

Republic of the Philippines
ENERGY REGULATORY COMMISSION
Pasig City

**IN THE MATTER OF THE
APPLICATION FOR THE
APPROVAL OF THE 20th
GENERATION RATE
ADJUSTMENT MECHANISM,
WITH PRAYER FOR
PROVISIONAL AUTHORITY
(PA)**

ERC CASE NO. 2021-041 RC

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

Promulgated:
July 16, 2021

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NOTICE OF VIRTUAL HEARING

TO ALL INTERESTED PARTIES:

Notice is hereby given that on 03 June 2021, National Power Corporation (NPC) filed an *Application* dated 30 April 2021, seeking the Commission's approval of the 20th Generation Rate Adjustment Mechanism (20th 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 by virtue of Republic Act No. 6395, as amended, (the "NPC Charter") with principal office address at NPC-Office Building Complex, 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, 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 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 2019. Applicant has fully complied with the GRAM’s monthly reportorial requirements¹ 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 as follows:

Table 1. Total Actual Fuel Costs, in PhP

	Actual Fuel Costs, PhP
LUZON	1,154,771,428
VISAYAS	236,562,481
MINDANAO	910,865,551
PHILIPPINES	<u>2,302,199,461</u>

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	1,153,655,229
VISAYAS	236,562,481
MINDANAO	907,755,989
PHILIPPINES	<u>2,297,973,700</u>

¹ Thereto attached to the Judicial Affidavit as Exhibit “A to A-18”.

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9. The Applicant has accounted the corresponding fuel costs recovered through the Subsidized Approved Generation Rate² (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	227,868,307
VISAYAS	3.8942	71,227,860
MINDANAO	3.2787	286,436,237
PHILIPPINES		585,532,403

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 2019	5.444	3.000	8.444
February 2019	5.575	3.000	8.575
March 2019	5.754	3.000	8.754
April 2019	5.606	3.000	8.606
May 2019	5.309	3.000	8.309
June 2019	4.596	3.000	7.596

^{1/}Source: *Bangko Sentral ng Pilipinas* (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 DAA for Luzon, Visayas and Mindanao under the subject 20th GRAM Application covering the test period January to June 2019 and the corresponding proposed rates in P/kWh calculated for recovery for a period of two (2) years:

Table 5. Twentieth (20th) GRAM DAA Summary

	LUZON	VISAYAS	MINDANAO	PHILIPPINES
Principal	925,786,923	165,334,622	621,319,752	1,712,441,296
Carrying Charge	20,625,825	3,689,578	14,030,929	38,346,332
TOTAL, PhP	946,412,748	169,024,200	635,350,681	1,750,787,628
Two (2) Years Projected Energy Sales (MWh)	600,197	119,190	495,618	1,215,005
20 th GRAM DAA, PhP/kWh	1.5768	1.4181	1.2819	1.4410

² Attached to the Judicial Affidavit as Exhibit "B".

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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 20th GRAM DAA, Applicant has used the following documents in the process of calculation of the proposed 20th GRAM DAA:
 - a. Fuel Costs recovered through the Subsidized Approved Generation Rate
 - 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 hereto attached herein as Annex "A" to further 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 in the Judicial Affidavit, and pre-marked in accordance with the Judicial Affidavit rule.

Monthly Compliances duly received by this Honorable Commission Exhibit "A to A-17"

E-copy of the attachments of the monthly compliances Exhibit "A-18"

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 proposed 20th GRAM DAA Application was approved for filing by the National Power Board on 30 June 2020. A certified copy of the Board Resolution No. 2020-24, which was identified by the witness in her Judicial Affidavit and pre-marked, is attached thereto as Exhibit "J to J-2", 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 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. A copy of the said ERC letter dated 05 March 2012, which was identified by the witness in her Judicial Affidavit and pre-marked therein, is attached as Exhibit "K to K-3", forming an integral part of this Application.
18. The proposed 20th 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**

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 1st semester of 2019, 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"). Thus, this grant of provisional approval will ensure the unimpeded service of Applicant to the missionary areas.
21. Pursuant to Rule 14, 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. – The Commission shall act on the motion for provisional authority or interim relief on the basis of the allegations in the application or petition, supporting documents and other pieces of

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evidence that the applicant or petitioner has submitted, as well as the comments or oppositions filed by interested persons, if there is any.

Motions for provisional authority or interim relief may be acted upon with or without hearing.”

22. 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 1st semester of 2019.

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 2019 for the deferred fuel costs in the amount of PhP 1,750,787,628 recoverable for a period of two (2) years through the imposition of the following proposed rates in P/kWh:

LUZON	VISAYAS	MINDANAO	PHILIPPINES (Average)
1.5768	1.4181	1.2819	1.4410

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, series of 2011.
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
5. Granting NPC a 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.

In the *Order* dated 15 June 2021, the Commission has set the instant *Petition* for the determination of compliance with the jurisdictional requirements, expository presentation, Pre-trial Conference, and presentation of evidence on the following dates: 04 August 2021, for determination of jurisdictional compliance and expository presentation for Luzon, Visayas and Mindanao stakeholders; 11 August 2021 for Pre-Trial Conference; and 18 August 2021, 25 August 2021 and 08 September 2021 for presentation of evidence.

However, on 07 July 2021, NPC filed an *Urgent Motion to Reset* dated 05 July 2021 (Motion). Finding the said *Motion* in order, the Commission granted the same and cancelled the above-mentioned hearings.

IN VIEW OF THE FOREGOING, the Commission hereby sets the instant *Application* 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 2020³ dated 24 September 2020 and Resolution No. 01, Series of 2021, dated 17 December 2020 (ERC Revised Rules of Practice and Procedure)⁴:

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³ A Resolution Adopting the Guidelines Governing Electronic Applications, Filings and Virtual Hearings Before the Energy Regulatory Commission.

⁴ A Resolution Adopting the Revised Rules of Practice and Procedure of the Energy Regulatory Commission.

Date	Platform	Activity
03 November 2021 (Wednesday) at two o'clock in the afternoon (2:00 P.M.)	Microsoft Teams	Determination of compliance with jurisdictional requirements and Expository Presentation for Luzon, Visayas and Mindanao Stakeholders
10 November 2021 (Wednesday) at two o'clock in the afternoon (2:00 P.M.)	Microsoft Teams	Pre-trial Conference and Presentation of Evidence
17 November 2021 (Wednesday) at two o'clock in the afternoon (2:00 P.M.)	Microsoft Teams	Presentation of Evidence
24 November 2021 (Wednesday) at two o'clock in the afternoon (2:00 P.M.)	Microsoft Teams	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, copy furnish the Legal Service through 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, 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, copy furnish the Legal Service through 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.

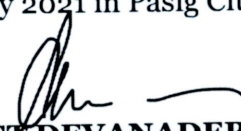
Likewise, all other persons who may want their views known to the Commission with respect to the subject matter of the case may file through e-mail at docket@erc.ph, copy furnish the Legal Service through legal@erc.ph, their Opposition or Comment thereon at least five (5) calendar days prior to the initial 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.

Finally, all interested persons may be allowed to join the scheduled virtual hearings by providing the Commission, thru legal.virtualhearings@erc.ph, with their respective e-mail addresses and indicating therein the case number of the instant *Application*. 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 Commissioners **ALEXIS M. LUMBATAN, CATHERINE P. MACEDA, FLORESINDA G. BALDO-DIGAL** and **MARKO ROMEO L. FUENTES**, Energy Regulatory Commission, this 8th day of July 2021 in Pasig City.


AGNES VST DEVANADERA
Chairperson and CEO

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LS: RCP/LSP/MCCG

