

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

IN THE MATTER OF
APPLICATION FOR THE
APPROVAL OF THE 10TH
GENERATION RATE
ADJUSTMENT MECHANISM
(10TH GRAM), WITH PRAYER
FOR PROVISIONAL AUTHORITY

ERC CASE NO. 2013-186 RC

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

X-----X

OFFICE OF THE GENERAL COUNSEL
NATIONAL POWER CORPORATION
14
DOCKETED
Date: JAN 14 2014
By: *CM*

ORDER

On September 10, 2013, the National Power Corporation-Small Power Utilities Group (NPC-SPUG) filed an application for the approval of the 10th Generation Rate Adjustment Mechanism (10TH 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 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 January 2012 to December 2012;
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:

Grid	Actual Fuel Cost, PhP
Luzon	3,421,463,883
Visayas	391,594,536
Mindanao	1,448,898,332
Philippines	5,261,956,750

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:

Grid	Allowable Fuel Cost, PhP
Luzon	3,413,525,056
Visayas	391,594,536
Mindanao	1,412,543,750
Philippines	5,217,663,342

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	610,452,195
Visayas	3.8942	119,250,766
Mindandao	3.2787	377,820,027
TOTAL		1,107,522,988

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 ^{1/}	Authorized Allowance ^{2/}	Allowable Rate
January 2012	1.536	3.000	4.536
February 2012	1.840	3.000	4.840
March 2012	2.282	3.000	5.282
April 2012	2.494	3.000	5.494
May 2012	2.174	3.000	5.174
June 2012	2.334	3.000	5.334
July 2012	1.904	3.000	4.904
August 2012	1.474	3.000	4.474
September 2012	0.997	3.000	3.997
October 2012	0.588	3.000	3.588
November 2012	0.175	3.000	3.175
December 2012	0.198	3.000	3.198

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 10th GRAM application covering the test period December 26, 2011 to December 25, 2012 and the corresponding proposed rates in PhP/kWh calculated for recovery for a period of four (4) years:

Particulars	LUZON	VISAYAS	MINDANAO	PHILIPPINES
Principal	2,803,072,861	272,343,770	1,034,723,724	4,110,140,354
Carrying Charge	66,510,665	6,142,588	23,472,955	96,126,208
TOTAL, PhP	2,869,583,526	278,486,358	1,058,196,679	4,206,266,562
10th GRAM DAA, PhP/kWh	1.4769	1.4695	1.7971	1.5457

It proposes to recover the above calculated DAA within four (4) years to mitigate the impact thereof to customer in the missionary areas;

12. The proposed 10th GRAM Deferred Accounting Adjustments (DAA) Application was approved for filing by the National Power Board on August 29, 2013;
13. The proposed 9th 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 2012, the immediate recovery of this adjustment through a provisional authority, 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), would help alleviate its operational funding;
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 the instant application be approved by the Commission and the following be granted:

a. The recovery of proposed DAA covering the test period January 2012 to December 2012 for the deferred fuel costs in the amount of PhP4,206,266,562.00 recoverable for a period of four (4) years through the imposition of the following proposed rates in PhP/kWh:

LUZON	VISAYAS	MINDANAO	PHILIPPINES
1.4769	1.4695	1.7971	1.5457

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;

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; and

e. Issue a provisional authority for the implementation of the proposed rates and DAAs for the immediate recovery of deferred GRAM adjustments within the above proposed four (4) years recovery period.

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:

Date and Time	Venue	Particulars
Luzon		
February 11, 2014 (Tuesday) at ten o'clock in the morning (10:00 A.M.)	ERC Hearing Room, 15 th Floor, Pacific Center Building, San Miguel Avenue, Pasig City	Jurisdictional, Expository Presentation, Pre-Trial Conference and Evidentiary Hearing
Visayas		
February 18, 2014 (Tuesday) at nine o'clock in the morning (9:00 A.M.)	Holiday Plaza Hotel, F. Ramos Street, Cebu City	Expository Presentation, Pre-Trial Conference and Evidentiary Hearing
Mindanao		
February 25, 2014 (Tuesday) 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 corner Sales Street, Davao City	Expository Presentation, Pre-Trial Conference and Evidentiary Hearings

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. 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-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 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 issue of the said newspaper, 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.

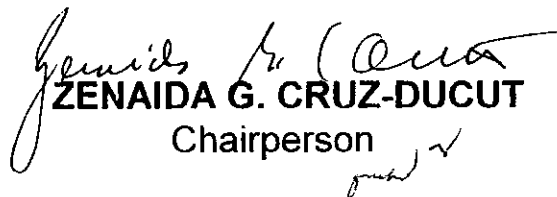
Failure of NPC-SPUG to submit the required Pre-Trial Brief and Judicial Affidavits of its witnesses within the prescribed period shall be a ground for cancellation of the scheduled hearing, and the resetting of which shall be six (6) months from said date of cancellation.

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 7, 2014.

FOR AND BY AUTHORITY
OF THE COMMISSION:


ZENAIDA G. CRUZ-DUCUT
Chairperson

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)
4TH 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 Electric Cooperatives**
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
21. **The Provincial Governor**
Province of Tarlac
22. **The Provincial Governor**
Province of Nueva Ecija
23. **The Provincial Governor**
Province of Pampanga
24. **The Provincial Governor**
Province of Bataan
25. **The Provincial Governor**
Province of Zambales
26. **The Provincial Governor**
Province of Laguna
27. **The Provincial Governor**
Province of Batangas
28. **The Provincial Governor**
Province of Quezon
29. **The Provincial Governor**
Province of Occidental Mindoro
30. **The Provincial Governor**
Province of Oriental Mindoro
31. **The Provincial Governor**
Province of Marinduque
32. **The Provincial Governor**
Province of Romblon
33. **The Provincial Governor**
Province of Palawan
34. **The Provincial Governor**
Province of Camarines Sur
35. **The Provincial Governor**
Province of Camarines Norte
36. **The Provincial Governor**
Province of Albay

37. **The Provincial Governor**
Province of Sorsogon
38. **The Provincial Governor**
Province of Aklan
39. **The Provincial Governor**
Province of Antique
40. **The Provincial Governor**
Province of Capiz
41. **The Provincial Governor**
Province of Iloilo
42. **The Provincial Governor**
Province of Bacolod
43. **The Provincial Governor**
Province of Negros Occidental
44. **The Provincial Governor**
Province of Negros Oriental
45. **The Provincial Governor**
Province of Cebu
46. **The Provincial Governor**
Province of Leyte
47. **The Provincial Governor**
Province of Samar
48. **The Provincial Governor**
Province of Zamboanga del Norte
49. **The Provincial Governor**
Province of Zamboanga del Sur
50. **The Provincial Governor**
Province of Davao Oriental
51. **The Provincial Governor**
Province of Davao del Sur
52. **The Provincial Governor**
Province of Davao del Norte
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

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

**IN THE MATTER OF
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APPROVAL OF THE 10TH
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ERC CASE NO. 2013-186 RC

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CORPORATION-SMALL POWER
UTILITIES GROUP (NPC-SPUG),
Applicant.**

X- - - - -X

DOCKETED
Date: JAN 21, 2014
By: *M*

NOTICE OF PUBLIC HEARING

TO ALL INTERESTED PARTIES:

Notice is hereby given that on September 10, 2013, the National Power Corporation-Small Power Utilities Group (NPC-SPUG) filed an application for the approval of the 10th Generation Rate Adjustment Mechanism (10th 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 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;
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5. It covers the billing period January 2012 to December 2012;
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December 2012	0.198	3.000	3.198

^{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 10th GRAM application covering the test period December 26, 2011 to December 25, 2012 and the corresponding proposed rates in PhP/kWh calculated for recovery for a period of four (4) years:

Particulars	LUZON	VISAYAS	MINDANAO	PHILIPPINES
Principal	2,803,072,861	272,343,770	1,034,723,724	4,110,140,354
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10th GRAM DAA, PhP/kWh	1.4769	1.4695	1.7971	1.5457

It proposes to recover the above calculated DAA within four (4) years to mitigate the impact thereof to customer in the missionary areas;

12. The proposed 10th GRAM Deferred Accounting Adjustments (DAA) Application was approved for filing by the National Power Board on August 29, 2013;
13. The proposed 9th 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;
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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 the instant application be approved by the Commission and the following be granted:
 - a. The recovery of proposed DAA covering the test period January 2012 to December 2012 for the deferred fuel costs in the amount of PhP4,206,266,562.00 recoverable for a period of four (4) years through the imposition of the following proposed rates in PhP/kWh:

LUZON	VISAYAS	MINDANAO	PHILIPPINES
1.4769	1.4695	1.7971	1.5457

- 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;
- 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; and
- e. Issue a provisional authority for the implementation of the proposed rates and DAAs for the immediate recovery of deferred GRAM adjustments within the above proposed four (4) years recovery period.

The Commission has set the instant application for jurisdictional hearing, expository presentation, pre-trial conference and evidentiary hearing on the following dates and venues:

ERC CASE NO. 2013-186 RC

Notice of Public Hearing/January 7, 2014

Page 6 of 7

Date and Time	Venue	Particulars
Luzon		
February 11, 2014 (Tuesday) at ten o'clock in the morning (10:00 A.M.)	ERC Hearing Room, 15 th Floor, Pacific Center Building, San Miguel Avenue, Pasig City	Jurisdictional, Expository Presentation, Pre-Trial Conference and Evidentiary Hearing
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February 18, 2014 (Tuesday) at nine o'clock in the morning (9:00 A.M.)	Holiday Plaza Hotel, F. Ramos Street, Cebu City	Expository Presentation, Pre-Trial Conference and Evidentiary Hearing
Mindanao		
February 25, 2014 (Tuesday) 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 corner Sales Street, Davao City	Expository Presentation, Pre-Trial Conference and Evidentiary Hearings

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**, and the Honorable Commissioners, **ALFREDO J. NON**, **GLORIA VICTORIA C. YAP-TARUC** and **JOSEFINA PATRICIA A. MAGPALE-ASIRIT**, Energy Regulatory Commission, this 7th day of January, 2014 at Pasig City.


ATTY. FRANCIS SATURNINO C. JUAN
Executive Director III