

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

IN THE MATTER OF THE APPLICATION
FOR THE APPROVAL OF THE TRUE
COST GENERATION RATE FOR THE
PROVINCE OF SIKUIJOR, WITH
PRAYER FOR PROVISIONAL
AUTHORITY

ERC CASE NO. 2010- ____ RC

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

Applicant.

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APPLICATION

NATIONAL POWER CORPORATION-SMALL POWER UTILITIES GROUP (NPC-SPUG) through undersigned counsel and to this Honorable Commission respectfully states that:

1. NPC is a government owned and controlled corporation, created and existing by and under Republic Act No. 6395 as amended, with principal office address at NPC Office Building Complex, corner Quezon Avenue and BIR Road, Diliman, Quezon City where it may be served with the processes of this Honorable Commission.
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) is responsible for providing power generation and its associated power delivery systems in areas that are not connected to the transmission system.
3. Under Section 1, Rule 13 of the Implementing Rules and Regulations (IRR) of the EPIRA, the Department of Energy (DOE) is tasked to encourage the inflow of private capital and the manner whereby other parties including distribution utilities (DUs) and qualified third parties (QTPs) can participate in missionary electrification. On 26 January 2004, the DOE issued Department Circular No. 2004-01-001, "*Prescribing the Rules and Procedures for Private Sector Participation in Existing NPC-SPUG Areas*".

4. On 30 January 2006, applicant NPC-SPUG filed a petition before the Honorable Commission for the approval of True Cost Generation Rate (TCGR) for the whole of NPC-SPUG under **ERC Case No. 2006-004 RC**, which was to be used to determine the appropriate level of Missionary Electrification (ME) Subsidy to be allowed for NPC-SPUG for the applicable period. The said case is still pending resolution by the Honorable Commission. On July 5, 2010 NPC filed a motion for the exclusion of Siquijor from ERC Case No. 2006-004 RC.
5. International Finance Corporation (IFC), the transaction advisor for the competitive selection of NPPs, is set to bid out the generation function of Siquijor Area. It is urgent and necessary to establish the True Cost Generation Rate (TCGR) for Siquijor which will serve as the basis for the ceiling price for Siquijor's NPP tariff during the transition period prior to the commissioning date of the NPP's proposed power plant and the UCME to be extended to the NPP for the consideration and approval of the Honorable Commission.
6. Applicant NPC-SPUG respectfully submits this application for the approval of the proposed Siquijor TCGR without prejudice to the approval of NPC-SPUG's previous application on the proposed NPC-SPUG TCGR for the other areas under **ERC Case No. 2006-004 RC** filed in 2006.
7. Applicant used the Return on Rate Base (RORB) methodology and 2009 financial components in computing the proposed TCGR for Siquijor, described as follows:
 - a. The RORB methodology stipulated under Section 2(s) of Article I of the Resolution No. 11, Series of 2005 approved by the Honorable Commission on 06 July 2005.
 - b. The Rate Base items consisting specifically of Electric Plant in Service (EPS) and Cash Working Capital.
 - c. The Desired RORB of eight percent (8%) based on the minimum required return stipulated in the loan covenants of NPC with foreign creditors, such as, the World Bank and Asian Development Bank.

- d. Operating Expenses for the test year 2009 used for calculating the Revenue Requirement consisting of: Depreciation, Fuel Costs, Personal Services and Maintenance and Other Operating Expenses (MOOE) and Head Office (HO) Allocation.
8. Siquijor Area is actually composed of two (2) power barges and a land-based diesel power plant. Following are the most critical bases used in the computation of the TCGR for Siquijor Area:

	Power Barge #113	Power Barge #116	Siquijor DPP	Siquijor Area
Heat Rate, BTU/kWh	12,063.00	13,575.00	11,311.00	
Fuel Rate, L/kWh	0.333	0.375	0.312	
Fuel Cost, P/Ltr				26.1463

9. At 8% RORB, a TCGR of 12.5339 P/kWh for Siquijor DPP is arrived at. Considering that Siquijor DPP is the most efficient plant in the area, Applicant NPC-SPUG proposes to adopt Siquijor DPP's TCGR to become the ceiling price for the NPP's tariff during the transition period prior to commissioning date of the NPP's power plant and the basis for availment of UCME of the NPP.

	Power Barge #113	Power Barge #116	Siquijor DPP	Siquijor Area
Rated Capacity, MW	2.62	3.36	1.50	7.48
Dependable Capacity, MW	2.00	2.10	1.29	5.39
Peak Demand, MW	1.05	1.22	1.22	3.13
Gross Generation, MWH	3,008.45	2,910.86	7,861.42	13,780.73
Energy Sales, MWH	2,930.35	2,323.38	7,224.50	12,478.23
No. of Manpower	17.00	13.00	14.00	44.00
Equivalent Availability Factor, %	57.46	52.44	77.00	
TCGR, P/kWh (8% RORB)	18.8501	24.1125	12.5339	16.1731
Existing SAGR, P/kWh	6.2553	6.2533	6.2533	6.2533
UCME Requirement, P/kwh	(12.5948)	(17.8592)	(6.2806)	(9.9198)

10. The proposed TCGR for Siquijor was approved by the National Power Board in Resolution No. 2010 - 20 dated 21 May 2010.
11. Applicant therefore prays that the Honorable Commission approve the foregoing proposed TCGR for Siquijor Area, and for the same to be adopted as the ceiling price for the NPP's tariff during the transition period prior to the commissioning date of the NPP's power plant and the basis for the availment of the UCME of the said NPP. The above mentioned SAGR of P6.2553/kWh shall remain the effective selling rate.

12. The approved TCGR is a necessary pre-requisite for the competitive selection process for the NPP of Siquijor. NPC therefore prays for the issuance of a provisional authority under Rule 14 of the ERC's Rules of Practice and Procedure and as enunciated by the Supreme Court in the case of "Freedom from Debt Coalition et. al. vs. ERC, et. al. [G.R. No. 161113, June 15, 2004], to wit: "The power to approve provisional rate increases is included among the powers transferred to the ERC by virtue of Section 44 since the grant of that authority is not inconsistent with the EPIRA; rather, it is in full harmony with the thrust of the law which is to strengthen the ERC as the new regulatory body."

13. To support this application herein applicant has attached the following documents:
 - a. Rate base components for the RORB, attached as **Annex "A"**;
 - b. Operating Expenses for the test year 2009 used in calculating the revenue requirement, as **Annex "B"**;
 - c. Results of Operation certified by the NPC Management, as **Annex "C"**;
 - d. Bases of calculations in Soft Copy, as **Annex "D"**;
 - e. NP Board Resolution No. 2010 – 20 dated 21 May 2010, as **Annex "E"** ;
 - f. Affidavit of publication of the application in a newspaper of general circulation, as **Annex "F"**;
 - g. Proof of service of the application on the Secretary of the Sangguniang Panglungsod of Quezon City, the applicant's principal place of business, as **Annex "G"**.

WHEREFORE, premises considered, NPC-SPUG respectfully prays that the Honorable Commission approve the foregoing proposed TCGR for Siquijor and for the same to be adopted as the ceiling price for the NPP's tariff during the transition period prior to the commissioning date of the NPP's power plant and the basis for the availment of the UCME of the said NPP.

Applicant further prays for the issuance of a provisional authority in order to expedite the competitive selection process of the NPP of Siquijor.

Applicant also prays for other just and equitable relief.

Quezon City for Pasig City, July 08, 2010.

FOR THE SOLICITOR GENERAL



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Republic of the Philippines)
Quezon City)SS.

VERIFICATION AND CERTIFICATION

I, **MELCHOR P. RIDULME**, 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 Vice-President and General Counsel of 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 execute the certification against forum shopping. 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, Siquijor was included in the application for the approval of the TCGR filed on January 30, 2006 and docketed as ERC Case No. 2006-004RC before the Energy Regulatory Commission, but on July 5, 2010 NPC filed a motion to exclude Siquijor from ERC Case No. 2006-004RC. Otherwise, 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 another 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 8th day of July 2010 here at Quezon City.



MELCHOR P. RIDULME
Affiant

SUBSCRIBED AND SWORN TO before me this 8th day of July 2010 here at Quezon City, affiant exhibiting to me his NPC identification Card No. 03 - A 0435 which is competent proof of his identity.

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Series of 2010.

NOTARY PUBLIC: **ENEL ULYSSES E. DE GUZMAN**

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