

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

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

ERC CASE NO. 2010-087 RC

NATIONAL POWER CORPORATION –  
SMALL POWER UTILITIES GROUP,  
Applicant.

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DOCKETED  
Date: **SEP 13 2010**  
By: \_\_\_\_\_

**NOTICE OF PUBLIC HEARING**

TO ALL INTERESTED PARTIES:

Notice is hereby given that on July 15, 2010, the National Power Corporation-Small Power Utilities Group (NPC-SPUG) filed an application for the approval of the True Cost Generation Rate (TCGR) for the Province of Siquijor, with prayer for provisional authority.

In the said application, NPC-SPUG alleged, among others, the following:

1. Pursuant to Section 70 of Republic Act No. 9136 (R.A. 9136), otherwise known as the Electric Power Industry Reform Act (EPIRA) of 2001, it is responsible for providing power generation and associated power delivery systems in areas that are not connected to the transmission system;
2. 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 January 26, 2004, the DOE issued Department Circular No. 2004-01-001, entitled "Prescribing the Rules and Procedures for Private Sector Participation in Existing NPC-SPUG Areas";

3. On January 30, 2006, it filed a petition before the Commission for the approval of its True Cost Generation Rate (TCGR) docketed as ERC Case No. 2006-004 RC, which was to be used to determine the appropriate level of Missionary Electrification (ME) Subsidy for the applicable period. Said case is still pending resolution by the Commission. On July 5, 2010, the National Power Corporation (NPC) filed a motion for the exclusion of Siquijor from ERC Case No. 2006-004 RC;
4. The International Finance Corporation (IFC), the transaction advisor for the competitive selection of the New Power Providers (NPPs), is set to bid out the generation function of Siquijor Area. It is urgent and necessary to establish the TCGR for the Province of 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 Universal Charge Missionary Electrification (UCME) to be extended to the NPP for the consideration and approval of the Commission;
5. It submits the instant application for approval of the proposed Siquijor TCGR without prejudice to the approval of its previous application on the proposed NPC-SPUG TCGR for the other areas under ERC Case No. 2006-004 RC;
6. It used the Return on Rate Base (RORB) methodology and 2009 financial components in computing the proposed TCGR for Siquijor, to wit:
  - a. The RORB methodology stipulated under Section 2 (s) of Article 1 of Resolution No. 11, Series of 2005, approved by the Commission on July 6, 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 (ADB); and
  - 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.
7. The Province of Siquijor is actually composed of two (2) power barges and a land-based diesel power plant. Shown below are the most critical bases used in the computation of the TCGR for the Province of Siquijor:

| Particulars         | 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, PhP/Ltr  | -                | -                | -            | 26.1463       |

8. At eight percent (8%) RORB, a TCGR of PhP12.5339/kWh for Siquijor DPP is arrived at. Considering that Siquijor DPP is the most efficient plant in the area, it 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.

| Particulars                       | 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, PhP/kWh (8% RORB)           | 18.8501          | 24.1125          | 12.5339      | 16.1731       |
| Existing SAGR, PhP/kWh            | 6.2553           | 6.2533           | 6.2533       | 6.2533        |
| UCME Requirement, PhP/kWh         | (12.5948)        | (17.8592)        | (6.2806)     | (9.9198)      |

9. The proposed TCGR for the Province of Siquijor was approved by the National Power Board in its Resolution No. 2010-20 dated May 21, 2010;
10. It prays that the Commission approve the foregoing proposed TCGR for the Province of 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. The above-mentioned SAGR of PhP6.2553/kWh shall remain as the effective selling rate; and
11. The approved TCGR is a necessary pre-requisite for the competitive selection process for the NPP of the Province of Siquijor. It prays that a provisional authority be issued by the Commission:

The Commission has set the application for jurisdictional hearing, expository presentation, pre-trial conference and evidentiary hearing on **October 5, 2010 (Tuesday) at two o'clock in the afternoon (2:00 P.M.) at the Don Disco Hotel, Siquijor, Siquijor.**

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 the 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 copies of the application may request the applicant, prior to the date of the initial hearing, that they be furnished with copies 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, **RAUF A. TAN**, **ALEJANDRO Z. BARIN**, **MARIA TERESA A.R. CASTAÑEDA** and **JOSE C. REYES**, Energy Regulatory Commission, this 6<sup>th</sup> day of September, 2010 at Pasig City.

  
**ATTY. FRANCIS SATURNINO C. JUAN**  
Executive Director III

  
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