

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

FEB -4 P1:23

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Received By: \_\_\_\_\_

IN THE MATTER OF THE 6<sup>TH</sup>  
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: \_\_\_\_\_

**ORDER**

On January 20, 2011, the National Power Corporation-Small Power Utilities Group (NPC-SPUG) filed its 6<sup>th</sup> application for the approval of 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	<b>Mindoro</b>
2	<b>Batangas</b>
3	<b>Marinduque</b>
4	<b>Quezon</b>
5	<b>Palawan</b>
6	<b>Catanduanes</b>
7	<b>Albay</b>
8	<b>Romblon</b>
9	<b>Batanes</b>
10	<b>Cagayan</b>
11	<b>Aurora</b>
12	<b>Apayao</b>
13	<b>Kalinga</b>
14	<b>Isabela</b>
15	<b>Camarines Sur</b>
16	<b>Masbate</b>

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

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		<b>TOTAL VISAYAS</b>	<b>210,990,426.39</b>
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
	<b>TOTAL LUZON</b>	<b>2,229,196,967.80</b>		<b>TOTAL MINDANAO</b>	<b>685,697,195.10</b>

**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
	<b>LUZON</b>	<b>1,572,441,236</b>	<b>57,287,208</b>	<b>1,629,728,444</b>	<b>1.3169</b>

	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
	<b>VISAYAS</b>	<b>117,504,524</b>	<b>4,326,797</b>	<b>121,831,321</b>	<b>1.4959</b>
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
	<b>MINDANAO</b>	<b>374,133,532</b>	<b>13,433,559</b>	<b>387,567,091</b>	<b>1.2660</b>
	<b>TOTAL</b>	<b>2,064,079,292</b>	<b>75,047,564</b>	<b>2,139,126,856</b>	<b>1.3163</b>

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.

Finding said application sufficient in form and in substance, with the required fees having been paid, the same is hereby set for hearing on the following schedules:

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

NPC-SPUG 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. NPC-SPUG 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 where NPC-SPUG principally operates and the Provincial Governors subject of the instant application for the appropriate posting thereof on their respective bulletin boards.

NPC-SPUG 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-SPUG must submit to the Commission its 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 Mayors, Governors or their duly authorized representatives, bearing the seals of their offices, and the affidavits of the Editor 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-SPUG 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.

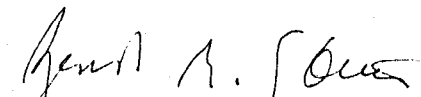
Failure of NPC-SPUG to submit the required Pre-Trial Brief and Judicial Affidavits of its witnesses within the prescribed period shall be a ground for cancellation of the scheduled hearing, and the resetting of which shall be six (6) months from said date of cancellation.

As part of the pre-trial conference, NPC-SPUG 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, January 31, 2011.

FOR AND BY AUTHORITY  
OF THE COMMISSION:

  
**ZENAIDA G. CRUZ-DUCUT**  
Chairperson

**Copy Furnished:**

1. **Attys. MELCHOR P. RIDULME, COMIE P. DOROMAL, JULIETA S. BACCUTAN-ESTAMO, and GORDON SY MONTOJO**  
Counsels for Applicant NPC-SPUG  
National Power Corporation  
Quezon Avenue cor. BIR Road  
Diliman, Quezon City, Metro Manila
2. **Commission on Audit**  
Commonwealth Avenue  
Quezon City 1121
3. **Senate Committee on Energy**  
GSIS Building, Roxas Boulevard  
Pasay City 1307
4. **House Committee on Energy**  
Batasan Hills, Quezon City 1126
5. **National Electrification Administration (NEA)**  
Quezon Avenue, Quezon City  
Metro Manila
6. **The General Manager**  
Philippine Rural Electric Cooperatives Association (PHILRECA)  
4<sup>TH</sup> Floor, Casman Building  
372 Quezon Avenue, Quezon City  
Metro Manila
7. **Ms. Edith Bueno**  
Administrator  
National Electrification Administration  
ODFC Building, 1050 Quezon Avenue  
Quezon City, Metro Manila
8. **All Electric Cooperatives**
9. **The Provincial Governor**  
Province of Ilocos Sur
10. **The Provincial Governor**  
Province of Ilocos Norte
11. **The Provincial Governor**  
Province of Cagayan
12. **The Provincial Governor**  
Province of Isabela
13. **The Provincial Governor**  
Province of Nueva Viscaya
14. **The Provincial Governor**  
Province of Abra
15. **The Provincial Governor**  
Province of Benguet

16. **The Provincial Governor**  
Province of Ifugao
17. **The Provincial Governor**  
Province of Kalinga Apayao
18. **The Provincial Governor**  
Mountain Province
19. **The Provincial Governor**  
Province of Aurora
20. **The Provincial Governor**  
Province of Tarlac
21. **The Provincial Governor**  
Province of Nueva Ecija
22. **The Provincial Governor**  
Province of Pampanga
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Province of Bataan
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Province of Zambales
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Province of Laguna
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Province of Batangas
27. **The Provincial Governor**  
Province of Quezon
28. **The Provincial Governor**  
Province of Occidental Mindoro
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Province of Oriental Mindoro
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Province of Negros Oriental
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Province of Cebu
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Province of Leyte
46. The Provincial Governor  
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47. The Provincial Governor  
Province of Zamboanga del Norte
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Province of Zamboanga del Sur
49. The Provincial Governor  
Province of Davao Oriental
50. The Provincial Governor  
Province of Davao del Sur
51. The Provincial Governor  
Province of Davao del Norte
52. The Provincial Governor  
Province of Misamis Occidental
53. The Provincial Governor  
Province of Misamis Oriental
54. The Provincial Governor  
Province of Bukidnon
55. The Provincial Governor  
Province of Lanao del Norte
56. The Provincial Governor  
Province of North Cotabato
57. The Provincial Governor  
Province of South Cotabato
58. The Provincial Governor  
Province of Sultan Kudarat

59. **The Provincial Governor**  
Province of Agusan del Norte
60. **The Provincial Governor**  
Province of Agusan del Sur
61. **The Provincial Governor**  
Province of Surigao del Norte
62. **The Provincial Governor**  
Province of Surigao del Sur