

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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**DOCKETS**  
Date: AUG 04 2015

**NOTICE OF PUBLIC HEARING**

**TO ALL INTERESTED PARTIES:**

Notice is hereby given that 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.

The Commission has set the said application 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.)	Pearlmount Hotel, Limkitkai Drive, Cagayan de Oro City	Jurisdictional, Expository Presentation, Pre-Trial Conference and Evidentiary Hearing

All persons who have an interest in the subject matter of the proceeding may become a party by filing, at least five (5) days prior to the initial hearing and subject to the requirements in the ERC's Rules of Practice and Procedure, a verified petition with the Commission giving the docket number and title of the proceeding and stating: (1) the petitioner's name and address; (2) the nature of petitioner's interest in the subject matter of the proceeding, and the way and manner in which such interest is affected by the issues involved in the proceeding; and (3) a statement of the relief desired.

All other persons who may want their views known to the Commission with respect to the subject matter of the proceeding may file their opposition to the application or comment thereon at any stage of the proceeding before the applicant concludes the presentation of its evidence. No particular form of opposition or comment is required, but the document, letter or writing should contain the name and address of such person and a concise statement of the opposition or comment and the grounds relied upon.

All such persons who may wish to have a copy of the application may request the applicant, prior to the date of the initial hearing, that they be furnished with a copy of the application. The applicant is hereby directed to furnish all those making such request with copies of the petition and its attachments, subject to reimbursement of reasonable photocopying costs. Likewise, any such person may examine the application and other pertinent records filed with the Commission during the usual office hours.

**WITNESS**, the Honorable Commissioners, **ALFREDO J. NON**, **GLORIA VICTORIA C. YAP-TARUC**, **JOSEFINA PATRICIA A. MAGPALE-ASIRIT**, and **GERONIMO D. STA. ANA**, Energy Regulatory Commission, this 29<sup>th</sup> day of July, 2015 at Pasig City.

  
**ATTY. FRANCIS SATURNINO C. JUAN**  
Executive Director III