

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

IN THE MATTER OF  
APPLICATION FOR THE  
APPROVAL OF THE 23<sup>RD</sup>  
GENERATION RATE  
ADJUSTMENT MECHANISM  
(23<sup>RD</sup> GRAM)

ERC CASE NO. 2023-005 RC

NATIONAL POWER  
CORPORATION,

*Applicant.*

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**Promulgated:**

March 03, 2023

**NOTICE OF PUBLIC/VIRTUAL HEARING**

TO ALL INTERESTED PARTIES:

Notice is hereby given that on 23 January 2023, the National Power Corporation (NPC) filed an *Application* dated 01 December 2022, seeking the Commission's approval of the 23<sup>rd</sup> Generation Rate Adjustment Mechanism (23<sup>rd</sup> GRAM).

The pertinent allegations of the *Application* are hereunder quoted:

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/increase of fuel prices used in power generation. As such, NPC is allowed by the rules to recover through the

Generation Rate Adjustment Mechanisms (“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 July to December 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	835,898,613.23
VISAYAS	199,750,665.53
MINDANAO	779,786,796.01
PHILIPPINES	1,815,436,074.77

- 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 [C]ap 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	830,818,423.56
VISAYAS	199,750,665.53
MINDANAO	778,857,708.33
PHILIPPINES	1,809,426,797.42

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<sup>1</sup> Attached to the Judicial Affidavit as Exhibit “A to A-33.”



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 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	203,553,867.60
VISAYAS	3.8942	76,819,379.19
MINDANAO	3.2787	296,085,380.90
PHILIPPINES		576,458,627.68

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
July 2020	1.519	3.000	4.519
August 2020	1.146	3.000	4.146
September 2020	1.152	3.000	4.152
October 2020	1.094	3.000	4.094
November 2020	1.022	3.000	4.022
December 2020	1.014	3.000	4.014

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 23<sup>rd</sup> GRAM Application covering the test period July to December 2020 and the corresponding proposed rates in P/kWh calculated for recovery for a period of two (2) years:

Table 5. Twenty-third (23<sup>rd</sup>) GRAM DAA Summary

	LUZON	VISAYAS	MINDANAO	PHILIPPINES
Principal	627,264,555.96	122,931,286.34	482,772,327.43	1,232,968,169.74
Carrying Charge	7,709,850.51	1,454,787.08	5,717,378.41	14,882,015.99
TOTAL, PhP	634,974,406.47	124,386,073.42	488,489,705.84	1,247,850,185.73
Two (2) Years Projected Energy Sales (MWh)	566,771.94	65,192.55	519,580.15	1,151,544.63

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

23 <sup>rd</sup> GRAM DAA, PhP/kWh	1.1203	1.9080	0.9402	1.0836
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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 23<sup>rd</sup> GRAM DAA, Applicant has used the following documents in the process of calculation of the proposed 23<sup>rd</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 thereto 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-33”
E-copy of the attachments of the monthly compliances	Exhibit “A-34”
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 NP Board Resolution No. 2022-43 dated 16 September 2022 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 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, is hereto attached as Exhibit “K to K-3”, forming an integral part of this Application.
18. The proposed 23<sup>rd</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 2<sup>nd</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 July to December 2020 for the deferred fuel costs in the amount of PhP 1,247,850,185.73 recoverable for a period of two (2) years through the imposition of the following proposed rates in P/kWh:



LUZON	VISAYAS	MINDANAO	PHILIPPINES (Average)
1.1203	1.9080	0.9402	1.0836

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; and

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

On 20 February 2023, the Commission issued an *Order* and a *Notice of Public/Virtual Hearing*, setting the instant *Application* for hearing on the following dates: (1) 10 March 2023 for the determination of compliance with jurisdictional requirements and expository presentation for Luzon stakeholders; (2) 17 March 2023 for the expository presentation for Visayas stakeholders; (3) 24 March 2023 for the expository presentation for Mindanao stakeholders; (4) 13 April 2023 for the Pre-trial Conference and presentation of evidence; and (5) 20 April 2023 for the continuation of the presentation of evidence.

On 23 February 2023, NPC filed an *Urgent Motion to Reset* dated 21 February 2023, wherein it alleged that given the proximity of the scheduled hearing dates, the requisite periods to be observed in the jurisdictional requirements for the publication and furnishing of copies of the *Order* and *Notice of Public/Virtual Hearing* is unachievable. In view thereof, NPC prayed that the Commission issue an *Order* cancelling the original hearing dates and resetting the same.

Finding NPC's *Urgent Motion* in order, the Commission granted the same. In view thereof, the hearings set on 10, 17 and 24 March 2023 as well as 13 and 20 April 2023 pursuant to the *Order* dated 20 February 2023 were cancelled.

The Commission sets anew 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 venues, or online platform for the conduct thereof, pursuant to Resolution No. 09, Series of 2020<sup>3</sup> and Resolution No. 01, Series of 2021<sup>4</sup> (ERC Revised Rules of Practice and Procedure):

Date	Platform	Activity
<b>12 May 2023</b> (Friday) at nine o'clock in the morning (9:00 A.M.)	<b>Energy Regulatory Commission Hearing Room, 11<sup>th</sup> Floor, Exquadra Tower, 1 Jade Drive, Ortigas Center, Brgy. San Antonio, Pasig City</b>	Determination of compliance with the jurisdictional requirements and Expository Presentation for Luzon Stakeholders
<b>19 May 2023</b> (Friday) at nine o'clock in the morning (9:00 A.M.)	<b>Energy Regulatory Commission, Visayas Area Operations Division (VAOD), 7<sup>th</sup> Floor, Kepwealth Building, Samar Loop, Cebu Business Park</b>	Expository Presentation for Visayas Stakeholders
<b>26 May 2023</b> (Friday) at nine o'clock in the morning (9:00 A.M.)	<b>Energy Regulatory Commission, Mindanao Area Operations Division (MAOD), 6<sup>th</sup> Floor, BIZ Bldg., c/o BORMAHECO, Inc., 209 J.P. Laurel Avenue, Bajada, Davao City</b>	Expository Presentation for Mindanao Stakeholders
<b>01 June 2023</b> (Thursday) at nine o'clock in the morning (9:00 A.M.)	<b>Microsoft Teams</b>	Pre-trial Conference and Presentation of evidence
<b>08 June 2023</b> (Thursday) at nine o'clock in the morning (9:00 A.M.)	<b>Microsoft Teams</b>	Presentation of evidence

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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.



Any interested stakeholder may submit its **comments and/or clarifications** at least one (1) calendar day prior to the scheduled initial 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 person who has 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 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** at least five (5) calendar days prior to the initial 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.

All interested parties filing their Petition to Intervene, Opposition or Comment are required to submit the hard/printed



copy/ies thereof either through personal service, registered or ordinary mail, or private courier, within five (5) working days from the date that the same were electronically submitted as reflected in the acknowledgement receipt e-mail sent by the Commission.

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 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 *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 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 3<sup>rd</sup> day of March 2023 in Pasig City.

  
**FLORESINDA G. BALDO-DIGAL**  
Commissioner



  
LS: VMA/LSP/MCCG