

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



**IN THE MATTER OF  
APPLICATION FOR THE  
APPROVAL OF THE 13<sup>TH</sup>  
GENERATION RATE  
ADJUSTMENT MECHANISM  
(13<sup>TH</sup> GRAM)**

**ERC CASE NO. 2015-203 RC**

**NATIONAL POWER  
CORPORATION**

**Applicants.**

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**D O C K E T E D**  
Date: SEP 08 2016  
By: W

**NOTICE OF PUBLIC HEARING**

**TO ALL INTERESTED PARTIES:**

Notice is hereby given that on 04 December 2015, the National Power Corporation (NPC) filed an Application for the approval of the 13<sup>th</sup> Generation Rate Adjustment Mechanism (13<sup>th</sup> GRAM).

In the said Application, NPC alleged the following:

1. Applicant 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, and 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 June 2014. 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**

	<b>Actual Fuel Costs, PhP</b>
LUZON	1,435,556,117
VISAYAS	222,401,790
MINDANAO	737,361,600
<b>PHILIPPINES</b>	<b>2,395,319,507</b>

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**

	<b>Allowable Fuel Costs, PhP</b>
LUZON	1,433,175,275
VISAYAS	222,401,790
MINDANAO	729,812,401
<b>PHILIPPINES</b>	<b>2,385,389,466</b>

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

**Table 3. Fuel Recovery under SAGR, in PhP**

	<b>Fuel Recovery under the SAGR</b>	
	<b>(PhP/kWh)</b>	<b>Amount</b>
LUZON	2.0282	255,098,887
VISAYAS	3.8942	62,825,173
MINDANAO	3.2787	196,258,181
<b>PHILIPPINES</b>		<b>514,182,241</b>

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 <sup>1/</sup>	Authorized Allowance <sup>2/</sup>	Allowable Rate
JANUARY	0.693	3.000	3.693
FEBRUARY	1.458	3.000	4.458
MARCH	1.000	3.000	4.000
APRIL	1.440	3.000	4.440
MAY	1.346	3.000	4.346
JUNE	1.035	3.000	4.035

*1/ Source: Bangko Sentral ng Pilipinas*

*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 13<sup>th</sup> GRAM Application covering the test period January to June 2014 and the corresponding proposed rates in P/kWh calculated for recovery for a period of two (2) years:

**Table 5. Thirteenth (13<sup>th</sup>) GRAM DAA Summary**

	LUZON	VISAYAS	MINDANAO	PHILIPPINES
Principal	1,178,076,388	159,576,618	533,554,219	1,871,207,225
Carrying Charge	13,269,505	1,804,535	6,467,341	21,541,381
<b>TOTAL, PhP</b>	<b>1,191,345,893</b>	<b>161,381,153</b>	<b>540,021,560</b>	<b>1,892,748,606</b>
2 Years Projected Energy Sales (MWh)	577,580.14	69,454.49	370,290.39	1,017,325.02
<b>13th GRAM DAA, PhP/kWh</b>	<b>2.0627</b>	<b>2.3236</b>	<b>1.4584</b>	<b>1.8605</b>

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 13<sup>th</sup> GRAM DAA, Applicant respectfully submits the following documents annexed herewith to form part of this Application:

List of Plants	<b>Annex "B" &amp; series</b>
Summary of DAA	<b>Annex "C" &amp; series</b>
Summary of Net Generation, kWh	<b>Annex "D"</b>
91-day Treasury Bill Rates	<b>Annex "E"</b>
Actual Energy Sales, kWh	<b>Annex "F" &amp; series</b>
Projected Energy Sales, Mwh	<b>Annex "G"</b>

14. This proposed 13<sup>th</sup> GRAM DAA Application was approved for filing by the National Power Board on 07 October 2015, under NP Board Resolution No. 2015-32, attached hereto as **Annex "H" & Series** and made an integral part hereof.
15. The proposed 13<sup>th</sup> GRAM DAA is fair and reasonable as it is computed in line with the GRAM rules and consistent with the principles of free and competitive electricity market as provided under R.A. 9136.

**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 June 2014 for the deferred fuel costs in the amount of **Php 1,892,748,606** recoverable for a period of two (2) years through the imposition of the following proposed rates in P/kWh:

<b>LUZON</b>	<b>VISAYAS</b>	<b>MINDANAO</b>	<b>PHILIPPINES (Ave)</b>
<b>2.0627</b>	<b>2.3236</b>	<b>1.4584</b>	<b>1.8605</b>

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.

The Commission has set the Application for determination of compliance with the jurisdictional requirements, expository presentation, Pre-trial Conference, and presentation of evidence on the following dates and venues:

(Please refer to the next page)

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**Notice of Public Hearing/26 July 2016**  
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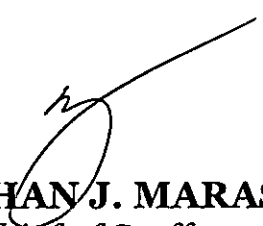
<b>Date and Time</b>	<b>Venue</b>	<b>Particulars</b>
<b>LUZON</b>		
<b>26 October 2016 (Wednesday)</b> at ten o'clock in the morning (10:00 A.M.)	ERC Hearing Room, 15th Floor, Pacific Center Building, San Miguel Avenue, Pasig Ciy	Jurisdictional, Expository Presentation, Pre-Trial Conference, and Evidentiary Hearing
<b>VISAYAS</b>		
<b>10 November 2016 (Thursday)</b> at nine o'clock in the morning (9:00 A.M.)	Energy Regulatory Commission- Visayas Field Office (ERC-VFO), St. Mary's Drive, Banilad, Cebu City, Philippines	Jurisdictional, Expository Presentation, Pre-Trial Conference, and Evidentiary Hearing
<b>MINDANAO</b>		
<b>17 November 2016 (Thursday)</b> at nine o'clock in the morning (9:00 A.M.)	Energy Regulatory Commission- Mindanao Field Office (ERC-MFO), Mezzanine Floor, Mintrade Building, Monteverde Avenue cor. Sales Street, Davao 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 wish to have a copy of the application may request from the applicant that they be furnished with the same, prior to the date of the initial hearing. The applicant is hereby directed to furnish all those making such request with copies of the application and its attachments, subject to the reimbursement of reasonable photocopying costs. Any such person may likewise examine the application and other pertinent records filed with the Commission during standard office hours.

**WITNESS**, the Honorable Chairman **JOSE VICENTE B. SALAZAR**, and 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 26th day of July 2016 in Pasig City.

  
**ATTY. NATHAN J. MARASIGAN**  
*Chief of Staff*  
Office of the Chairman and CEO

  
LS: JEM/GLS/APV