

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

**IN THE MATTER OF THE  
PETITION FOR THE  
RECOVERY OF CY 2019  
REVENUE SHORTFALL  
FROM THE UNIVERSAL  
CHARGE FOR MISSIONARY  
ELECTRIFICATION (UC-  
ME) AND THE  
CORRESPONDING  
ADJUSTMENT OF THE UC-  
ME WITH PRAYER FOR  
THE ISSUANCE OF  
PROVISIONAL AUTHORITY**

**ERC CASE NO. 2021-017 RC**

**NATIONAL POWER  
CORPORATION (NPC),  
*Petitioner.***

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**Promulgated:**  
May 19, 2021

**NOTICE OF VIRTUAL HEARING**

**TO ALL INTERESTED PARTIES:**

Notice is hereby given that on 16 March 2021, National Power Corporation (NPC) filed a *Petition* dated 20 January 2021, seeking the Commission's approval for the recovery of Calendar Year (CY) 2019 revenue shortfall from the Universal Charge for Missionary Electrification (UC-ME) and the corresponding adjustment of the UC-ME, with prayer for the issuance of provisional authority.

The pertinent allegations of the *Petition* are hereunder quoted as follows:

1. Petitioner NPC is a government owned and controlled corporation created and existing under Republic Act No. 6395 as amended ("NPC Charter"), with principal address at NPC Office Building Complex, corner Quezon Avenue and BIR Road, Diliman, Quezon City where it may be served summons and other processes of the Honorable Commission.

2. Pursuant to Section 70 of Republic Act No. 9136, otherwise known as the Electric Power Industry Reform Act ("EPIRA"), Petitioner NPC shall remain as a National-Government Owned and Controlled Corporation to perform the Missionary Electrification function through its Small Power Utilities Group (hereafter, "NPC-SPUG") and shall be responsible for providing power generation and its associated power delivery systems in areas that are not connected to the transmission system.
3. Pursuant to Section 4 of Republic Act No. 6395, as amended, and Executive Order No. 86, issued by virtue of the authority granted to the President of the Republic of the Philippines under R. A. 7648, Petitioner NPC is duly authorized to include twelve percent (12%) return on its rate base composed of the sum of its net assets in operation plus two (2) months operating capital in the Revenue Requirement.
4. Petitioner NPC is filing this Petition in its capacity as the implementing agency for Missionary Electrification. Said function shall be funded from the revenue from sales in the missionary areas and from the Universal Charge to be collected from all electricity end-users as determined by the Energy Regulatory Commission (ERC).
5. On 22 August 2011, the Honorable Commission approved and issued Resolution No. 21 Series of 2011 entitled "*Amended Guidelines for the Setting and Approval of Electricity Generation Rates and Subsidies for Missionary Electrification Areas*" providing for the guidelines for the setting and approval of electricity generation rates and subsidies for Missionary Electrification areas, for the fixing of and availment of subsidies for Missionary Electrification areas and Cash Incentives for the Renewable Energy ("RE") Developers for Missionary Electrification from the Universal Charge for Missionary Electrification ("UC-ME").

The said resolution allows for the recovery of the NPC and NPP TCGR as approved by the ERC. In cases where the NPC and the NPP TCGR is higher than the SAGR, then NPC and the NPPs shall be allowed to recover the difference from the Missionary Electrification Subsidy. Further, in the same resolution, it is provided that if after reconciliation of all amounts received against all disbursements made and the result is NPC having surplus funds, as confirmed by this Honorable Commission, the amount corresponding to the surplus shall be deducted from the UCME under the current petition. Otherwise, NPC-SPUG shall be entitled to an increase in the UCME to cover the shortfall which may be brought about by several factors as specified therein (i.e. adjustments due to GRAM and ICERA, adjustment in the NPP TCGR and other analogous cases).

6. On 03 May 2006, the Honorable Commission likewise approved and issued Resolution No. 22 Series of 2006 entitled "*Rules for the Regulation of the Qualified Third Parties Performing Missionary Electrification in Areas Declared Unviable by the Department of*

*Energy*”: The resolution mandated NPC to file a quarterly application, if necessary with the ERC to recover any shortfall in the Missionary Electrification subsidy brought about by factors such as: collection shortfall, adjustments in the FCRR and other analogous cases. Also, it is provided therein that “NPC-SPUG shall reconcile all amounts received against all disbursement made for the previous year. If the reconciliation results in NPC having surplus funds, the amount of the ME subsidy for the year shall be adjusted accordingly. Conversely, if the reconciliation results in NPC-SPUG experiencing a deficiency, NPC-SPUG shall be entitled to file an application for an increase in the ME Subsidy to cover the shortfall.”

7. NPC is filing this petition pursuant to Rule 20 (A) of the ERC Rules of Practice and Procedure as approved by the Honorable Commission on 22 June 2006 in Resolution No. 38, Series of 2006.

**ABSTRACT OF THE PROPOSED RECOVERY OF THE SHORTFALL IN THE UC-ME**

8. Reconciliation of Actual UC-ME. The reconciliation covers all amounts received against all disbursement made in CY 2019. NPC utilizes in its calculation the following documents:
- Certified CY 2019 Financial Statements;
  - Actual Results of Operation for CY 2019; and
  - The actual disbursements of UC-ME Subsidy to NPPs and QTPs.
9. Total UC-ME Shortfall. Based on the foregoing documents and as a result of the calculations made, the total shortfall that NPC proposes to recover from the UC-ME is equivalent to Seven Billion Five Hundred Sixty-Two Million Four Hundred Thousand Seven Hundred Three and 79/100 Pesos (PhP7, 562,400,703.79) or an equivalent of PhP0.0720/kWh for twelve (12) months recovery period as summarized in Table 1 below.

**Table 1. Summary of Shortfall**

<b>PARTICULARS</b>	<b>TOTAL</b>	<b>NPC</b>	<b>PAWh</b>	<b>NPP</b>	<b>PAWh</b>	<b>QTP</b>	<b>PAWh</b>
REVENUE REQUIREMENT	24,623,805,005.22	9,307,689,361.33	21.6345	15,101,228,841.32	14.7602	214,886,802.57	21.6310
LESS:							
REVENUE FROM SALES	8,673,393,276.96	2,193,967,152.13	5.0996	6,375,309,648.40	6.2313	104,116,476.43	10.4806
UCME SUBSIDY REQUIREMENT FOR CY 2019	15,950,411,728.26	7,113,722,209.20	16.5349	8,725,919,192.92	8.5289	110,770,326.14	11.1504
UCME IMPACT, P/kWh	0.1516	0.0677		0.0830		0.0011	
LESS:							
ACTUAL 2019 UCME REVENUE (BASIC)	8,388,011,024.47	448,678,494.59		8,725,919,192.92		110,770,326.14	
UCME SHORTFALL, PhP	7,562,400,703.79	7,562,400,703.79		0.00		0.00	
UCME RATE IMPACT, P/kWh	0.0720	0.0720					
Projected Philippine Energy Sales, GWh	105,083.08						

10. In the reconciliation, the resulting shortfall in the revenue from UC-ME was calculated based on the following formula:

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UC-ME True-Up Shortfall = Total UC-ME Subsidy Requirement -  
Approved UC-ME

Where: Total UC-ME Subsidy Requirement =  
(NPC Revenue Requirement – Revenue from  
Sales) + Subsidy Payment to NPPs and QTP

11. The Revenue is inclusive of the revenue from sales and the Basic UC-ME subsidy for CY 2019. Whereas the disbursement includes all expenses related to NPC-SPUG's operation and subsidy fees paid to the New Power Providers (NPPs) and Qualified Third Parties (QTPs).
12. In the calculation of the NPC Revenue Requirement, the following documents, accounts, and actual costs were prepared and/or considered:
  - a. Actual Fuel Costs for CY 2019;
  - b. Other Operating Expenses which includes Personal Services and Maintenance and Other Operating Expenses for CY 2019;
  - c. Depreciation for CY 2019;
  - d. Disbursement on FOREX Fluctuation;
  - e. Rate Base as of December 2019;
  - f. Revenue from Sales;
  - g. Certified Income Statement for CY 2019;
  - h. Certified Balance Sheet for CY 2019;
  - i. Schedule of Rate Base for CY 2019;
  - j. Projected Energy Sales;
  - k. Discussion on Revenue Requirement and Rate Base Components;
  - l. Summary of the Shortfall for CY 2019
  - m. Schedule of Renewable Energy Cash Incentive disbursed by PSALM
  - n. Actual UCME received from PSALM
13. The amount of UC-ME Subsidy for NPPs and QTPs were based on the actual disbursements and payment made consistent with the UC-Settlement Agreement (UCSA) and QTP Service and Subsidy Contract (QSSC) between NPC and respective power providers considering their respective ERC-approved Power Supply Agreement (PSA) and QSSC.
14. The twelve (12) months projected Philippine energy sales forecast in GWh under DOE's Power Development Plan (PDP) was used to determine the proposed UC-ME True-up rate in PhP/kWh.
15. As can be gleaned from Table 1, the CY 2019 actual revenue received from the UC-ME was not sufficient to cover the total UC-ME requirement for NPC, NPPs and QTPs. As such, Petitioner NPC seeks to recover the deficiency pursuant to the rules and guidelines for the UC-ME.
16. The National Power Board authorized the filing of the instant Petition to recover the shortfall as evidenced by the Corporate

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Secretary's Certificate NPB OCS-20-227 dated 30 September, 2020.

17. In support to this Petition, the Judicial Affidavit of Ms. Margarita M. Egnisaban, Petitioner NPC's witness is attached herein as Annex "A". The said witness' testimony shall prove that this petition, and the computations made and submitted in this Petition are all in accordance with the applicable and existing rules and guidelines. Attached to the said Judicial Affidavit, which shall likewise form part of this Petition, are the following documents previously enumerated and/or mentioned by petitioner as basis in the calculations. These documents are identified by the witness in her Judicial Affidavit and pre-marked in accordance with the Judicial Affidavit rule:

Exhibit "A"	Corporate Secretary's Certificate OCS-20-227
Exhibit "B"	Summary of Shortfall and UC-ME True-up Adjustment Calculation
Exhibit "C"	Actual Results of Operation -- Per Plant for CY 2019
Exhibit "D"	NPC's CY 2019 Certified Income Statement (Condensed Statements of Financial Performance for the years ended December 31, 2019 and 2018)
Exhibit "D-1"	NPC's CY 2019 Certified Balance Sheet (Condensed Statements of Financial Position as of December 31, 2019 and 2018)
Exhibit "E"	Brief Discussion on Revenue Requirements and Rate Base Components
Exhibit "F"	Schedule of CY 2019 Depreciation Expense – EPIS (GL531/GL594)
Exhibit "G"	Fuel Consumption per plant for the period ending December 31, 2019
Exhibit "H"	Other Operating Expenses per Account for CY 2019
Exhibit "I"	Rate Base per Region CY 2019
Exhibit "J"	Schedule of CY 2019 Construction Work-In-Progress (CWIP) – SPUG
Exhibit "J-1"	Schedule of CY 2019 Unclassified Construction Work Completed (CWC) – SPUG and Accumulated Depreciation for CY 2019; GL108 and GL118
Exhibit "K"	Summary of NPP/QTP Subsidy CY 2019 with the corresponding audited Disbursement Vouchers
Exhibit "K-1" to "K-21"	Audited NPP/QTP Disbursement Vouchers CY 2019
Exhibit "L"	Electricity Sales Forecast, GWh Power Development Plant from 2015-2030 for Luzon, Visayas, Mindanao Grid
Exhibit "M"	Schedule of Renewable Energy Cash Incentive
Exhibit "N"	Actual UC-ME received from PSALM
Exhibit "O"	Net Utility Revenue CY 2019

**RATE IMPLICATIONS OF THE PROPOSED RECOVERY OF UCME  
SHORTFALL**

18. Under the foregoing premises, the recovery of Seven Billion Five Hundred Sixty-Two Million Four Hundred Thousand Seven Hundred Three and 79/100 Pesos (PhP7, 562,400,703.79) or an equivalent monthly rate impact of PhP0.0720/kWh is proposed to be collected from the nationwide electricity end-consumers within a period of twelve (12) months.
19. The proposed recovery of the shortfall for twelve (12) months would be reasonable and timely for NPC to augment its financial requirements and to provide up to date recovery and adjustment of the ensuing years' subsidy requirements.

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

Petitioner NPC repleads the foregoing allegations and further states:

20. The recovery by NPC of only a portion of its costs of generation through the Subsidized Approved Generation Rate (SAGR), is not reflective of the TCGR or the Revenue Requirement in the island grid. It is only 49% of the total fuel cost for CY 2019. Details of the difference between Petitioner NPC's actual revenue from sales against the actual fuel costs for CY 2019 is shown below in Table 2.

Table 2. Actual Fuel Costs vis-à-vis Revenue from Sales

PARTICULARS	AMOUNT	PERCENTAGE
Actual Fuel Cost	4,502,511,517.42	100%
Average, PhP/kWh	10.4655	
Actual Revenue from Sales	2,193,967,152.13	49%
Average, PhP/kWh	5.0996	
Difference	2,308,544,365.29	51%
P/kWh	5.3659	
Actual Energy Sales, kWh	430,223,934.11	

21. The amount proposed for recovery is already an incurred cost of NPC and within the reasonable cost of servicing the consumers in the missionary areas considering the nature of operation and level of demand in the off-grid areas.
22. While the provisional authority granted by the Honorable Commission on ERC Case No. 2014-135RC is extended until revoke or made permanent by the Honorable Commission, the Provisional approval granted is not sufficient to cover the expense incurred in CY 2019, hence the shortfall in the instant case requires Provisional Authority to ensure an uninterrupted electricity supply as this would fully augment the funding requirements given the increasing demand for energy in line with the government's thrust of economic development in the off-grid areas.

23. Petitioner NPC will recover from the UC-ME the amount of PhP7,562,400,703.79 once the proposed UC-ME adjustment rate and spreads will be immediately approved provisionally by ERC as filed.
24. The issuance of a provisional authority is authorized under Section 3 Rule 14 of the Rules of Practice and Procedure. Likewise, the authority of the Honorable Commission to issue a provisional authority is confirmed by the Supreme Court in the case of Freedom from Debt Coalition, et. al. vs. ERC, et. al.,<sup>1</sup> when it held that “the power to approve provisional rate increases is included among the powers transferred to the ERC by virtue of Section 44 since the grant of that authority is not inconsistent with the EPIRA; rather, it is in full harmony with the thrust of the law which is to strengthen the ERC as the new regulatory body.”
25. Petitioner NPC is thus imploring the kind consideration of this Honorable Commission and respectfully prays for the issuance of a provisional authority under the foregoing premises.

#### COMPLIANCE

26. In support of this petition and in compliance with Rule 6 of the ERC Rules of Practice and Procedures under ERC Resolution No. 38, Series of 2006 as well as Section 4(e) Rule 3 of the EPIRA Implementing Rules and Regulations, Petitioner NPC attaches and submits the following:
- a. Proof of service of this Petition to the Legislative Bodies of the Local Government Units where NPC principally operate, hereto attached as Annex “B”.
  - b. Affidavit of Publication hereto attached as Annex “C”.
  - c. Proof of Publication of the Petition once in a newspaper of general circulation hereto attached as Annex “D”.

#### PRAYER

WHEREFORE, premises considered, Petitioner National Power Corporation respectfully prays that:

- a. Pending the hearing on the merits, an Order be issued granting PROVISIONAL APPROVAL to the proposed UC-ME True-up for CY 2019 amounting to Seven Billion Five Hundred Sixty-Two Million Four Hundred Thousand Seven Hundred Three and 79/100 Pesos (PhP7,562,400,703.79) or an equivalent monthly rate of PhPo.0720/kWh.
- b. After the hearing on the merits, the instant petition be GRANTED by the Honorable Commission.

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

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<sup>1</sup> G.R. No. 161113, 15 June 2004;

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The Commission hereby sets the instant *Petition* for 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>2</sup> dated 24 September 2020:

<b>Date</b>	<b>Platform</b>	<b>Activity</b>
<b>06 August 2021</b> (Friday) at nine o'clock in the morning (9:00 A.M.)	<b>Microsoft Teams</b>	Determination of compliance with jurisdictional requirements and expository presentation for Luzon Stakeholders
<b>13 August 2021</b> (Friday) at nine o'clock in the morning (9:00 A.M.)	<b>Microsoft Teams</b>	Expository presentation for Visayas Stakeholders
<b>20 August 2021</b> (Friday) at nine o'clock in the morning (9:00 A.M.)	<b>Microsoft Teams</b>	Expository presentation for Mindanao Stakeholders
<b>27 August 2021</b> (Friday) at nine o'clock in the morning (9:00 A.M.)	<b>Microsoft Teams</b>	Pre-Trial Conference and Presentation of Evidence
<b>03 September 2021</b> (Friday) at nine o'clock in the morning (9:00 A.M.)	<b>Microsoft Teams</b>	Presentation of Evidence
<b>10 September 2021</b> (Friday) 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 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.

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<sup>2</sup> Entitled: "A Resolution Adopting the Guidelines Governing Electronic Applications, Filings and Virtual Hearings Before the Energy Regulatory Commission"



Moreover, all 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) 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 likewise 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 *Petition* 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 hearing 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 hearing.

WITNESS, the Honorable Commissioners **ALEXIS M. LUMBATAN**, **CATHERINE P. MACEDA**, **FLORESINDA G. BALDO-DIGAL** and **MARKO ROMEO L. FUENTES**, Energy Regulatory Commission, this 10<sup>th</sup> day of May 2021 in Pasig City.

  
**AGNES VST DEVANADERA**  
*Chairperson and CEO*

  
LS: JFB/LS P/MCCG

