

**[ERC RESOLUTION NO. 19, SERIES OF 2009,
August 03, 2009]**

A RESOLUTION ADOPTING THE RULES FOR THE AUTOMATIC RECOVERY OF MONTHLY FUEL AND PURCHASED POWER COSTS AND FOREIGN-EXCHANGE RELATED COSTS BY THE NATIONAL POWER CORPORATION (NPC)

WHEREAS, Section 43 of Republic Act No. 9136, otherwise known as the Electric Power Industry Reform Act of 2001 (EPIRA) empowers the Energy Regulatory Commission (Commission), in the public interest, to establish and enforce a methodology for the recovery of fuel and purchased power costs and incremental foreign exchange adjustments by the National Power Corporation (NPC).

WHEREAS, on February 24, 2003, the Commission adopted the Implementing Rules for the Recovery of Fuel and Independent Power Producers (IPP) Costs: Generation Rate Adjustment Mechanism (GRAM) and Incremental Currency Exchange Rate Adjustments (ICERA).

WHEREAS, on August 14, 2008, the Power Sector Assets and Liabilities Management Corporation (PSALM) filed an application for approval of the "Proposed Rules for the Automatic Recovery of PSALM Generation Assets' Monthly Fuel Purchased Power and Foreign Exchange-Related Costs" docketed as ERC Case No. 2008-019 RM;

WHEREAS, on October 21, 2008, the Commission issued an Order setting the PSALM's proposed Rules for public consultation on November 13, 2008;

WHEREAS, during the November 13, 2008 public consultation, several issues and concerns were raised by the parties;

WHEREAS, in its *Notice* dated December 17, 2008, the Commission proposed a separate "Rules for the Automatic Recovery of Monthly Fuel, Purchased Power Costs and Foreign Exchange Related Costs of the National Power Corporation (NPC)," which was set for public consultation on January 26, 2009;

WHEREAS, at the January 26, 2009 public consultation, the stakeholders raised several issues pertaining to the following: a) Clarification on the definition of terms; b) Unit of measurement of the reference prices of fuel; c) Relaxation on the limit of adjustments for reference prices; d) Other Fuel Cost Adjustment (OFCA) and Other Purchased Power Cost Adjustment (OPPCA); and e) Test period of filing the adjustments;

WHEREAS, on February 11, 2009, the Commission's proposed Rules was posted on its website, and a *Notice* was issued directing all interested parties to submit their comments thereon on or before February 25, 2009;

WHEREAS, on various dates, the Commission received several comments from the stakeholders;