

Republic of the Philippines
ENERGY REGULATORY COMMISSION
Pacific Center Building, San Miguel Avenue
Ortigas Center, Pasig City

**IN THE MATTER OF THE 5th
APPLICATION FOR THE APPROVAL OF
THE GENERATION RATE ADJUSTMENT
UNDER THE GRAM RULES, WITH
PRAYER FOR PROVISIONAL
AUTHORITY,**

ERC CASE No. 2009-_____

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

Applicant.

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APPLICATION

Applicant **NATIONAL POWER CORPORATION-SMALL POWER UTILITIES GROUP (NPC-SPUG)**, by undersigned counsels, to this Honorable Commission, most respectfully states that:

1. NPC is a government-owned and controlled corporation, created and existing by virtue of Republic Act No. 6395, as amended, 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's Small Power Utilities Group (NPC-SPUG), with the same principal office address, 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-SPUG 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,

recovery through rates, will contribute to its deteriorating financial condition.

4. In an 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 of deferred fuel costs and purchased power costs. The GRAM Implementing Rules facilitated the approval of NPC-SPUG's petition for the recovery of deferred fuel costs for the Test Period 26 December 2003 to 25 June 2004 on ERC **Case No. 2004-421 "In the Matter of the Adoption of the Generation Rate Mechanism (1st GRAM)"** on 05 January 2005.

5. On 10 February 2006, the Honorable Commission issued its Orders on ERC **Case No. 2005-038 RC "In the Matter of the Adoption of Generation Rate Adjustment Mechanism (2nd GRAM)"** of SPUG's 2nd GRAM petition where recovery of **PhP 863,350,078** in deferred fuel costs over a period of six (6) months from 26 June 2004 to 25 December 2004 was approved.

6. However, while the Honorable Commission ordered the charging of the DAA to the Universal Charge for Missionary Electrification (UC-ME), the Honorable Commission did not increase the UC-ME being collected from end-users. The Commission simply stated that *"in the event that the UC-ME is not sufficient to cover the recovery in a given year, the remaining balance will be carried over to the next succeeding years until the full amount has been recovered by NPC-SPUG¹."*

7. This same scheme was also adopted in the Commission's order on SPUG's 2nd ICERA petition, where PhP 1,165,926,540 was also charged to the UC-ME. As of 31 December 2008, SPUG has been able to recover PhP 263.1 Million of the 2nd ICERA DAA and **none** of the approved 2nd GRAM DAA.

8. SPUG has also filed its 3rd GRAM application (under ERC Case No. 2007-097 RC) on 27 March 2007. The 3rd GRAM petition seeks to recover **PhP 2,064,898,475.94** covering the one (1) year period 26

¹ SPUG's approved UC-ME allocation is PhP 1.34 Billion per year based on a rate of 0.0373 PhP/kWh. Any amount collected beyond PhP 1.34 Billion would be utilized to recover the both the 2nd GRAM and 2nd ICERA.

December 2004 to 25 December 2005. However, the proceedings for the 3rd GRAM were put on hold following a request for deferment by SPUG in late 2007. On 14 January 2009, SPUG filed its **"Motion to Set Case for Hearing"** for the 3rd GRAM with the Honorable Commission and is awaiting schedule of hearing.

9. SPUG has further filed its 4th GRAM application (under ERC Case No. 2009-021 RC) on 27 March 2009. The 4th GRAM petition on the other hand requests to recover **PhP 4.896 Billion** covering the two (2) year test period 26 December 2005 to 25 December 2007. The public hearings for the 4th GRAM were recently completed (July 2009).

5th GRAM

10. Applicant SPUG is now submitting before the Honorable Commission its fifth (5th) GRAM petition covering the period **26 December 2007 to 25 December 2008**. As shown in the following table, SPUG's total DAA representing deferred fuel costs for the test period 26 December 2007 to 25 December 2008 amounts to a total of **PhP 3.579 Billion**. This includes **PhP 3.427 Billion** in fuel costs and **PhP 0.152 Billion** in carrying charges authorized by the Honorable Commission.

Test Period: 26 Dec. 2007 to 25 December 2008

Island	Deferred Fuel Cost	Carrying Charge	DAA (In Pesos)
Mindoro Area	906,586,724	39,271,468	945,858,192
Marinduque	189,493,047	7,678,227	197,171,274
Mainland Palawan	335,003,211	16,312,860	351,316,070
Catanduanes	142,734,014	6,128,597	148,862,611
Masbate	455,745,424	19,754,897	475,500,321
Tablas	139,879,054	5,531,690	145,410,744
Romblon	43,447,929	2,190,981	45,638,909
Other Luzon Group 1	345,847,046	14,979,688	360,826,733
Luzon	2,558,736,448	111,848,408	2,670,584,856
Bantayan	0	0	0
Camotes	51,232,467	2,242,175	53,474,643
Siquijor	113,555,792	5,074,157	118,629,949
Other Visayas	47,162,255	2,025,835	49,188,090
Visayas	211,950,515	9,342,167	221,292,682
Tawi-Tawi	60,515,809	3,224,627	63,740,436
Basilan	210,416,454	9,832,898	220,249,352
Sulu	209,749,921	10,003,285	219,753,206
Other Mindanao	175,267,649	7,735,287	183,002,935
Mindanao	655,949,833	30,796,096	686,745,930
Grand Total	3,426,636,797	151,986,671	3,578,623,467

Notes: - All values are inclusive of VAT
 - Bantayan Area is being served by a New Power Provider

11. Applicant SPUG is proposing that the computed DAA shown in PhP/kWh in the table below be recovered over 1 year to hasten the recovery of its deferred fuel costs:

Areas	PhP/kWh	Areas	PhP/kWh
1 Mindoro Area	4.0308	9 Camotes Area	4.9212
2 Marinduque Area	4.8270	10 Siquijor Area	8.9340
3 Palawan Area	8.0547	11 Tawi-Tawi Area	3.0735
4 Catanduanes Area	4.1695	12 Basilan Area	7.4289
5 Masbate Area	8.6107	13 Jolo (Sulu) Area	5.0740
6 Tablas Area	6.6858	14 Other Luzon Area	5.4081
7 Romblon Area	4.3403	15 Other Visayas Area	5.7666
8 Bantayan Area		16 Other Mindanao Area	5.9472

12. As authorized under the Implementing Rules of the GRAM, Applicant SPUG utilized the following carrying charge interest rates:

Month	Ave. 91-Day T-Bill Rate (%)	Plus 300 Basis Points
25-Jan-08	3.6730	6.6730
25-Feb-08	3.6730	6.6730
25-Mar-08	3.6730	6.6730
25-Apr-08	3.6730	6.6730
25-May-08	3.6730	6.6730
25-Jun-08	3.6730	6.6730
25-Jul-08	5.6990	8.6990
25-Aug-08	5.6990	8.6990
25-Sep-08	5.6990	8.6990
25-Oct-08	5.6990	8.6990
25-Nov-08	5.6990	8.6990
25-Dec-08	6.1220	9.1220

13. During SPUG's previous GRAM applications, the Honorable Commission disallowed the recovery of the fuel and IPP costs due to unavailability of supporting documents.

14. Applicant SPUG prays that the Honorable Commission allow the recovery of these previously disallowed costs, as the applicant's failure to submit the supporting documents was due to the administrative problems arising from the fact that these evidences have to be collected from 112 power plants in 97 islands and/or grids scattered over the archipelago. These documents are now available for submission and presentation.

15. In support of the proposed GRAM, attached hereto are the computations and information on the following:

Receipt of ERC of Reportorial Requirements	Annex "A"
Plant List Based on 14 First Wave Area Groupings (17 Groups)	Annex "B"
Determination of the Fuel Components of NPC-SPUG's Prevailing Rates	Annex "C"
Summary of Capped Fuel Cost and Allowable Deferred Fuel Cost (Luz-Vis-Min)	Annex "D"
Summary of Gross Generation	Annex "E"
Schedule of Monthly Average Treasury Bill Rates	Annex "F"
Power Bills	Annex "G"
Projected SPUG Energy Sales for the DAA Recovery Periods	Annex "H"
Fuel Inventory Reports	Annex "I"
Sworn Statement of NPC-SPUG Vice President, Melburgo S. Chiu	Annex "J"
Electronic Copy of This Application and its Annexes	Annex "K"

16. The proposed GRAM was approved by the National Power Board in Resolution No. 2009-33 dated 06 July 2009, a photocopy of which is attached hereto as **Annex "L"** and made an integral part hereof.

17. The proposed GRAM is just, fair and reasonable as it permits the recovery of only allowable costs under the GRAM guidelines.

PRAYER

WHEREFORE, PREMISES CONSIDERED, it is most respectfully prayed of this Honorable Commission to:


1. Approve the implementation of the proposed revised basic generation rates and DAAs in the total amount of **PhP 3.579 Billion** in order for NPC-SPUG's revenues to meet its costs and ultimately reduce the burden of the UC-ME on all electricity end-users;
2. Allow NPC-SPUG to recover through this and the succeeding GRAM applications, the fuel costs actually incurred from previous test periods but were disallowed due to unavailability of supporting documents. This is being requested in consideration of the administrative difficulty in collecting and processing data from 112 power plants located in 97 small islands or isolated areas throughout the country;
3. Allow NPC-SPUG to file its GRAM petitions at a later date beyond the prescribed thirty (30) - day period after the adjustment date as stipulated in Section 5, Paragraph 3 of the GRAM Implementing Rules, due to administrative difficulties in securing reports and supporting documents from all of NPC-SPUG's 112 power plants in 97 areas; and
4. Issue a Provisional Authority for the implementation the proposed rates and DAAs for the immediate recovery of deferred fuel costs within the above indicated 1 - year recovery period.


Other reliefs just and equitable under the premises are likewise prayed for.


Quezon City for Pasig City, _____.

FOR THE SOLICITOR GENERAL

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Republic of the Philippines)
Quezon City)SS.

VERIFICATION AND CERTIFICATION

I, **FROILAN A. TAMPINCO**, of legal age, Filipino, with office address at NPC Office Building Complex cor. Quezon Ave. and Agham Road, Diliman, Quezon City, after being duly sworn hereby affirm and state that:

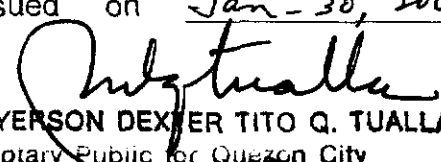
1. I am the President of the National Power Corporation, the applicant herein; I caused the preparation of this Application, I have read the same and understood the allegations contained therein, and affirm that the contents thereof are true and correct based on authentic records at my disposal and on information of my own personal knowledge;
2. I am duly authorized by the Board of Directors to certify that Applicant NPC has not heretofore commenced any other action or proceeding involving the same issues before the Supreme Court, Court of Appeals or any other judicial, quasi-judicial or administrative tribunal. A copy of Resolution No. 2001-134 is attached as required by Rule 3, Section 4 of the Rules of Practice and Procedure.
3. To the best of my knowledge and belief, no such similar action or proceeding is pending before the Supreme Court, Court of Appeals, or any other tribunal or agency.
4. If I should hereafter learn that a similar action or proceeding has been filed or is pending before the Supreme Court, the Court of Appeals, or any other tribunal or agency, I undertake to report such fact within five (5) days therefrom to the Honorable Commission.

IN WITNESS WHEREOF I have hereunto affixed my signature this ___
day of AUG 17 2009 2009 here at Quezon City.


FROILAN A. TAMPINCO
Affiant

SUBSCRIBED AND SWORN TO before me this 17th day of
August 2009 here at Quezon City, affiant exhibiting to me his
CTC No. 16797358 issued on Jan-30, 2009 at
Quezon City

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Series of 2009.


ATTY. NYERSON DEXTER TITO Q. TUALLA
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