

Republic of the Philippines  
**ENERGY REGULATORY COMMISSION**  
San Miguel Avenue, Pasig City



**IN THE MATTER OF  
APPLICATION FOR THE  
APPROVAL OF THE 12<sup>TH</sup>  
GENERATION RATE  
ADJUSTMENT MECHANISM  
(12<sup>TH</sup> GRAM), WITH PRAYER  
FOR PROVISIONAL AUTHORITY**

**ERC CASE NO. 2014-188 RC**

**NATIONAL POWER  
CORPORATION (NPC),  
Applicant.**

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**D O C K E T E D**  
Date: **AUG 04 2015**  
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**ORDER**

On December 22, 2014, the National Power Corporation (NPC) filed an application for the approval of the 12<sup>th</sup> Generation Rate Adjustment Mechanism (12<sup>th</sup> GRAM), with prayer for provisional authority.

In the said application, NPC alleged, among others, that:

1. Pursuant to Section 70 of Republic Act No. 9136, (R.A. 9136), otherwise known as the Electric Power Industry Reform Act of 2001 or the EPIRA, it is responsible for providing power generation and associated power delivery systems in areas that are not connected to the transmission system;
2. In the performance of its missionary electrification function, it incurs additional operating costs as a result of the fluctuation of the fuel prices used in power generation. As such, it is allowed to recover through the GRAM the cost incurred in the operation that is beyond the approved rate;

3. In an Order dated February 24, 2003, the Commission issued and adopted the Implementing Rules for the GRAM providing for, among others, the mechanisms for the recovery of deferred fuel costs and purchase power costs;
4. The instant application was filed consistent with Section 4 (e) Rule 3 of the EPIRA Implementing Rules and Regulations (IRR), as amended;
5. It covers the billing period July 2013 to December 2013;
6. It 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 the Commission;
7. In the instant application, it has incurred a total actual fuel costs during the afore-said test period, as follows:

<b>Grid</b>	<b>Actual Fuel Cost, PhP</b>
Luzon	1,218,802,469
Visayas	197,823,309
Mindanao	722,968,262
<b>Philippines</b>	<b>2,139,594,040</b>

8. The costs of fuel for consumption without generation were not subject to the approved Heat Rate cap since the fuel was used during start-up operations. The said costs are included in the Allowable Fuel Costs calculated together with the fuel consumption and corresponding fuel costs subject to the approved Heat Rate caps for Luzon, Visayas and Mindanao, as follows:

<b>Grid</b>	<b>Allowable Fuel Cost, PhP</b>
Luzon	1,211,170,192
Visayas	197,823,310
Mindanao	709,655,864
<b>Philippines</b>	<b>2,118,649,366</b>

9. It has accounted the corresponding fuel costs recovered through the Subsidized Approved Generation Rate (SAGR), as follows:

Grid	Fuel Recovery under the SAGR	
	(PhP/kWh)	Amount (PhP)
Luzon	2.0282	224,107,800
Visayas	3.8942	60,163,703
Mindandao	3.2787	197,350,765
<b>Philippines</b>		<b>481,622,268</b>

10. It utilized the following Carrying Charges as authorized under the Implementing Rules of the GRAM:

Test/Billing Months	Prevailing 91-day T-Bill Rate <sup>1/</sup>	Authorized Allowance <sup>2/</sup>	Allowable Rate
July 2013	0.666	3.000	3.666
August 2013	0.589	3.000	3.589
September 2013	0.866	3.000	3.866
October 2013	0.001	3.000	3.001
November 2013	0.001	3.000	3.001
December 2013	0.001	3.000	3.001

1/ Source: Bangko Sentral ng Pilipinas

2/ As authorized in the GRAM Implementing Rules

11. Shown below are the calculated deferred fuel costs and the corresponding DAA for Luzon, Visayas and Mindanao under the subject 12<sup>th</sup> GRAM application covering the test period July 2013 to December 2013 and the corresponding proposed rates in PhP/kWh calculated for recovery for a period of two (2) years:

Particulars	LUZON	VISAYAS	MINDANAO	PHILIPPINES
Principal	987,062,392	137,659,606	512,305,099	1,637,027,097
Carrying Charge	9,148,297	1,314,198	4,701,132	15,163,627
<b>TOTAL, PhP</b>	<b>996,210,689</b>	<b>138,973,804</b>	<b>517,006,231</b>	<b>1,652,190,724</b>
2 Years Projected Energy Sales (MWh)	544,988.23	64,385.42	352,801.26	962,174.92
12th GRAM DAA, PhP/kWh	<b>1.8279</b>	<b>2.1585</b>	<b>1.4654</b>	<b>1.7171</b>

It proposes to recover the above calculated DAA within two (2) years to mitigate the impact thereof to customer in the missionary areas;

12. The proposed 21<sup>th</sup> GRAM Deferred Accounting Adjustments (DAA) application was approved for filing by the National Power Board on December 16, 2014;
13. The proposed 12<sup>th</sup> GRAM DAA is just, fair and reasonable as it permits the recovery of allowable costs only under the GRAM guidelines and consistent with the principles of free and competitive electricity market as provided under R.A. 9136;

**Allegations in Support of the Prayer for Provisional Authority**

14. The proposed DAA will reflect the recent costs authorized under the GRAM. It will increase the revenue commensurate with its cost and ultimately reduce the burden of the UC-ME on all electricity end-users;
15. Since these expenses were incurred in the year 2013, the immediate recovery of this adjustment through a provisional authority would help alleviate its operational funding, without prejudice on the authority of the Commission to approve the recovery of this adjustment as part of the True Cost of Generation Rate (TCGR);
16. Pursuant to Rule 15, Section 3 of the Commission's Rules of Practice and Procedure, it has the authority to grant provisional authority pending final approval of the instant application; and
17. It prays that a provisional authority be issued by the Commission pending hearing and approval of the proposed GRAM DAA as well as the corresponding rate for the second semester of CY 2013;
18. It further prays that a Decision be issued approving the following:
  - a. The recovery of proposed DAA covering the test period July 2013 to December 2013 for the deferred fuel costs in the amount of PhP1,652,190,724.00

recoverable for a period of two (2) years through the imposition of the following proposed rates in PhP/kWh:

<b>LUZON</b>	<b>VISAYAS</b>	<b>MINDANAO</b>	<b>PHILIPPINES</b>
<b>1.8279</b>	<b>2.1585</b>	<b>1.4654</b>	<b>1.7171</b>

- b. The imposition of the proposed GRAM directly to consumers in SPUG areas under the GRAM Rules, subject to the discretion of the Commission;
- c. Allow the continued collection of the GRAM even with the entry of private sector players in a specific NPC-SPUG areas; and
- d. Approve the implementation of the proposed rates on top of the existing SAGR and the delegated SPUG Areas where New Power Producers (NPPs) operate for the purpose of determining the level of subsidy.

Finding the said application to be sufficient in form and substance with the required fees having been paid, the same is hereby set for jurisdictional hearing, expository presentation, pre-trial conference and evidentiary hearing on the following dates and venues:

<b>Date and Time</b>	<b>Venue</b>	<b>Particulars</b>
<b>Luzon</b>		
<b>September 9, 2015 (Wednesday)</b> at nine o'clock in the morning (9:00 A.M.)	ERC Hearing Room, 15 <sup>th</sup> Floor, Pacific Center Building, San Miguel Avenue, Pasig City	Jurisdictional, Expository Presentation, Pre-Trial Conference and Evidentiary Hearing
<b>Visayas</b>		
<b>September 24, 2015 (Thursday)</b> at nine o'clock in the morning (9:00 A.M.)	Holiday Plaza Hotel, F. Ramos Street, Cebu City	Jurisdictional, Expository Presentation, Pre-Trial Conference and Evidentiary Hearing
<b>Mindanao</b>		
<b>October 1, 2015 (Thursday)</b> at nine o'clock in the morning (9:00 A.M.)	Pearlont Hotel, Limkitkai Drive, Cagayan de Oro City	Jurisdictional, Expository Presentation, Pre-Trial Conference and Evidentiary Hearing

NPC is hereby directed to cause the publication of the attached Notice of Public Hearing, at its own expense, twice (2x) for two (2) successive weeks in two (2) newspapers of general circulation in the Philippines, with the date of the last publication to be made not later than ten (10) days before the scheduled date of initial hearing. It is also directed to inform the consumers within the SPUG areas, by any other means available and appropriate, of the filing of the instant application, its reasons therefor, and of the scheduled hearing thereon.

Let copies of the application, this Order, and the attached Notice of Public Hearing be furnished the Office of the Solicitor General (OSG), the Commission on Audit (COA), and the Committees on Energy of both Houses of Congress. They are hereby requested, if they so desire, to send their duly authorized representatives at the scheduled hearing.

Likewise, let copies of this Order and the attached Notice of Public Hearing be furnished the Offices of the Mayors of Quezon City, the Municipalities, Cities and the Provincial Governors where NPC-SPUG principally operates for the appropriate posting thereof on their respective bulletin boards.

NPC is hereby directed to furnish all those making requests therefor with copies of the application and its attachments, subject to reimbursement of reasonable photocopying costs.

On the date of the initial hearing and pre-trial conference, NPC must submit to the Commission their written Compliance with the jurisdictional requirements attaching therewith, methodically arranged and duly marked, the evidences on the actual posting and publication of the Notice of Public Hearing consisting of certifications issued to that effect, signed by the afore-mentioned Governors and Mayors or their duly authorized representatives, bearing the seals of their offices, and the affidavits of the Editors or Business Managers of the newspapers where the said Notice of Public Hearing were published together with the complete issues of the said newspapers, and such other proofs of compliance with the requirements of the Commission.

NPC and all interested parties are directed to submit, at least five (5) days before the date of initial hearing and pre-trial conference, their respective Pre-Trial Briefs containing, among others:

- (a) A summary of admitted facts and proposed stipulation of facts;

- (b) The issues to be tried or resolved;
- (c) The documents or exhibits to be presented, stating the purposes thereof and proposed markings therefore; and
- (d) The number and names of the witnesses, with their written testimonies in an individual affidavit form, to be attached to the Pre-Trial Brief.

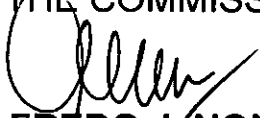
Failure of NPC to submit the required Pre-Trial Brief and Judicial Affidavits of its witnesses within the prescribed period shall be a ground for cancellation of the scheduled hearing, and the resetting of which shall be six (6) months from said date of cancellation.

As part of the pre-trial conference, NPC must also be prepared to make an expository presentation of its application, aided by whatever communication medium that it may deem appropriate for the purpose, in order to put in plain words and explain, for the benefit of the consumers and other concerned parties, what the application is all about and the reasons and justifications being cited in support of the approval prayed for.

**SO ORDERED.**

Pasig City, July 29, 2015.

FOR AND BY AUTHORITY  
OF THE COMMISSION:

  
**ALFREDO J. NON**  
Officer-In-Charge  
and Commissioner



**Copy Furnished:**

1. **Attys. MELCHOR P. RIDULME, WILFREDO J. COLLADO, FRITZ BON-BON A. SOMYDEN and MAY ROSE C. PINTOR**  
Counsels for Applicant NPC-SPUG  
Office of the General Counsel  
National Power Corporation  
Quezon Avenue cor. BIR Road  
Diliman, Quezon City, Metro Manila  
Tel. No. 02-921-9670
2. **The Office of the Solicitor General**  
134 Amorsolo Street, Legaspi Village, Makati City  
Metro Manila
3. **The Commission on Audit**  
Commonwealth Avenue  
Quezon City 1121
4. **The Senate Committee on Energy**  
GSIS Building, Roxas Boulevard  
Pasay City 1307
5. **The House Committee on Energy**  
Batasan Hills, Quezon City 1126
6. **National Electrification Administration (NEA)**  
Quezon Avenue, Quezon City  
Metro Manila
7. **The General Manager**  
Philippine Rural Electric Cooperatives Association (PHILRECA)  
4<sup>TH</sup> Floor, Casman Building  
372 Quezon Avenue, Quezon City  
Metro Manila
8. **Ms. Edith Bueno**  
Administrator  
National Electrification Administration  
ODFC Building, 1050 Quezon Avenue  
Quezon City, Metro Manila
9. **All Distribution Utilities**
10. **The Provincial Governor**  
Province of Ilocos Sur
11. **The Provincial Governor**  
Province of Ilocos Norte
12. **The Provincial Governor**  
Province of Cagayan
13. **The Provincial Governor**  
Province of Isabela
14. **The Provincial Governor**  
Province of Nueva Viscaya
15. **The Provincial Governor**  
Province of Abra



- 16. The Provincial Governor**  
Province of Benguet
- 17. The Provincial Governor**  
Province of Ifugao
- 18. The Provincial Governor**  
Province of Kalinga Apayao
- 19. The Provincial Governor**  
Mountain Province
- 20. The Provincial Governor**  
Province of Aurora
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- 25. The Provincial Governor**  
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Province of Batangas
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Province of Quezon
- 29. The Provincial Governor**  
Province of Occidental Mindoro
- 30. The Provincial Governor**  
Province of Oriental Mindoro
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- 32. The Provincial Governor**  
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- 36. The Provincial Governor**  
Province of Albay

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53. **The Provincial Governor**  
Province of Misamis Occidental
54. **The Provincial Governor**  
Province of Misamis Oriental
55. **The Provincial Governor**  
Province of Bukidnon
56. **The Provincial Governor**  
Province of Lanao del Norte
57. **The Provincial Governor**  
Province of North Cotabato

- 58. The Provincial Governor**  
Province of South Cotabato
- 59. The Provincial Governor**  
Province of Sultan Kudarat
- 60. The Provincial Governor**  
Province of Agusan del Norte
- 61. The Provincial Governor**  
Province of Agusan del Sur
- 62. The Provincial Governor**  
Province of Surigao del Norte
- 63. The Provincial Governor**  
Province of Surigao del Sur
- 64. Atty. Francis Dino S. Antonio**  
Counsel for MERALCO  
7<sup>th</sup> Floor, Lopez Building, Ortigas Avenue  
Pasig City