

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

IN THE MATTER OF THE 6TH
APPLICATION FOR THE
APPROVAL OF THE GENERATION
RATE ADJUSTMENT UNDER THE
GRAM RULES, WITH PRAYER FOR
PROVISIONAL AUTHORITY

ERC CASE NO. 2011-008 RC

NATIONAL POWER CORPORATION
SMALL POWER UTILITIES GROUP
(NPC-SPUG),

Applicant.

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DOCKETED
Date: FEB 02 2011
By: *M*

NOTICE OF PUBLIC HEARING

TO ALL INTERESTED PARTIES:

Notice is hereby given that on January 20, 2011, the National Power Corporation-Small Power Utilities Group (NPC-SPUG) filed its 6th application for the approval of its generation rate adjustment under the Generation Rate Adjustment Mechanism (GRAM), with prayer for provisional authority.

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

1. Pursuant to Section 70 of Republic Act No. 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 fuel operating costs as a result of the fluctuation of the prices of fuel used in power generation as well as purchased power costs. The additional fuel and purchased power costs, which it has incurred without the benefit of any recovery through rates has contributed to its deteriorating financial condition;

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 covers the period December 26, 2008 to December 26, 2009. While the DAA under the previous applications were calculated on a per area basis, it adopted a calculation on a per province basis in order to:
 - a. Reflect the true fuel cost per province;
 - b. Match with the latest module of Missionary Electrification Program (MEP);
 - c. Eliminate cross subsidy among provinces within the area; and
 - d. Simplify information dissemination.
5. The following are the list of the provinces:

1	Mindoro
2	Batangas
3	Marinduque
4	Quezon
5	Palawan
6	Catanduanes
7	Albay
8	Romblon
9	Batanes
10	Cagayan
11	Aurora
12	Apayao
13	Kalinga
14	Isabela
15	Camarines Sur
16	Masbate

17	Cebu
18	Siquijor
19	Antique
20	Ilo-ilo
21	Leyte
22	Biliran
23	Samar
24	Basilan
25	Sulu
26	Dinagat
27	Sultan Kudarat
28	Davao
29	Surigao del Norte
30	Zamboanga
31	Tawi-Tawi

6. It proposes that only the cost of fuel with generation be subject to the Commission's approved heat rate cap for Luzon, Visayas and Mindanao. The costs of fuel without generation are proposed to be added in full to the Allowable Fuel Costs and were not subject to cap to avoid distortion in the calculation of the actual heat rate for each plant. Fuel consumptions without generation included in the instant application are only those that are considered generation-related, such as start-up operation;
7. It proposes that it be allowed to recover the following Allowable Fuel Costs for each province:

Prov #	Prov Name	Allowable Fuel Cost, P	Prov #	Prov Name	Allowable
1	Mindoro	843,712,858.97	17	Cebu	61,880,712.35
2	Batangas	9,960,611.31	18	Siquijor	104,291,804.00
3	Marinduque	186,604,527.29	19	Antique	5,134,910.30
4	Quezon	30,611,114.09	20	Ili-ilo	1,570,498.75
5	Palawan	372,347,157.72	21	Leyte	2,490,790.07
6	Catanduanes	111,766,327.39	22	Biliran	3,837,767.86
7	Albay	11,281,410.59	23	Samar	31,783,943.06
8	Romblon	221,292,020.02		TOTAL VISAYAS	210,990,426.39
9	Batanes	37,510,907.20	24	Basilan	183,036,612.27
10	Cagayan	2,366,779.78	25	Sulu	255,871,932.72
11	Aurora	29,017,634.01	26	Dinagat	52,861,709.83
12	Apayao	5,651,255.29	27	Sultan Kudarat	66,596,339.72
13	Kalinga	3,371,731.19	28	Davao	10,478,951.71
14	Isabela	2,844,098.15	29	Surigao del Norte	1,457,325.78
15	Camarines Sur	142,991.09	30	Zamboanga	645,205.17
16	Masbate	360,715,543.70	31	Tawi-Tawi	114,749,117.89
	TOTAL LUZON	2,229,196,967.80		TOTAL MINDANAO	685,697,195.10

TOTAL PHILIPPINES 3,125,884,589.29

8. It proposes to recover the GRAM DAA amounting to PhP2.139 Billion for a period of twenty four (24) months. Shown below is the breakdown of the proposed DAA including the corresponding proposed rates:

	Province	Deferred Fuel Cost	Carrying Charge	DAA (In Pesos)	PROPOSED RATE (P/kWh)
1	Mindoro	578,157,778	20,224,651	598,382,429	0.9949
2	Batangas	7,959,831	308,395	8,268,225	1.7646
3	Marinduque	123,403,799	4,360,918	127,764,717	1.1366
4	Quezon	22,743,389	828,431	23,571,820	1.6261
5	Palawan	282,318,241	10,843,414	293,161,655	2.1777
6	Catanduanes	82,169,961	3,368,449	85,538,410	1.0180
7	Albay	8,938,183	343,428	9,281,611	1.7705
8	Romblon	160,091,908	5,997,541	166,089,449	1.9093
9	Batanes	28,539,248	1,247,643	29,786,891	2.2369
10	Cagayan	1,801,173	77,315	1,878,487	1.1049
11	Aurora	22,080,507	860,030	22,940,537	2.0679
12	Apayao	4,584,783	187,978	4,772,761	2.6024
13	Kalinga	2,822,312	111,945	2,934,257	2.2291
14	Isabela	2,233,156	91,201	2,324,357	1.7961
15	Camarines Sur	107,100	2,739	109,839	0.1230
16	Masbate	244,489,869	8,433,131	252,923,000	1.5593
	LUZON	1,572,441,236	57,287,208	1,629,728,444	1.3169

	Province	Deferred Fuel Cost	Carrying Charge	DAA (In Pesos)	PROPOSED RATE (P/kWh)
17	Cebu	33,124,911	1,243,329	34,368,240	1.3852
18	Siquijor	55,863,117	2,020,278	57,883,395	1.8676
19	Antique	3,182,456	108,126	3,290,581	1.1840
20	Ilo-ilo	1,049,160	37,868	1,087,028	0.9319
21	Leyte	1,443,663	56,067	1,499,730	0.4706
22	Biliran	2,349,241	89,039	2,438,280	0.9672
23	Samar	20,491,976	772,091	21,264,067	1.3303
	VISAYAS	117,504,524	4,326,797	121,831,321	1.4959
24	Basilan	92,105,146	3,152,875	95,258,021	1.2517
25	Sulu	137,161,791	4,967,600	142,129,391	1.4192
26	Dinagat	32,604,496	1,108,815	33,713,311	1.0544
27	Sultan Kudarat	40,757,196	1,473,542	42,230,738	1.3041
28	Davao	6,593,187	271,032	6,864,220	1.5834
29	Surigao del Norte	936,462	39,779	976,240	1.4088
30	Zamboanga	397,354	14,616	411,970	2.0578
31	Tawi-Tawi	63,577,900	2,405,299	65,983,199	1.0941
	MINDANAO	374,133,532	13,433,559	387,567,091	1.2660
	TOTAL	2,064,079,292	75,047,564	2,139,126,856	1.3163

9. The proposed rates shall be charged over and above the existing Subsidized Approved Generation Rate (SAGR) to customers in the NPC-SPUG;
10. It further proposes that it be allowed to collect the GRAM DAA until full recovery of the total approved amount, even with the entry of the private sector players in the specific NPC-SPUG area;
11. As authorized under the Implementing Rules of the GRAM, it utilized the following carrying charge interest:

Test/ Billing Mos.	Prevailing 91-day T-Bill Rate	Authorized Allowance	Allowable Rate
January	4.64700	3.00000	7.64700
February	4.64700	3.00000	7.64700
March	4.40800	3.00000	7.40800
April	4.32000	3.00000	7.32000
May	4.29400	3.00000	7.29400
June	4.43700	3.00000	7.43700
July	4.17300	3.00000	7.17300
August	3.94800	3.00000	6.94800
September	3.99200	3.00000	6.99200
October	3.87300	3.00000	6.87300
November	3.80900	3.00000	6.80900
December	3.85000	3.00000	6.85000

1- Source: Bangko Sentral ng Pilipinas

2- As authorized in the GRAM Implementing Rules

12. It prays that:

- a) The proposed DAA for the test period January 2009 to December 2009 in the amount of PhP2.139 Billion be approved or provisionally approved;
- b) It be allowed to adopt the per province basis and the corresponding proposed rates for each of the thirty-one (31) provinces:

	Province	PROPOSED RATE (PhP/kWh)
1	Mindoro	0.9949
2	Batangas	1.7646
3	Marinduque	1.1366
4	Quezon	1.6261
5	Palawan	2.1777
6	Catanduanes	1.0180
7	Albay	1.7705
8	Romblon	1.9093
9	Batanes	2.2369
10	Cagayan	1.1049
11	Aurora	2.0679
12	Apayao	2.6024
13	Kalinga	2.2291
14	Isabela	1.7961
15	Camarines Sur	0.1230
16	Masbate	1.5593

	Province	PROPOSED RATE (PhP/kWh)
17	Cebu	1.3852
18	Siquijor	1.8676
19	Antique	1.1840
20	Iloilo	0.9319
21	Leyte	0.4706
22	Biliran	0.9672
23	Samar	1.3303
24	Basilan	1.2517
25	Sulu	1.4192
26	Dinagat	1.0544
27	Sultan Kudarat	1.3041
28	Davao	1.5834
29	Surigao del Norte	1.4088
30	Zamboanga	2.0578
31	Tawi-Tawi	1.0941

- c) The proposed DAA should be charged over and above the existing Subsidized Approved Generation Rate (SAGR) to customers in the NPC-SPUG; and
- d) It shall be allowed to collect the GRAM DAA until full recovery of the total approved amount, even with the entry of the private sector players in the specific NPC-SPUG area.

The Commission has set the application for hearing on the following schedules:

Date and Time	Venue	Particulars
Luzon		
February 28, 2011 – One thirty in the afternoon (1:30 P.M.)	ERC Hearing Room, 15 th Floor, Pacific Center Building, San Miguel Avenue, Pasig City	Jurisdictional, Expository Presentation and Pre-Trial Hearing
March 31, 2011 - Nine o'clock in the morning (9:00 A.M.)	Legend Palawan Hotel, Malvar Street, Puerto Princesa, Palawan	Evidentiary Hearing
March 24, 2011 – Nine o'clock in the morning (9:00 A.M.)	Sikatuna Beach Resort, San Jose, Mindoro	Evidentiary Hearing
Visayas		
April 7, 2011 – Nine o'clock in the morning (9:00 A.M.)	Savin Resort Hotel, Bantique, Ormoc City	Jurisdictional, Expository Presentation, Pre-Trial and Evidentiary Hearing
Mindanao		
March 3, 2011 – one o'clock in the afternoon (1:00 P.M.)	Astoria Hotel, Jaldon Street, Zamboanga City	Jurisdictional, Expository Presentation, Pre-Trial and Evidentiary Hearing
March 4, 2011 – eight thirty in the morning (8:30 A.M.)	Astoria Hotel, Jaldon Street, Zamboanga City	Evidentiary Hearing, If Necessary

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 application 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 Chairperson, **ZENAIDA G. CRUZ-DUCUT**, the Honorable Commissioners, **RAUF A. TAN**, **ALEJANDRO Z. BARIN**, **MARIA TERESA A.R. CASTAÑEDA** and **JOSE C. REYES**, Energy Regulatory Commission, this 31st day of January 2011 at Pasig City.


ATTY. FRANCIS SATURNINO C. JUAN
Executive Director III