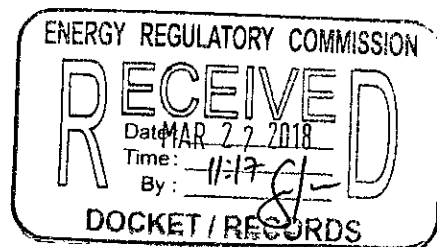


Republic of the Philippines  
**ENERGY REGULATORY COMMISSION**  
Pacific Center Building, San Miguel Avenue  
Ortigas Center, Pasig City

**IN THE MATTER OF  
APPLICATION FOR THE  
APPROVAL OF THE 17<sup>th</sup>  
GENERATION RATE  
ADJUSTMENT MECHANISM  
(17<sup>th</sup> GRAM) WITH PRAYER  
FOR PROVISIONAL  
AUTHORITY**



**ERC CASE No. 2018- 014rc**

**NATIONAL POWER  
CORPORATION**  
*Applicant.*

**x-----x**

**APPLICATION**

Applicant **NATIONAL POWER CORPORATION (NPC)** by the undersigned counsels and to this Honorable Commission, most respectfully states that:

1. NPC is a government-owned and controlled corporation, created and existing under and 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 SPUG incurs additional operating costs as a result of the fluctuation of fuel prices used in power generation. As such, NPC is allowed to recover through the Generation Rate Adjustment Mechanism (GRAM) the cost 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 Generation Rate Adjustment Mechanism (GRAM) providing for, among others, the mechanisms for the recovery/(refund) of the deferred fuel costs and purchased power costs.

5. This application is being filed consistent with 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 2016. 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 a total actual fuel costs during the afore-said test period as follows:

**Table 1. Total Actual Fuel Costs, in PhP**

	<b>Actual Fuel Costs, PhP</b>
LUZON	1,460,438,985
VISAYAS	190,814,697
MINDANAO	1,010,876,391
<b>PHILIPPINES</b>	<b>2,662,130,073</b>

8. The costs of fuel consumed without generation 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**

	<b>Allowable Fuel Costs, PhP</b>
LUZON	1,460,343,072
VISAYAS	190,814,697
MINDANAO	999,882,763
<b>PHILIPPINES</b>	<b>2,651,040,532</b>

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**

	<b>Fuel Recovery under the SAGR</b>	
	<b>(PhP/kWh)</b>	<b>Amount</b>
LUZON	2.0282	499,456,625
VISAYAS	3.8942	86,756,390
MINDANAO	3.2787	520,903,820
<b>PHILIPPINES</b>		<b>1,107,116,835</b>

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**

<b>Test/Billing Mos.</b>	<b>Prevailing 91-day T-Bill Rate <sup>1/</sup></b>	<b>Authorized Allowance <sup>2/</sup></b>	<b>Allowable Rate</b>
January	1.684	3.000	4.684
February	1.513	3.000	4.513
March	1.469	3.000	4.469
April	1.551	3.000	4.551
May	1.674	3.000	4.674
June	1.588	3.000	4.588
July	1.447	3.000	4.447
August	1.479	3.000	4.479
September	1.321	3.000	4.321
October	1.281	3.000	4.281
November	1.484	3.000	4.484
December	1.555	3.000	4.555

*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 17<sup>th</sup> GRAM Application covering the test period January to December 2016 and the corresponding proposed rates in P/kWh calculated for recovery for a period of two (2) years:

**Table 5. Seventeenth (17<sup>th</sup>) GRAM DAA Summary**

	<b>LUZON</b>	<b>VISAYAS</b>	<b>MINDANAO</b>	<b>PHILIPPINES</b>
Principal	960,886,447	104,058,307	478,978,943	1,543,923,697
Carrying Charge	22,042,765	2,401,295	10,644,975	35,089,036
<b>TOTAL, PhP</b>	<b>982,929,212</b>	<b>106,459,602</b>	<b>489,623,918</b>	<b>1,579,012,733</b>
Two (2) Years Projected Energy Sales (MWh)	950,311	132,922	496,498	1,579,731
<b>17<sup>th</sup> GRAM DAA, PhP/kWh</b>	<b>1.0343</b>	<b>0.8009</b>	<b>0.9862</b>	<b>0.9995</b>

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 17<sup>th</sup> GRAM DAA, Applicant respectfully submits the following documents annexed herewith to form part of this Application:

List of Plants	<b>Annex "B" &amp; series</b>
Summary of DAA	<b>Annex "C" &amp; series</b>
Summary of Net Generation, kWh	<b>Annex "D" &amp; series</b>
91-day Treasury Bill Rates	<b>Annex "E"</b>
Actual Energy Sales, kWh	<b>Annex "F" &amp; series</b>
Projected Energy Sales, Mwh	<b>Annex "G"</b>

14. The proposed 17<sup>th</sup> GRAM DAA Application was approved for filing by the National Power Board on 28 February 2018, 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 4<sup>th</sup> to 6<sup>th</sup> GRAM and ICERA DAA, copy of which is attached as **Annex "I" & Series** hereof.

16. The proposed 17<sup>th</sup> GRAM DAA is fair and reasonable as it is computed in line with the GRAM rules as approved by the Honorable Commission.

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**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 2016, 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 2016.

## **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 2016 for the deferred fuel costs in the amount of **PhP 1,579,012,733** recoverable for a period of two (2) years through the imposition of the following proposed rates in P/kWh:

<b>LUZON</b>	<b>VISAYAS</b>	<b>MINDANAO</b>	<b>PHILIPPINES (Average)</b>
<b>1.0343</b>	<b>0.8009</b>	<b>0.9862</b>	<b>0.9995</b>

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 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 just and equitable relief under the premises are likewise prayed for from the Honorable Commission.

Quezon City for Pasig City, 09 March 2018.

**FOR THE SOLICITOR GENERAL**



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Republic of the Philippines )  
Quezon City )SS.

### VERIFICATION AND CERTIFICATION

I, **PIO J. BENAVIDEZ**, of legal age, Filipino, with office address at NPC Office Building Complex cor. Quezon Ave. and Agham Road, Diliman, Quezon City, after being duly sworn hereby affirm and state that:

1. I am the President and Chief Executive Officer of the National Power Corporation, herein applicant, and I have caused the preparation of this Application pursuant to the authority vested in me per Resolution No. 2001-134 (copy attached).
2. I have read the same and understood the allegations contained therein, and affirm that the contents thereof are true and correct, as far as NPC is concerned, based on authentic records and on information of my own personal knowledge;
3. I hereby certify that, except for its pending 16<sup>th</sup> GRAM application, Applicant NPC has not heretofore commenced any other action or proceeding involving the same issues before the Supreme Court, Court of Appeals or any other judicial, quasi-judicial or administrative tribunal.
4. To the best of my knowledge and belief, no such similar action or proceeding is pending before the Supreme Court, Court of Appeals, or any other tribunal or agency.
5. If I should hereafter learn that a similar action or proceeding has been filed or is pending before the Supreme Court, the Court of Appeals, or any other tribunal or agency, I undertake to report such fact within five (5) days therefrom to the Honorable Commission.

IN WITNESS WHEREOF I have hereto affixed my signature this \_\_\_\_\_ day of March 2018 here at Quezon City.

**PIO J. BENAVIDEZ**  
Affiant

SUBSCRIBED AND SWORN TO before me this \_\_\_\_\_ day of March 2018 here at Quezon City, affiant exhibiting to me his NPC Identification Card No. APW1302281 which is a competent proof of his identity.

Doc. No. 287 ;  
Page No. 52 ;  
Book No. 24 ;  
Series of 2018

**Atty. RICO R. CAGARA**  
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Commission until 31 December 2019  
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