

Republic of the Philippines  
**ENERGY REGULATORY COMMISSION**  
Pasig City

**IN THE MATTER OF  
APPLICATION FOR THE  
APPROVAL OF THE 22<sup>nd</sup>  
GENERATION RATE  
ADJUSTMENT MECHANISM  
(22<sup>nd</sup> GRAM)**

**ERC CASE NO. 2022-052 RC**

**NATIONAL POWER  
CORPORATION,**

*Applicant.*

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**Promulgated:**  
August 16, 2022

**NOTICE OF VIRTUAL HEARING**

**TO ALL INTERESTED PARTIES:**

Notice is hereby given that on 05 August 2022, National Power Corporation (NPC) filed an *Application* dated 24 June 2022, seeking the Commission's approval of the 22<sup>nd</sup> Generation Rate Adjustment Mechanism (GRAM).

The pertinent provisions of the said *Application* are hereunder quoted as follows:

1. Applicant NPC is a government-owned and controlled corporation created and existing under Republic Act No. 6395, as amended, (the "NPC Charter") with principal address at NPC-Office Building Complex, corner Quezon Avenue and BIR Road, East Triangle, Diliman, Quezon City.
2. Pursuant to Section 70 of Republic Act No. 9136, otherwise known as the Electric Power Industry Reform Act ("EPIRA") of 2001, Applicant 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/increase 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 EPIRA dated June 8, 2001.
- 6. The Application covers the billing period from January to June 2020. Applicant has fully complied with the GRAM’s monthly reportorial requirements<sup>1</sup> in support of the calculated allowable costs covering the billing period.
- 7. Under this application, NPC through its SPUG operation, has incurred total actual fuel costs during the afore-said test period based on the monthly validated Fuel Oil Consumption and Inventory Report (FOCIR) as follows:

Table 1. Total Actual Fuel Costs, in PhP

	Actual Fuel Costs, PhP
LUZON	908,454,967
VISAYAS	207,620,993
MINDANAO	875,513,336
PHILIPPINES	1,991,589,296

- 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

	Actual Fuel Costs, PhP
LUZON	906,521,781
VISAYAS	207,620,993
MINDANAO	873,077,933
PHILIPPINES	1,987,220,707

- 9. The Applicant has accounted the corresponding fuel costs recovered through the Subsidized Approved Generation Rate<sup>2</sup> (SAGR) using the breakdown in the unbundled SAGR approval

<sup>1</sup> Thereto attached to the Judicial Affidavit as Exhibit “A to 166”

<sup>2</sup> Attached to the Judicial Affidavit as Exhibit “B”



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	205,486,619
VISAYAS	3.8942	73,425,750
MINDANAO	3.2787	302,094,393
PHILIPPINES		581,006,762

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 <sup>1/</sup>	Authorized Allowance <sup>2/</sup>	Allowable Rate
January 2020	3.299	3.000	6.299
February 2020	3.094	3.000	6.094
March 2020	3.019	3.000	6.019
April 2020	3.204	3.000	6.204
May 2020	2.234	3.000	5.234
June 2020	1.978	3.000	4.978

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

11. The table below shows the calculated deferred fuel costs and the corresponding deferred accounting adjustment (“DAA”) for Luzon, Visayas and Mindanao under the subject 22<sup>nd</sup> GRAM Application covering the test period January to June 2020 and the corresponding proposed rates in [PhP]/kWh calculated for recovery for a period of two (2) years:

Table 5. Twenty-second (22<sup>nd</sup>) GRAM DAA Summary

	LUZON	VISAYAS	MINDANAO	PHILIPPINES
Principal	701,035,162	134,195,243	570,983,540	1,408,213,945
Carrying Charge	11,873,127	2,305,653	10,289,328	24,468,108
TOTAL, PhP	712,908,289	136,500,895	581,272,868	1,430,682,052
Two (2) Years Projected Energy Sales (MWh)	566,772	65,193	519,580	1,151,545
22 <sup>nd</sup> GRAM DAA, PhP/kWh	1.2578	2.0938	1.1187	1.2424

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 22<sup>nd</sup> GRAM DAA, Applicant has used the following documents in the process of calculation of the proposed 22<sup>nd</sup> GRAM DAA:
- a. Fuel Costs recovered through the Subsidized Approved Generation Rate (“SAGR”)
  - b. E-copy of NPC-SPUG Plants Fuel Oil Consumption and Inventory Report (“FOCIR”)

- c. List of Plants
  - d. Summary of the DAA
  - e. Summary of Net Generation, kWh
  - f. 91-day Treasury Bill Rates
  - g. Actual Energy Sales, kWh
  - h. Projected Energy Sales, kWh
14. The Judicial Affidavit of Ms. Margarita M. Egnisaban, Applicant NPC’s witness is attached herein as Annex “A” to support this application. The witness’ testimony shall prove that this application, and the computations made herein, are all in accordance with the applicable rules and guidelines.
15. Likewise attached hereto to form part of this Application are the following documents previously enumerated and/or mentioned above as basis and documents used by the Applicant in the calculations. The following documents are identified by the witness in her Judicial Affidavit, attached thereto, and pre-marked in accordance with the Judicial Affidavit rule.

Monthly Compliances duly received by this Honorable Commission	Exhibit “A to A-166”
E-copy of the attachments of the monthly compliances	Exhibit “A-167”
Fuel Costs recovered through the Subsidized Approved Generation Rate (“SAGR”)	Exhibit “B”
E-Copy of NPC-SPUG Plants Fuel Oil Consumption and Inventory Report (“FOCIR”)	Exhibit “C”
List of Plants	Exhibit “D” to “D-2”
Summary of DAA	Exhibit “E” to “E-1”
Summary of Net Generation, kWh	Exhibit “F”
91-day Treasury Bill Rates	Exhibit “G”
Actual Energy Sales, kWh	Exhibit “H” to “H-5”
Projected Energy Sales, kWh	Exhibit “I”

16. The National Power Board approved the filing of this instant application as evidenced by the Secretary’s Certificate NPB OCS-22-118, which was identified by the witness in her Judicial Affidavit and pre-marked as Exhibit “J” to “J-1”, and made an integral part hereof.
17. 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 levelized the rates in the said areas and consistent with ERC letter dated 05 March 2012 issued to NPC during the implementation of the 4<sup>th</sup> to 6<sup>th</sup> GRAM and ICREA DAA. A copy of the said ERC letter dated 05 March 2012, which was identified by the witness in her Judicial Affidavit and pre-

marked, is hereto attached as Exhibit “K to K-3”, forming an integral part of this Application.

- 18. The proposed 22<sup>nd</sup> GRAM DAA is fair and reasonable as it is computed in line with the GRAM rules as approved by the Honorable Commission.
- 19. 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.
- 20. Since these expenses were already incurred in the 1<sup>st</sup> semester of 2020, immediate recovery of the needed adjustment would help alleviate the operational funding of Applicant NPC. This is 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”).

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 June 2020 for the deferred fuel costs in the amount of PhP 1,430,682,052 recoverable for a period of two (2) years through the imposition of the following proposed rates in [PhP]/kWh:

LUZON	VISAYAS	MINDANAO	PHILIPPINES (Average)
1.2578	2.0938	1.1187	1.2424

- 2. Imposing/charging the GRAM directly to consumers in NCP-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; and

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



The Commission hereby sets the instant *Application* for the determination of compliance with the jurisdictional requirements, expository presentation, Pre-trial Conference, and presentation of evidence on the following dates and online platform for the conduct thereof, pursuant to Resolution No. 09, Series of 2020<sup>3</sup> dated 24 September 2020 and Resolution No. 01, Series of 2021 dated 17 December 2020 (ERC Revised Rules of Practice and Procedure):<sup>4</sup>

Date	Platform	Activity
<b>19 October 2022</b> (Wednesday) at nine o'clock in the morning (9:00 A.M.)	<b>Microsoft Teams</b>	Determination of compliance with the jurisdictional requirements and Expository Presentation for Luzon, Visayas and Mindanao Stakeholders
<b>26 October 2022</b> (Wednesday) at nine o'clock in the morning (9:00 A.M.)	<b>Microsoft Teams</b>	Pre-trial Conference and presentation of evidence
<b>09 November 2022</b> (Wednesday) at nine o'clock in the morning (9:00 A.M.)	<b>Microsoft Teams</b>	Presentation of evidence
<b>16 November 2022</b> (Wednesday) at nine o'clock in the morning (9:00 A.M.)	<b>Microsoft Teams</b>	Presentation of evidence

Any interested stakeholder may submit its comments and/or clarifications **at least one (1) calendar day** prior to the scheduled initial virtual hearing, via electronic mail (e-mail) at [doCKET@erc.ph](mailto:doCKET@erc.ph), copy furnish the Legal Service through [legal@erc.ph](mailto:legal@erc.ph). The Commission shall give priority to the stakeholders who have duly submitted their respective comments and/or clarifications, to discuss the same and propound questions during the course of the expository presentation.

Moreover, any persons who have an interest in the subject matter of the instant case may become a party by filing with the Commission via e-mail at [doCKET@erc.ph](mailto:doCKET@erc.ph), copy furnish the Legal Service through [legal@erc.ph](mailto:legal@erc.ph), a verified Petition to Intervene **at least five (5)**

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<sup>3</sup> A Resolution Adopting the Guidelines Governing Electronic Applications, Filings and Virtual Hearings Before the Energy Regulatory Commission.  
<sup>4</sup> A Resolution Adopting the Revised Rules of Practice and Procedure of the Energy Regulatory Commission.



**calendar days** prior to the date of the initial virtual hearing and subject to the requirements under Rule 9 of the ERC Revised Rules of Practice and Procedure, indicating therein the docket number and title of the case and stating the following:

- 1) The petitioner's name, mailing address, and e-mail 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.

Likewise, all other persons who may want their views known to the Commission with respect to the subject matter of the case may file through e-mail at [docket@erc.ph](mailto:docket@erc.ph), copy furnish the Legal Service through [legal@erc.ph](mailto:legal@erc.ph), their Opposition or Comment thereon **at least five (5) calendar days** prior to the initial virtual hearing and subject to the requirements under Rule 9 of the ERC Revised 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, mailing address, and e-mail address of such person;
- 2) A concise statement of the Opposition or Comment; and
- 3) The grounds relied upon.


Any of the persons mentioned in the preceding paragraphs may access the copy of the *Application* on the Commission's official website at [www.erc.gov.ph](http://www.erc.gov.ph).

Finally, all interested persons may be allowed to join the scheduled initial virtual hearings by providing the Commission, thru [legal.virtualhearings@erc.ph](mailto:legal.virtualhearings@erc.ph), with their respective e-mail addresses and indicating therein the case number of the instant *Petition*. The Commission will send the access link/s to the aforementioned hearing platform **within five (5) working days** prior to the scheduled hearings.



**WITNESS**, the Honorable Chairperson and CEO **MONALISA C. DIMALANTA**, and the Honorable Commissioners **ALEXIS M. LUMBATAN**, **CATHERINE P. MACEDA**, and **MARKO ROMEO L. FUENTES**, Energy Regulatory Commission, this 16<sup>th</sup> day of August 2022 in Pasig City.

FOR AND BY AUTHORITY  
OF THE COMMISSION:

  
**FLORESINDA G. BALDO-DIGAL**  
*Oversight Commissioner*  
*For the Legal Service*

  
LS:VMA/LSP/MCCG