


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 |

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| 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:  JUM/ARC/PAR/APV

