustments within the above proposed twelve (12) months recovery period.

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Other just and equitable reliefs are likewise prayed for from the Honorable Commission.

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:

Date and Time	Venue	Hearing Coverage
18 September 2019 (Wednesday), at ten o'clock in the morning (10:00 AM)	ERC Hearing Room 15 th Floor, Pacific Center Bldg. San Miguel Ave. Pasig City	Jurisdictional and Expository Presentation for Luzon Stakeholders
26 September 2019 (Thursday), at ten o'clock in the morning (10:00 AM)	ERC Visayas Field Office St. Mary's Drive Banilad, Cebu City	Expository Presentation for Visayas Stakeholders
03 October 2019 (Thursday), at ten o'clock in the morning (10:00 AM)	ERC Mindanao Field Office Mintrade Bldg. Monteverde Ave. cor. Sales St. Davao City	Expository Presentation for Mindanao Stakeholders
10 October 2019 (Thursday), at ten o'clock in the morning (10:00 AM)	ERC Hearing Room 15 th 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

and

- 3) A statement of the relief desired.

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