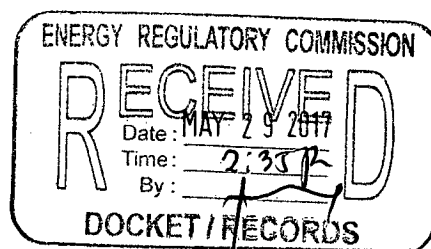


Republic of the Philippines
ENERGY REGULATORY COMMISSION
Pacific Center Building, San Miguel Avenue
Ortigas Center, Pasig City

**IN THE MATTER OF
APPLICATION FOR THE
APPROVAL OF THE 16th
GENERATION RATE
ADJUSTMENT MECHANISM
(16th GRAM)**



ERC CASE No. 2017- 052 RC

**NATIONAL
CORPORATION**

POWER

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 July to December 2015. 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

	Actual Fuel Costs, PhP
LUZON	784,541,944
VISAYAS	102,174,817
MINDANAO	548,135,776
PHILIPPINES	1,434,852,537

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

	Allowable Fuel Costs, PhP
LUZON	784,538,554
VISAYAS	101,653,777
MINDANAO	543,577,225
PHILIPPINES	1,429,769,556

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	230,692,188
VISAYAS	3.8942	38,144,445
MINDANAO	3.2787	242,457,756
PHILIPPINES		511,294,389

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
July	2.078	3.000	5.078
August	1.999	3.000	4.999
September	1.505	3.000	4.505
October	1.491	3.000	4.491
November	1.773	3.000	4.773
December	1.836	3.000	4.836

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 16th GRAM Application covering the test period July to December 2015 and the corresponding proposed rates in P/kWh calculated for recovery for a period of two (2) years:

Table 5. Sixteenth (16th) GRAM DAA Summary

	LUZON	VISAYAS	MINDANAO	PHILIPPINES
Principal	553,846,366	63,509,332	301,119,469	918,475,167
Carrying Charge	8,053,436	899,495	4,167,142	13,120,072
TOTAL, PhP	561,899,802	64,408,827	305,286,611	931,595,239
Two (2) Years Projected Energy Sales (MWh)	906,020	127,095	474,958	1,508,073
16th GRAM DAA, PhP/kWh	0.6202	0.5068	0.6428	0.6177

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 16th 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"
91-day Treasury Bill Rates	Annex "E"
Actual Energy Sales, kWh	Annex "F" & series
Projected Energy Sales, Mwh	Annex "G"

14. The proposed 16th GRAM DAA Application was approved for filing by the National Power Board on 23 May 2017, 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 16th GRAM DAA is fair and reasonable as it is computed in line with the GRAM rules as approved by the Honorable Commission.

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 2015 for the deferred fuel costs in the amount of **PhP 931,595,239** recoverable for a period of two (2) years through the imposition of the following proposed rates in P/kWh:

LUZON	VISAYAS	MINDANAO	PHILIPPINES (Average)
0.6202	0.5068	0.6428	0.6177

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.

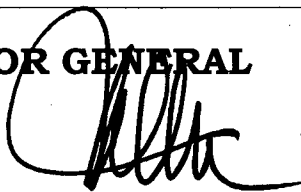
3. Allowing the continued collection of the GRAM adjustments even with the entry of private sector players in a specific NPC-SPUG area.

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.

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

Quezon City for Pasig City, 23 May 2017.

FOR THE SOLICITOR GENERAL



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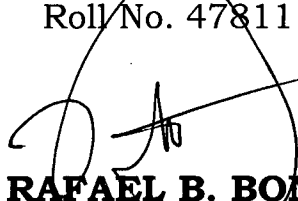
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cc: **ATTY. JOHN THOMAS S. ALFEROS III**
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Republic of the Philippines)
Quezon City)SS.

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 15th 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 29th day of May 2017 here at Quezon City.

PIO J. BENAVIDEZ
Affiant

SUBSCRIBED AND SWORN TO before me this 24th day of May 2017 here at Quezon City, affiant exhibiting to me his NPC Identification Card No. APW1302281 which is a competent proof of his identity.

Doc. No. 271;
Page No. 55;
Book No. 14;
Series of 2017

ATTY. RODOLFO M. DE GUZMAN, JR.
Notary Public for Quezon City
Commission No. NP-229
Commission Expires on December 31, 2017
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