

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

IN THE MATTER OF THE
APPLICATION FOR THE
APPROVAL OF THE 14TH
GENERATION RATE
ADJUSTMENT MECHANISM
(14TH GRAM),

17 JUN 15 11:15
0784

ERC CASE NO. 2016-144 RC

NATIONAL POWER
CORPORATION,
Applicant.

D O C K E T E D
Date: JUN 07 2017
By: *[Signature]*

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ORDER

On 28 June 2016, the applicant National Power Corporation (NPC) filed an *Application* dated 06 June 2016 for approval of the 14th generation rate adjustment mechanism (14th GRAM).

In the said *Application*, NPC alleged the following:

1. 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, of Republic Act (RA) 9136 (Electric Power Industry Reform Act or EPIRA) dated June 8, 2001.
- 6. Under GRAM Implementing Guidelines it is defined as Deferred Accounting Adjustment of Fuel Cost. GRAM is not an automatic adjustment, it has to be filed and approved by the Commission before implementation.
- 7. The Application covers the billing period from July to December 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**.
- 8. 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

	Actual Fuel Costs, PhP
LUZON	1,199,239,883
VISAYAS	215,933,029
MINDANAO	745,393,277
PHILIPPINES	2,160,566,189

- 9. 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

	Allowable Fuel Costs, PhP
LUZON	1,194,836,011
VISAYAS	215,933,029
MINDANAO	729,481,114
PHILIPPINES	2,140,250,154

10. The Applicant has accounted the corresponding fuel costs recovered through the Subsidized Approved Generation Rate (SAGR) using the breakdown in the unbundled SAGR approval by the Honorable Commission under ERC Case No. 2002-01 as follows:

Table 3. Fuel Recovery under SAGR, in PhP

	Fuel Recovery under the SAGR	
	(PhP/kWh)	Amount
LUZON	2.0282	225,792,772
VISAYAS	3.8942	64,266,756
MINDANAO	3.2787	218,643,375
PHILIPPINES		508,702,903

11. 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 ^{1/}	Authorized Allowance ^{2/}	Allowable Rate
JULY	1.157	3.000	4.157
AUGUST	1.373	3.000	4.373
SEPTEMBER	1.244	3.000	4.244
OCTOBER	1.144	3.000	4.144
NOVEMBER	1.298	3.000	4.298
DECEMBER	1.416	3.000	4.416

^{1/} Source: Bangko Sentral ng Pilipinas

^{2/} As authorized in the GRAM Implementing Rules

12. The table below shows the calculated deferred fuel costs and the corresponding DAA for Luzon, Visayas and Mindanao under the subject 14th GRAM Application covering the test period July to December 2014 and the corresponding proposed rates in P/kWh calculated for recovery for a period of two (2) years:

Table 5. Fourteenth (14th) GRAM DAA Summary

	LUZON	VISAYAS	MINDANAO	PHILIPPINES
Principal	969,043,239	151,666,273	510,837,738	1,631,547,250
Carrying Charge	12,625,505	1,925,377	6,628,948	21,179,830
TOTAL, PhP	981,668,744	153,591,650	517,466,686	1,652,727,080
Two (2) Years Projected Energy Sales (MWh)	629,507	76,150	400,485	1,106,142
14th GRAM DAA, PhP/kWh	1.5594	2.0170	1.2921	1.4941

13. The Applicant proposes to recover the above calculated DAA within two (2) years to mitigate the impact thereof to customers in the missionary areas.
14. In support of the proposed 14th GRAM DAA, Applicant respectfully submits the following documents annexed herewith to form part of this Application:

List of Plants	Annex “B” & series
Summary of DAA	Annex “C” & series
Summary of Net Generation, kWh	Annex “D”
91-day Treasury Bill Rates	Annex “E”
Actual Energy Sales, kWh	Annex “F” & series
Projected Energy Sales, Mwh	Annex “G”

15. This proposed 14th GRAM DAA Application was approved for filing by the National Power Board on May 24, 2016, under NP Board Resolution No. 2016-22, attached hereto as **Annex “H” & Series** and made an integral part hereof.
16. The proposed 14th 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 July to December 2014 for the deferred fuel costs in the amount of **PhP 1,652,727,080** recoverable for a period of two (2) years through the imposition of the following proposed rates in P/kWh:

LUZON	VISAYAS	MINDANAO	PHILIPPINES (Ave.)
1.5594	2.0170	1.2921	1.4941

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.

Finding the said *Application* to be sufficient in substance, with the required fees having been paid, the same is hereby set for hearing on the following dates:

Date and Time	Venue	Particulars
LUZON		
12 October 2017 (Thursday) at ten o'clock in the morning (10:00 A.M.)	ERC Hearing Room, 15th Floor, Pacific Center Building, San Miguel Avenue, Pasig City	Jurisdictional and Expository Presentation
VISAYAS		
19 October 2017 (Thursday) at ten o'clock in the morning (10:00 A.M.)	Energy Regulatory Commission- Visayas Field Office (ERC-VFO), St. Mary's Drive, Banilad, Cebu City, Philippines	Expository Presentation

MINDANAO		
26 October 2017 (Thursday) at ten o'clock in the morning (10:00 A.M.)	Energy Regulatory Commission- Mindanao Field Office (ERC-MFO), Mezzanine Floor, Mintrade Building, Monteverde Avenue cor. Sales Street, Davao City	Expository Presentation
LUZON		
03 November 2017 (Friday) at ten o'clock in the morning (10:00 A.M.)	ERC Hearing Room, 15th Floor, Pacific Center Building, San Miguel Avenue, Pasig City	Pre-trial Conference and Evidentiary Hearing

Accordingly, NPC is hereby directed to:

- 1) Cause the publication of the attached Notice of Public Hearing in two (2) newspapers of nationwide circulation in the Philippines at its own expense, twice (2x) within two (2) successive weeks, the dates of publication not being less than seven (7) days apart, and the date of the last publication to be made not later than ten (10) days before the date of the scheduled initial hearing;
- 2) Furnish with copies of this Order and the attached Notice of Public Hearing the Offices of the Provincial Governors, the City and Municipal Mayors, and the Local Government Unit (LGU) legislative bodies within the affected National Power Corporation- Small Power Utilities Group (NPC-SPUG) areas for the appropriate posting thereof on their respective bulletin boards;
- 3) Inform the consumers within the affected franchise area of the filing of the *Application*, its reasons therefor, and of the scheduled hearing thereon, by any other means available and appropriate;
- 4) Furnish with copies of this Order and the attached Notice of Public Hearing 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; and

- 5) Furnish with copies of the *Application* and its attachments all those making requests therefor, subject to reimbursement of reasonable photocopying costs.

On the date of the initial hearing, Applicant must submit to the Commission its written compliance with the aforementioned jurisdictional requirements attaching therewith, methodically arranged and duly marked the following:

- 1) The evidence of publication of the attached Notice of Public Hearing consisting of affidavits of the Editors or Business Managers of the newspapers where the said Notice of Public Hearing was published, and the complete issues of the said newspapers;
- 2) The evidence of actual posting of this Order and the attached Notice of Public Hearing consisting of certifications issued to that effect, signed by the aforementioned Governors, Mayors, and LGU legislative bodies or their duly authorized representatives, bearing the seals of their offices;
- 3) The evidence of other means employed by Applicant to inform the consumers within the affected franchise area of the filing of the *Application*, its reasons therefor, and of the scheduled hearing thereon;
- 4) The evidence of receipt of copies of this Order and the attached Notice of Public Hearing by the Office of the Solicitor General (OSG), the Commission on Audit (COA), and the Committees on Energy of both Houses of Congress;
- 5) The evidence of receipt of copies of the *Application* and its attachments by all those making requests therefor, if any; and
- 6) Such other proof of compliance with the requirements of the Commission.

Applicant and all interested parties are also required to submit, at least five (5) days before the date of the initial hearing and Pre-Trial Conference, their respective Pre-Trial Briefs containing, among others:

- 1) A summary of admitted facts and proposed stipulation of facts;
- 2) The issues to be tried or resolved;
- 3) The documents or exhibits to be presented, stating the purposes and proposed markings therefor; and
- 4) The number and names of the witnesses, with their written testimonies in a Judicial Affidavit form attached to the Pre-trial Brief.

Failure of Applicant to comply with the above requirements 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 the said date of cancellation.

NPC must also be prepared to make an expository presentation of the instant *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 thereof.

SO ORDERED.

Pasig City, 29 May 2017.

FOR AND BY AUTHORITY
OF THE COMMISSION:



ALFREDO J. NON
Officer in Charge of ERC

LS: JCM/ARC/PAR/APV

COPY FURNISHED:

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- 30. The Provincial Governor**
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- 32. The Municipal Mayor**
Calayan, Cagayan
- 33. Office of the LGU Legislative Body**
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- 34. The Provincial Governor**
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- 154. **The Municipal Mayor**
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- 156. The Municipal Mayor**
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- 162. The Municipal Mayor**
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- 164. The Municipal Mayor**
Gasán, Marinduque
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- 166. The Provincial Governor**
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- 168. The Municipal Mayor**
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Ferrol, Romblon
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Coron, Palawan
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- 216. The Municipal Mayor**
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El Nido, Palawan
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- 232. The Municipal Mayor**
Roxas, Palawan
- 233. Office of the LGU Legislative Body**
Roxas, Palawan
- 234. The Municipal Mayor**
San Vicente, Palawan
- 235. Office of the LGU Legislative Body**
San Vicente, Palawan

- 236. The Municipal Mayor**
Taytay, Palawan
- 237. Office of the LGU Legislative Body**
Taytay, Palawan
- 238. The Municipal Mayor**
Aborlan, Palawan
- 239. Office of the LGU Legislative Body**
Aborlan, Palawan
- 240. The Municipal Mayor**
Brooke's Point, Palawan
- 241. Office of the LGU Legislative Body**
Brooke's Point, Palawan
- 242. The Municipal Mayor**
Española, Palawan
- 243. Office of the LGU Legislative Body**
Española, Palawan
- 244. The Municipal Mayor**
Quezon, Palawan
- 245. Office of the LGU Legislative Body**
Quezon, Palawan
- 246. The Municipal Mayor**
Bataraza, Palawan
- 247. Office of the LGU Legislative Body**
Bataraza, Palawan
- 248. The Municipal Mayor**
Dumaran, Palawan
- 249. Office of the LGU Legislative Body**
Dumaran, Palawan
- 250. The Provincial Governor**
Province of Camarines Sur
- 251. Office of the LGU Legislative Body**
Province of Camarines Sur
- 252. The Municipal Mayor**
Caramoan, Camarines Sur
- 253. Office of the LGU Legislative Body**
Caramoan, Camarines Sur
- 254. The Municipal Mayor**
Garchitorena, Camarines Sur
- 255. Office of the LGU Legislative Body**
Garchitorena, Camarines Sur

- 256. **The Municipal Mayor**
Sagnay, Camarines Sur
- 257. **Office of the LGU Legislative Body**
Sagnay, Camarines Sur
- 258. **The Provincial Governor**
Province of Camarines Norte
- 259. **Office of the LGU Legislative Body**
Province of Camarines Norte
- 260. **The Provincial Governor**
Province of Catanduanes
- 261. **Office of the LGU Legislative Body**
Province of Catanduanes
- 262. **The Municipal Mayor**
Bato, Catanduanes
- 263. **Office of the LGU Legislative Body**
Bato, Catanduanes
- 264. **The Municipal Mayor**
Caramoran, Catanduanes
- 265. **Office of the LGU Legislative Body**
Caramoran, Catanduanes
- 266. **The Municipal Mayor**
Viga, Catanduanes
- 267. **Office of the LGU Legislative Body**
Viga, Catanduanes
- 268. **The Municipal Mayor**
Pandán, Catanduanes
- 269. **Office of the LGU Legislative Body**
Panadan, Catanduanes
- 270. **The Municipal Mayor**
Bagamanoc, Catanduanes
- 271. **Office of the LGU Legislative Body**
Bagamanoc, Catanduanes
- 272. **The Municipal Mayor**
Panganiban (Payo), Catanduanes
- 273. **Office of the LGU Legislative Body**
Panganiban (Payo), Catanduanes
- 274. **The Municipal Mayor**
Gigmoto, Catanduanes
- 275. **Office of the LGU Legislative Body**
Gigmoto, Catanduanes

- 276. The Municipal Mayor**
San Miguel, Catanduanes
- 277. Office of the LGU Legislative Body**
San Miguel, Catanduanes
- 278. The Municipal Mayor**
San Andres, Catanduanes
- 279. Office of the LGU Legislative Body**
San Andres, Catanduanes
- 280. The Municipal Mayor**
Virac, Catanduanes
- 281. Office of the LGU Legislative Body**
Virac, Catanduanes
- 282. The Municipal Mayor**
Baras, Catanduanes
- 283. Office of the LGU Legislative Body**
Baras, Catanduanes
- 284. The Provincial Governor**
Province of Albay
- 285. Office of the LGU Legislative Body**
Province of Albay
- 286. The Municipal Mayor**
Rapu-Rapu, Albay
- 287. Office of the LGU Legislative Body**
Rapu-Rapu, Albay
- 288. The Provincial Governor**
Province of Sorsogon
- 289. Office of the LGU Legislative Body**
Province of Sorsogon
- 290. The Provincial Governor**
Province of Masbate
- 291. Office of the LGU Legislative Body**
Province of Masbate
- 292. The City Mayor**
Masbate, Masbate
- 293. Office of the LGU Legislative Body**
Masbate, Masbate
- 294. The Municipal Mayor**
Aroroy, Masbate
- 295. Office of the LGU Legislative Body**
Aroroy, Masbate

- 296. **The Municipal Mayor**
Baleno, Masbate
- 297. **Office of the LGU Legislative Body**
Baleno, Masbate
- 298. **The Municipal Mayor**
Balud, Masbate
- 299. **Office of the LGU Legislative Body**
Balud, Masbate
- 300. **The Municipal Mayor**
Batuan, Masbate
- 301. **Office of the LGU Legislative Body**
Batuan, Masbate
- 302. **The Municipal Mayor**
Cataingan, Masbate
- 303. **Office of the LGU Legislative Body**
Cataingan, Masbate
- 304. **The Municipal Mayor**
Cawayan, Masbate
- 305. **Office of the LGU Legislative Body**
Cawayan, Masbate
- 306. **The Municipal Mayor**
Dimasalang, Masbate
- 307. **Office of the LGU Legislative Body**
Dimasalang, Masbate
- 308. **The Municipal Mayor**
Esperanza, Masbate
- 309. **Office of the LGU Legislative Body**
Esperanza, Masbate
- 310. **The Municipal Mayor**
Mandaon, Masbate
- 311. **Office of the LGU Legislative Body**
Mandaon, Masbate
- 312. **The Municipal Mayor**
Milagros, Masbate
- 313. **Office of the LGU Legislative Body**
Milagros, Masbate
- 314. **The Municipal Mayor**
Mobo, Masbate
- 315. **Office of the LGU Legislative Body**
Mobo, Masbate

- 316. **The Municipal Mayor**
Monreal, Masbate
- 317. **Office of the LGU Legislative Body**
Monreal, Masbate
- 318. **The Municipal Mayor**
Palanas, Masbate
- 319. **Office of the LGU Legislative Body**
Palanas, Masbate
- 320. **The Municipal Mayor**
Pio V. Corpuz, Masbate
- 321. **Office of the LGU Legislative Body**
Pio V. Corpuz, Masbate
- 322. **The Municipal Mayor**
Placer, Masbate
- 323. **Office of the LGU Legislative Body**
Placer, Masbate
- 324. **The Municipal Mayor**
San Fernando, Masbate
- 325. **Office of the LGU Legislative Body**
San Fernando, Masbate
- 326. **The Municipal Mayor**
San Jacinto, Masbate
- 327. **Office of the LGU Legislative Body**
San Jacinto, Masbate
- 328. **The Municipal Mayor**
San Pascual, Masbate
- 329. **Office of the LGU Legislative Body**
San Pascual, Masbate
- 330. **The Municipal Mayor**
Uson, Masbate
- 331. **Office of the LGU Legislative Body**
Uson, Masbate
- 332. **The Provincial Governor**
Province of Aklan
- 333. **Office of the LGU Legislative Body**
Province of Aklan
- 334. **The Provincial Governor**
Province of Antique
- 335. **Office of the LGU Legislative Body**
Province of Antique

- 336. **The Municipal Mayor**
Caluya, Antique
- 337. **Office of the LGU Legislative Body**
Caluya, Antique
- 338. **The Municipal Mayor**
Culasi, Antique
- 339. **Office of the LGU Legislative Body**
Culasi, Antique
- 340. **The Provincial Governor**
Province of Capiz
- 341. **Office of the LGU Legislative Body**
Province of Capiz
- 342. **The Provincial Governor**
Province of Guimaras
- 343. **Office of the LGU Legislative Body**
Province of Guimaras
- 344. **The Municipal Mayor**
Nueva Valencia, Guimaras
- 345. **Office of the LGU Legislative Body**
Nueva Valencia, Guimaras
- 346. **The Provincial Governor**
Province of Iloilo
- 347. **Office of the LGU Legislative Body**
Province of Iloilo
- 348. **The Municipal Mayor**
Carles, Iloilo
- 349. **Office of the LGU Legislative Body**
Carles, Iloilo
- 350. **The Provincial Governor**
Province of Bacolod
- 351. **Office of the LGU Legislative Body**
Province of Bacolod
- 352. **The Provincial Governor**
Province of Negros Occidental
- 353. **Office of the LGU Legislative Body**
Province of Negros Occidental
- 354. **The Provincial Governor**
Province of Negros Oriental
- 355. **Office of the LGU Legislative Body**
Province of Negros Oriental

- 356. **The Provincial Governor**
Province of Cebu
- 357. **Office of the LGU Legislative Body**
Province of Cebu
- 358. **The Municipal Mayor**
Bantayan, Cebu
- 359. **Office of the LGU Legislative Body**
Bantayan, Cebu
- 360. **The Municipal Mayor**
Pilar, Cebu
- 361. **Office of the LGU Legislative Body**
Pilar, Cebu
- 362. **The Municipal Mayor**
Poros, Cebu
- 363. **Office of the LGU Legislative Body**
Poros, Cebu
- 364. **The Municipal Mayor**
Santa Fe, Cebu
- 365. **Office of the LGU Legislative Body**
Santa Fe, Cebu
- 366. **The Provincial Governor**
Province of Siquijor
- 367. **Office of the LGU Legislative Body**
Province of Siquijor
- 368. **The Municipal Mayor**
Larena, Siquijor
- 369. **Office of the LGU Legislative Body**
Larena, Siquijor
- 370. **The Municipal Mayor**
Lazi, Siquijor
- 371. **Office of the LGU Legislative Body**
Lazi, Siquijor
- 372. **The Municipal Mayor**
Siquijor, Siquijor
- 373. **Office of the LGU Legislative Body**
Siquijor, Siquijor
- 374. **The Provincial Governor**
Province of Biliran
- 375. **Office of the LGU Legislative Body**
Province of Biliran

- 376. **The Municipal Mayor**
Maripipi, Biliran
- 377. **Office of the LGU Legislative Body**
Maripipi, Biliran
- 378. **The Provincial Governor**
Province of Leyte
- 379. **Office of the LGU Legislative Body**
Province of Leyte
- 380. **The Municipal Mayor**
Limasawa, Southern Leyte
- 381. **Office of the LGU Legislative Body**
Limasawa, Southern Leyte
- 382. **The Provincial Governor**
Province of Samar
- 383. **Office of the LGU Legislative Body**
Province of Samar
- 384. **The Municipal Mayor**
Almagro, Samar
- 385. **Office of the LGU Legislative Body**
Almagro, Samar
- 386. **The Municipal Mayor**
Santo Niño, Samar
- 387. **Office of the LGU Legislative Body**
Santo Niño, Samar
- 388. **The Municipal Mayor**
Tagapul-an, Samar
- 389. **Office of the LGU Legislative Body**
Tagapul-an, Samar
- 390. **The Municipal Mayor**
Zumarraga, Samar
- 391. **Office of the LGU Legislative Body**
Zumarraga, Samar
- 392. **The Municipal Mayor**
Biri, Northern Samar
- 393. **Office of the LGU Legislative Body**
Biri, Northern Samar
- 394. **The Municipal Mayor**
Capul, Northern Samar
- 395. **Office of the LGU Legislative Body**
Capul, Northern Samar

- 396. **The Municipal Mayor**
San Antonio, Northern Samar
- 397. **Office of the LGU Legislative Body**
San Antonio, Northern Samar
- 398. **The Municipal Mayor**
San Vicente, Northern Samar
- 399. **Office of the LGU Legislative Body**
San Vicente, Northern Samar
- 400. **The Provincial Governor**
Province of Bohol
- 401. **Office of the LGU Legislative Body**
Province of Bohol
- 402. **The Municipal Mayor**
Baclayon, Bohol
- 403. **Office of the LGU Legislative Body**
Baclayon, Bohol
- 404. **The Municipal Mayor**
Calape, Bohol
- 405. **Office of the LGU Legislative Body**
Calape, Bohol
- 406. **The Municipal Mayor**
Inabanga, Bohol
- 407. **Office of the LGU Legislative Body**
Inabanga, Bohol
- 408. **The Municipal Mayor**
Loon, Bohol
- 409. **Office of the LGU Legislative Body**
Loon, Bohol
- 410. **The Municipal Mayor**
Panglao, Bohol
- 411. **Office of the LGU Legislative Body**
Panglao, Bohol
- 412. **The Municipal Mayor**
Tubigon, Bohol
- 413. **Office of the LGU Legislative Body**
Tubigon, Bohol
- 414. **The Provincial Governor**
Province of Zamboanga del Norte
- 415. **Office of the LGU Legislative Body**
Province of Zamboanga del Norte

- 416. **The Provincial Governor**
Province of Zamboanga del Sur
- 417. **Office of the LGU Legislative Body**
Province of Zamboanga del Sur
- 418. **The City Mayor**
Zamboanga City, Zamboanga del Sur
- 419. **Office of the LGU Legislative Body**
Zamboanga City, Zamboanga del Sur
- 420. **The Provincial Governor**
Province of Davao Oriental
- 421. **Office of the LGU Legislative Body**
Province of Davao Oriental
- 422. **The Provincial Governor**
Province of Davao del Sur
- 423. **Office of the LGU Legislative Body**
Province of Davao del Sur
- 424. **The Municipal Mayor**
Jose Abad Santos, Davao del Sur
- 425. **Office of the LGU Legislative Body**
Jose Abad Santos, Davao del Sur
- 426. **The Municipal Mayor**
Sarangani, Davao del Sur
- 427. **Office of the LGU Legislative Body**
Sarangani, Davao del Sur
- 428. **The Provincial Governor**
Province of Davao del Norte
- 429. **Office of the LGU Legislative Body**
Province of Davao del Norte
- 430. **The City Mayor**
Samal City, Davao del Norte
- 431. **Office of the LGU Legislative Body**
Samal City, Davao del Norte
- 432. **The Provincial Governor**
Province of Misamis Occidental
- 433. **Office of the LGU Legislative Body**
Province of Misamis Occidental
- 434. **The Provincial Governor**
Province of Misamis Oriental
- 435. **Office of the LGU Legislative Body**
Province of Misamis Oriental

- 436. **The Provincial Governor**
Province of Bukidnon
- 437. **Office of the LGU Legislative Body**
Province of Bukidnon
- 438. **The Provincial Governor**
Province of Lanao del Norte
- 439. **Office of the LGU Legislative Body**
Province of Lanao del Norte
- 440. **The Provincial Governor**
Province of North Cotabato
- 441. **Office of the LGU Legislative Body**
Province of North Cotabato
- 442. **The Provincial Governor**
Province of South Cotabato
- 443. **Office of the LGU Legislative Body**
Province of South Cotabato
- 444. **The Provincial Governor**
Province of Sultan Kudarat
- 445. **Office of the LGU Legislative Body**
Province of Sultan Kudarat
- 446. **The Municipal Mayor**
Kalamansig, Sultan Kudarat
- 447. **Office of the LGU Legislative Body**
Kalamansig, Sultan Kudarat
- 448. **The Municipal Mayor**
Lebak, Sultan Kudarat
- 449. **Office of the LGU Legislative Body**
Lebak, Sultan Kudarat
- 450. **The Municipal Mayor**
Palimbang, Sultan Kudarat
- 451. **Office of the LGU Legislative Body**
Palimbang, Sultan Kudarat
- 452. **The Municipal Mayor**
Sen. Ninoy Aquino, Sultan Kudarat
- 453. **Office of the LGU Legislative Body**
Sen. Ninoy Aquino, Sultan Kudarat
- 454. **The Provincial Governor**
Province of Basilan
- 455. **Office of the LGU Legislative Body**
Province of Basilan

- 456. **The City Mayor**
Isabela City, Basilan
- 457. **Office of the LGU Legislative Body**
Isabela City, Basilan
- 458. **The Provincial Governor**
Province of Sulu
- 459. **Office of the LGU Legislative Body**
Province of Sulu
- 460. **The Municipal Mayor**
Jolo, Sulu
- 461. **Office of the LGU Legislative Body**
Jolo, Sulu
- 462. **The Municipal Mayor**
Luuk, Sulu
- 463. **Office of the LGU Legislative Body**
Luuk, Sulu
- 464. **The Municipal Mayor**
Siasi, Sulu
- 465. **Office of the LGU Legislative Body**
Siasi, Sulu
- 466. **The Municipal Mayor**
Bangulngi (Tongkil), Sulu
- 467. **Office of the LGU Legislative Body**
Bangulngi (Tongkil), Sulu
- 468. **The Municipal Mayor**
Hadji Panglima Tahil, Sulu
- 469. **Office of the LGU Legislative Body**
Hadji Panglima Tahil, Sulu
- 470. **The Municipal Mayor**
Lugus, Sulu
- 471. **Office of the LGU Legislative Body**
Lugus, Sulu
- 472. **The Municipal Mayor**
Pangutaran, Sulu
- 473. **Office of the LGU Legislative Body**
Pangutaran, Sulu
- 474. **The Municipal Mayor**
Pata, Sulu
- 475. **Office of the LGU Legislative Body**
Pata, Sulu

- 476. **The Municipal Mayor**
Tapul, Sulu
- 477. **Office of the LGU Legislative Body**
Tapul, Sulu
- 478. **The Provincial Governor**
Province of Tawi-Tawi
- 479. **Office of the LGU Legislative Body**
Province of Tawi-Tawi
- 480. **The Municipal Mayor**
Bongao, Tawi-Tawi
- 481. **Office of the LGU Legislative Body**
Bongao, Tawi-Tawi
- 482. **The Municipal Mayor**
Mapun, Tawi-Tawi
- 483. **Office of the LGU Legislative Body**
Mapun, Tawi-Tawi
- 484. **The Municipal Mayor**
Panglima Sugala, Tawi-Tawi
- 485. **Office of the LGU Legislative Body**
Panglima Sugala, Tawi-Tawi
- 486. **The Municipal Mayor**
Simunul, Tawi-Tawi
- 487. **Office of the LGU Legislative Body**
Simunul, Tawi-Tawi
- 488. **The Municipal Mayor**
Sitangkai, Tawi-Tawi
- 489. **Office of the LGU Legislative Body**
Sitangkai, Tawi-Tawi
- 490. **The Municipal Mayor**
Tandubas, Tawi-Tawi
- 491. **Office of the LGU Legislative Body**
Tandubas, Tawi-Tawi
- 492. **The Municipal Mayor**
Sapa-sapa, Tawi-Tawi
- 493. **Office of the LGU Legislative Body**
Sapa-sapa, Tawi-Tawi
- 494. **The Municipal Mayor**
South Ubian, Tawi-Tawi
- 495. **Office of the LGU Legislative Body**
South Ubian, Tawi-Tawi

- 496. **The Provincial Governor**
Province of Dinagat Island
- 497. **Office of the LGU Legislative Body**
Province of Dinagat Island
- 498. **The Municipal Mayor**
San Jose, Dinagat Island
- 499. **Office of the LGU Legislative Body**
San Jose, Dinagat Island
- 500. **The Municipal Mayor**
Loreto, Dinagat Island
- 501. **Office of the LGU Legislative Body**
Loreto, Dinagat Island
- 502. **The Provincial Governor**
Province of Agusan del Norte
- 503. **Office of the LGU Legislative Body**
Province of Agusan del Norte
- 504. **The Provincial Governor**
Province of Agusan del Sur
- 505. **Office of the LGU Legislative Body**
Province of Agusan del Sur
- 506. **The Provincial Governor**
Province of Surigao del Norte
- 507. **Office of the LGU Legislative Body**
Province of Surigao del Norte
- 508. **The City Mayor**
Surigao City, Surigao del Norte
- 509. **Office of the LGU Legislative Body**
Surigao City, Surigao del Norte
- 510. **The Provincial Governor**
Province of Surigao del Sur
- 511. **Office of the LGU Legislative Body**
Province of Surigao del Sur
- 512. **Regulatory Operations Service (ROS)**
Energy Regulatory Commission
17th Floor, Pacific Center Building, San Miguel
Avenue, Ortigas Center, Pasig City


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

IN THE MATTER OF THE
APPLICATION FOR THE
APPROVAL OF THE 14TH
GENERATION RATE
ADJUSTMENT MECHANISM
(14TH GRAM),

ERC CASE NO. 2016 -144 RC

NATIONAL POWER
CORPORATION,

Applicant.
X-----X

D O C K E T E D
Date: JUN 07 2017
By: 

NOTICE OF PUBLIC HEARING

TO ALL INTERESTED PARTIES:

Notice is hereby given that on 28 June 2016, National Power Corporation (NPC) filed an *Application* seeking the Commission's approval of the 14th generation rate adjustment mechanism (14th GRAM).

NPC alleged the following in its *Application*:

1. 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, of Republic Act (RA) 9136 (Electric Power Industry Reform Act or EPIRA) dated June 8, 2001.
- 6. Under GRAM Implementing Guidelines it is defined as Deferred Accounting Adjustment of Fuel Cost. GRAM is not an automatic adjustment, it has to be filed and approved by the Commission before implementation.
- 7. The Application covers the billing period from July to December 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.**
- 8. 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

	Actual Fuel Costs, PhP
LUZON	1,199,239,883
VISAYAS	215,933,029
MINDANAO	745,393,277
PHILIPPINES	2,160,566,189

- 9. 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

	Allowable Fuel Costs, PhP
LUZON	1,194,836,011
VISAYAS	215,933,029
MINDANAO	729,481,114
PHILIPPINES	2,140,250,154

10. The Applicant has accounted the corresponding fuel costs recovered through the Subsidized Approved Generation Rate (SAGR) using the breakdown in the unbundled SAGR approval by the Honorable Commission under ERC Case No. 2002-01 as follows:

Table 3. Fuel Recovery under SAGR, in PhP

	Fuel Recovery under the SAGR	
	(PhP/kWh)	Amount
LUZON	2.0282	225,792,772
VISAYAS	3.8942	64,266,756
MINDANAO	3.2787	218,643,375
PHILIPPINES		508,702,903

11. 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 ^{1/}	Authorized Allowance ^{2/}	Allowable Rate
JULY	1.157	3.000	4.157
AUGUST	1.373	3.000	4.373
SEPTEMBER	1.244	3.000	4.244
OCTOBER	1.144	3.000	4.144
NOVEMBER	1.298	3.000	4.298
DECEMBER	1.416	3.000	4.416

^{1/} Source: Bangko Sentral ng Pilipinas

^{2/} As authorized in the GRAM Implementing Rules

12. The table below shows the calculated deferred fuel costs and the corresponding DAA for Luzon, Visayas and Mindanao under the subject 14th GRAM Application covering the test period July to December 2014 and the corresponding proposed rates in P/kWh calculated for recovery for a period of two (2) years:

Table 5. Fourteenth (14th) GRAM DAA Summary

	LUZON	VISAYAS	MINDANAO	PHILIPPINES
Principal	969,043,239	151,666,273	510,837,738	1,631,547,250
Carrying Charge	12,625,505	1,925,377	6,628,948	21,179,830
TOTAL, PhP	981,668,744	153,591,650	517,466,686	1,652,727,080
Two (2) Years Projected Energy Sales (MWh)	629,507	76,150	400,485	1,106,142
14th GRAM DAA, PhP/kWh	1.5594	2.0170	1.2921	1.4941

13. The Applicant proposes to recover the above calculated DAA within two (2) years to mitigate the impact thereof to customers in the missionary areas.
14. In support of the proposed 14th GRAM DAA, Applicant respectfully submits the following documents annexed herewith to form part of this Application:

List of Plants	Annex “B” & series
Summary of DAA	Annex “C” & series
Summary of Net Generation, kWh	Annex “D”
91-day Treasury Bill Rates	Annex “E”
Actual Energy Sales, kWh	Annex “F” & series
Projected Energy Sales, Mwh	Annex “G”

15. This proposed 14th GRAM DAA Application was approved for filing by the National Power Board on May 24, 2016, under NP Board Resolution No. 2016-22, attached hereto as **Annex “H” & Series** and made an integral part hereof.
16. The proposed 14th 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 July to December 2014 for the deferred fuel costs in the amount of **PhP 1,652,727,080** recoverable for a period of two (2) years through the imposition of the following proposed rates in P/kWh:

LUZON	VISAYAS	MINDANAO	PHILIPPINES (Ave.)
1.5594	2.0170	1.2921	1.4941

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 hearing on the following dates:

Date and Time	Venue	Particulars
LUZON		
12 October 2017 (Thursday) at ten o'clock in the morning (10:00 A.M.)	ERC Hearing Room, 15th Floor, Pacific Center Building, San Miguel Avenue, Pasig City	Jurisdictional and Expository Presentation
VISAYAS		
19 October 2017 (Thursday) at ten o'clock in the morning (10:00 A.M.)	Energy Regulatory Commission- Visayas Field Office (ERC-VFO), St. Mary's Drive, Banilad, Cebu City, Philippines	Expository Presentation

MINDANAO		
26 October 2017 (Thursday) at ten o'clock in the morning (10:00 A.M.)	Energy Regulatory Commission- Mindanao Field Office (ERC-MFO), Mezzanine Floor, Mintrade Building, Monteverde Avenue cor. Sales Street, Davao City	Expository Presentation
LUZON		
03 November 2017 (Friday) at ten o'clock in the morning (10:00 A.M.)	ERC Hearing Room, 15th Floor, Pacific Center Building, San Miguel Avenue, Pasig City	Pre-trial Conference and Evidentiary Hearing

All persons who have an interest in the subject matter of the instant case may become a party by filing with the Commission a verified Petition to Intervene at least five (5) days prior to the initial hearing and subject to the requirements under Rule 9 of the 2006 Rules of Practice and Procedure, indicating therein the docket number and title of the case and stating the following:

- 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 case may file their Opposition or Comment thereon at any stage of the proceeding before Applicant rests its case, subject to the requirements under Rule 9 of the 2006 Rules of Practice and Procedure. No particular form of Opposition or Comment is required, but the document, letter, or writing should contain the following:

- 1) The name and address of such person;
- 2) A concise statement of the Opposition or Comment; and
- 3) The grounds relied upon.

All such persons who wish to have a copy of the *Application* may request from Applicant that they be furnished with the same, prior to the date of the initial hearing. 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 the standard office hours.

WITNESS, the Honorable Officer in Charge of ERC, **ALFREDO J. NON**, and the Honorable Commissioners, **GLORIA VICTORIA C. YAP-TARUC** and **GERONIMO D. STA. ANA**, Energy Regulatory Commission, this 29th day of May 2017 in Pasig City.

FOR AND BY AUTHORITY
OF THE COMMISSION:


JOSEFINA PATRICIA A. MAGPALE-ASIRIT
Oversight Commissioner for Legal


LS: JUMARG/PAR/APV