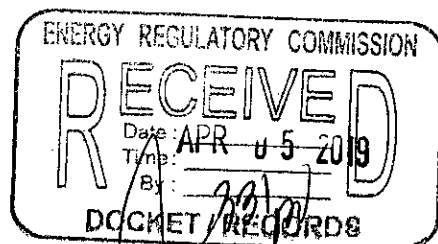


Republic of the Philippines
ENERGY REGULATORY COMMISSION
Pacific Center Building, San Miguel Avenue
Ortigas Center, Pasig City

**IN THE MATTER OF APPLICATION
FOR THE APPROVAL OF THE 18th
GENERATION RATE ADJUSTMENT
MECHANISM (18th GRAM) WITH
PRAYER FOR PROVISIONAL
AUTHORITY**



ERC CASE No. 2019- 025 RC

NATIONAL POWER CORPORATION

Applicant.

X-----X

APPLICATION

Applicant **NATIONAL POWER CORPORATION** (hereafter, "NPC") through counsel, and unto this Honorable Commission, most respectfully states:

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 ("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 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 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 2017. 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 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 | 1,445,512,978 |
| VISAYAS | 263,478,319 |
| MINDANAO | 1,288,319,285 |
| PHILIPPINES | 2,997,310,582 |

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 | 1,443,914,816 |
| VISAYAS | 263,478,319 |
| MINDANAO | 1,284,185,688 |
| PHILIPPINES | 2,991,578,823 |

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

| | Fuel Recovery under the SAGR | |
|--------------------|-------------------------------------|----------------------|
| | (PhP/kWh) | Amount |
| LUZON | 2.0282 | 395,453,882 |
| VISAYAS | 3.8942 | 103,330,083 |
| MINDANAO | 3.2787 | 561,751,887 |
| PHILIPPINES | | 1,060,535,852 |

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 | 1.178 | 3.000 | 4.178 |
| February | 2.104 | 3.000 | 5.104 |
| March | 2.367 | 3.000 | 5.367 |
| April | 2.347 | 3.000 | 5.347 |
| May | 2.177 | 3.000 | 5.177 |
| June | 2.094 | 3.000 | 5.094 |
| July | 2.152 | 3.000 | 5.152 |
| August | 2.160 | 3.000 | 5.160 |
| September | 2.060 | 3.000 | 5.060 |
| October | 1.958 | 3.000 | 4.958 |
| November | 2.148 | 3.000 | 5.148 |
| December ^{3/} | 2.034 | 3.000 | 5.034 |

1/ Source: *Bangko Sentral ng Pilipinas (www.bsp.gov.ph/statistics/sdds/tbillsdds.htm)*

2/ As authorized in the GRAM Implementing Rules

3/ There was no T-Bill Rate for Dec. 2017, hence, the data was based on the 4th quarter

11. The table below shows the calculated deferred fuel costs and the corresponding DAA for Luzon, Visayas and Mindanao under the subject 18th GRAM Application covering the test period January to December 2017 and the corresponding proposed rates in P/kWh calculated for recovery for a period of two (2) years:

Table 5. Eighteenth (18th) GRAM DAA Summary

| | LUZON | VISAYAS | MINDANAO | PHILIPPINES |
|--------------------------------------------|----------------------|--------------------|--------------------|----------------------|
| Principal | 1,048,460,934 | 160,148,236 | 722,433,801 | 1,931,042,971 |
| Carrying Charge | 29,387,784 | 4,256,791 | 19,232,179 | 52,876,754 |
| TOTAL, PhP | 1,077,848,718 | 164,405,027 | 741,665,980 | 1,983,919,725 |
| Two (2) Years Projected Energy Sales (MWh) | 580,120 | 95,138 | 439,410 | 1,114,668 |
| 18th GRAM DAA, PhP/kWh | 1.8580 | 1.7281 | 1.6879 | 1.7798 |

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 18th GRAM DAA, Applicant respectfully submits the following documents annexed herewith to form part of this Application:

| | |
|--------------------------------|-----------------------------|
| List of Plants | Annex B & series |
| Summary of DAA | Annex C & series |
| Summary of Net Generation, kWh | Annex D & series |
| 91-day Treasury Bill Rates | Annex E |

Actual Energy Sales, kWh

Annex F & series

Projected Energy Sales, Mwh

Annex G

14. The proposed 18th GRAM DAA Application was approved for filing by the National Power Board on 28 March 2019, 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 4th to 6th GRAM and ICERA DAA, copy of which is attached as **Annex "I & Series"** hereof.

16. The proposed 18th 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**

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 2017, 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 2017.

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 2017 for the deferred fuel costs in the amount of **PhP 1,983,919,725** recoverable for a period of two (2) years through the imposition of the following proposed rates in P/kWh:

| LUZON | VISAYAS | MINDANAO | PHILIPPINES (Average) |
|---------------|----------------|-----------------|----------------------------------|
| 1.8580 | 1.7281 | 1.6879 | 1.7798 |

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.

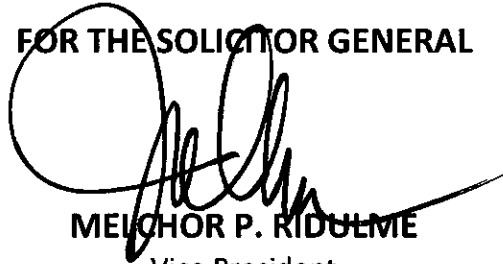
5. Granting Applicant NPC Provisional Authority for the implementation of the proposed rates and DAAs for the immediate recovery of deferred GRAM adjustments within the above proposed two (2) years recovery period.

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

Quezon City for Pasig City, 01 April 2019.

By:

FOR THE SOLICITOR GENERAL



MELCHOR P. RIDULME

Vice President

Office of the Legal Counsel

Special Attorney-OSG

Roll of Attorneys No. 37784

PTR No. 7447936; 01/14/2019; Quezon City

IBP Lifetime OR No. 01748; Ilocos Sur Chapter

MCLE Compliance No. V-0004048

DELFIN L. BUENAFE II

Department Manager

Legal Services Department

Special Attorney-OSG

Roll of Attorneys No. 48636

PTR No. 7447937C; 01/14/2019; Quezon City

IBP Lifetime OR No. 012829; Quezon City Chapter

MCLE Compliance No. V-0015579; 03/07/2016

GENE MAE E. TRONO

Corporate Attorney

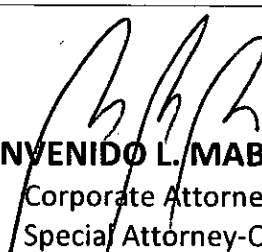
Special Attorney - OSG

Roll of Attorneys No. 63495

PTR No. 7447995; 01/17/2019; Quezon City

IBP Lifetime OR No. 015775; PPLM Chapter

MCLE Compliance No. V-0020948; 05/03/2016



BIENVENIDO L. MABULAC II

Corporate Attorney B

Special Attorney-OSG

Roll of Attorneys No. 64522

PTR No. 7447999C; 01/14/2019; Quezon City

IBP OR No. 098256; 01/09/2019; CALMANA Chapter

MCLE Compliance No. V-0015579; 03/07/2016

OFFICE OF THE LEGAL COUNSEL

Counsel for National Power Corporation

National Power Corporation

BIR Road corner Quezon Avenue

cc: **ATTY. JOHN THOMAS S. ALFEROS III**
City Government Asst. Dept. Head III
Office of the City Secretary, Quezon City
Quezon City Hall

HON. EFREN BARTOLOME, JR.
Vice-Mayor/Secretary to the
Sangguniang Panglungsod
San Jose Del Monte City Hall
San Jose Del Monte, Bulacan

HON. EDGAR LABELLA
Vice-Mayor/City Secretary
Cebu City Hall
Cebu City

HON. BERNARD ECHAVEZ AL-AG
Vice-Mayor/Secretary to the
Sangguniang Panglungsod
San Pedro St., Davao City, Davao del Sur

HON. CESAR S. ITURRALDE
Vice-Mayor/Secretary to the
Sangguniang Panglungsod
Office of Sangguniang Panglungsod
R. T. Lim Boulevard, Zamboanga City

LBC EXPRESS, INC.
G/F ETOM CYBERPOD, CENTRIS BLDG., EDSA C
OR QUEZON AVE., QUEZON CITY
Tel. No : (63) -
TIN No. : 888-782-148-88575



1396 1890 7989

THIS SERVES AS AN OFFICIAL RECEIPT
MIN : 15888718561116927
Serial No : 5GHS355R5N
Official Receipt No : THR0618888183488

SHIPPER:

NATIONAL POWER CORPORATION
Address: ELECTRICITY TARIFF DIVISION, QUEZO
N AVE COR BIR RO, PASIG CITY, METRO MANILA
Contact No.(s) : 9245362 /9999999999
Card Number: TIN:

CONSIGNEE:
And or/ care of: /

LABELLA, EDGAR
Address: VICE MAYOR/CITY SECRETARY CEBU CITY HALL
, CEBU CITY, CEBU
Contact No.(s) : 9000000000

Courier N-Pouch XL

Origin : MMA-THR06-ETOM CYBERPOD EDSAVTable(Freight) : 149.11
Tran. Date : 04/04/2019 18:34:52 AM VAT-Except : 0.00
Delivery Date : 04/05/2019 VAT Zero-Rated : 0.00
Area Dest. : Visayas 18AM Pickup Fee : 0.00
Tran. Type : Delivery Discount : 0.00
Cut-Off : 07:38 PM Total Sales : 149.11
Actual Wt (Kg.) : 0.00 12% VAT : 17.89
Amount Due : 167.00
Mode : CASH

Track your padala at:
www.lbcexpress.com
Talk to our Care Representative
www.lbcexpress.com
Tel. (632) 8585-999
1-800-10-8585-999
*Only for PH outside NCR

Said to Contain : DOCUMENTS ONLY

LBC Express values your privacy. For more info on our privacy policy
visit www.lbcexpress.com/privacy-policy
SHIPPER WARRANTS THAT THE SHIPMENT HAS NO CASH INSIDE CLAIMS OF CARGO ARE
LIMITED UP TO ACTUAL DECLARED VALUE ONLY
I hereby agree to be bound with the terms and conditions written at the
back set forth by LBC EXPRESS

Let us know of your experience:
survey.lbcexpress.com

CAROZA MARY GRACE
Signature of Associate

NATIONAL POWER CORPORATION
Signature of Shipper

OR Series No : THR061888888881 to THR069999999999 BIR Final PTUS:FP062015-122-8848836-88575
BIR Accreditation No: 1220007821482015068318 Date Issued: 06/26/2015 valid until 06/25/2020
*THIS INVOICE/RECEIPT SHALL BE VALID FOR FIVE(5) YEARS FROM THE DATE OF THE PERMIT TO USE. *

LBC EXPRESS, INC.
G/F ETOM CYBERPOD, CENTRIS BLDG., EDSA C
OR QUEZON AVE., QUEZON CITY
Tel. No : (63) -
TIN No. : 888-782-148-88575



1396 1890 7979

THIS SERVES AS AN OFFICIAL RECEIPT
MIN : 15888718561116927
Serial No : 5GHS355R5N
Official Receipt No : THR0618888183481

SHIPPER:

NATIONAL POWER CORPORATION
Address: ELECTRICITY TARIFF DIVISION, QUEZO
N AVE COR BIR RO, PASIG CITY, METRO MANILA
Contact No.(s) : 9245362 /9999999999
Card Number: TIN:

CONSIGNEE:
And or/ care of: /

AL AG, BERNARD ECHAVEZ
Address: VICE MAYOR/SECRETARY TO THE SANGGUNIANG PA
NGLUNGSOD SAN PEDRO ST
, DAVAO CITY, DAVAO DEL SUR
Contact No.(s) : 9999999999

Courier N-Pouch XL

Origin : MMA-THR06-ETOM CYBERPOD EDSAVTable(Freight) : 149.11
Tran. Date : 04/04/2019 18:39:17 AM VAT-Except : 0.00
Delivery Date : 04/05/2019 VAT Zero-Rated : 0.00
Area Dest. : Mindanao 18AM Pickup Fee : 0.00
Tran. Type : Delivery Discount : 0.00
Cut-Off : 07:38 PM Total Sales : 149.11
Actual Wt (Kg.) : 0.00 12% VAT : 17.89
Amount Due : 167.00
Mode : CASH

Track your padala at:
www.lbcexpress.com
Talk to our Care Representative
www.lbcexpress.com
Tel. (632) 8585-999
1-800-10-8585-999
*Only for PH outside NCR

Said to Contain : DOCUMENTS ONLY

LBC Express values your privacy. For more info on our privacy policy
visit www.lbcexpress.com/privacy-policy
SHIPPER WARRANTS THAT THE SHIPMENT HAS NO CASH INSIDE CLAIMS OF CARGO ARE
LIMITED UP TO ACTUAL DECLARED VALUE ONLY
I hereby agree to be bound with the terms and conditions written at the
back set forth by LBC EXPRESS

Let us know of your experience:
survey.lbcexpress.com

CAROZA MARY GRACE
Signature of Associate

NATIONAL POWER CORPORATION
Signature of Shipper

OR Series No : THR061888888881 to THR069999999999 BIR Final PTUS:FP062015-122-8848836-88575
BIR Accreditation No: 1220007821482015068318 Date Issued: 06/26/2015 valid until 06/25/2020
*THIS INVOICE/RECEIPT SHALL BE VALID FOR FIVE(5) YEARS FROM THE DATE OF THE PERMIT TO USE. *

LBC EXPRESS, INC.
G/F ETOM CYBERPOD, CENTRIS BLDG., EDSA C
OR QUEZON AVE., QUEZON CITY
Tel. No : (63) -
TIN No. : 888-782-148-88575



1396 1890 7959

THIS SERVES AS AN OFFICIAL RECEIPT
MIN : 15888718561116927
Serial No : 5GHS355R5N
Official Receipt No : THR0618888183482

SHIPPER:

NATIONAL POWER CORPORATION
Address: ELECTRICITY TARIFF DIVISION, QUEZO
N AVE COR BIR RO, PASIG CITY, METRO MANILA
Contact No.(s) : 9245362 /9999999999
Card Number: TIN:

CONSIGNEE:
And or/ care of: /

ITURRALDE, CESAR S
Address: VICE MAYOR/ SECRETARY TO THE SANGGUNIANG P
ANGLUNGSOD OFFICE OF THE SANGGUNIANG PANGLUNGSOD RT
, ZAMBOANGA CITY, ZAMBOANGA DEL SUR
Contact No.(s) : 9000000000

Courier N-Pouch XL

Origin : MMA-THR06-ETOM CYBERPOD EDSAVTable(Freight) : 149.11
Tran. Date : 04/04/2019 18:48:59 AM VAT-Except : 0.00
Delivery Date : 04/05/2019 VAT Zero-Rated : 0.00
Area Dest. : Mindanao 18AM Pickup Fee : 0.00
Tran. Type : Delivery Discount : 0.00
Cut-Off : 07:38 PM Total Sales : 149.11
Actual Wt (Kg.) : 0.00 12% VAT : 17.89
Amount Due : 167.00
Mode : CASH

Track your padala at:
www.lbcexpress.com
Talk to our Care Representative
www.lbcexpress.com
Tel. (632) 8585-999
1-800-10-8585-999
*Only for PH outside NCR

Said to Contain : DOCUMENTS ONLY

LBC Express values your privacy. For more info on our privacy policy
visit www.lbcexpress.com/privacy-policy
SHIPPER WARRANTS THAT THE SHIPMENT HAS NO CASH INSIDE CLAIMS OF CARGO ARE
LIMITED UP TO ACTUAL DECLARED VALUE ONLY
I hereby agree to be bound with the terms and conditions written at the
back set forth by LBC EXPRESS

Let us know of your experience:
survey.lbcexpress.com

CAROZA MARY GRACE
Signature of Associate

NATIONAL POWER CORPORATION
Signature of Shipper

OR Series No : THR061888888881 to THR069999999999 BIR Final PTUS:FP062015-122-8848836-88575
BIR Accreditation No: 1220007821482015068318 Date Issued: 06/26/2015 valid until 06/25/2020
*THIS INVOICE/RECEIPT SHALL BE VALID FOR FIVE(5) YEARS FROM THE DATE OF THE PERMIT TO USE. *

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. 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.
4. 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 April 2019 here at Quezon City.

PIO J. BENAVIDEZ
Affiant *ab*

APR 01 2019

SUBSCRIBED AND SWORN TO before me this _____ day of April 2019 here at Quezon City, affiant exhibiting to me his NPC Identification Card No. APW1302281 which is a competent proof of his identity.

Doc. No. ; *965*
Page No. *93* ;
Book No. *11* ;
Series of 2019

ATY. RODOLFO M. BELGUZMAN, JR.
Notary Public for Quezon City
Commission No. NP-190 (2018-2019)
Commission Expires on December 31, 2019
IBPN No. 025364; 01/10/18; RSM
PTR No. 5611536; 01/09/18; Quezon City
Roll No. 44291
MCLE Compliance No. V-4055; 10/07/14; Pasig City
4th Floor NPC Office Building
Quezon Ave. cor. BIR Road
Diliman, Quezon City