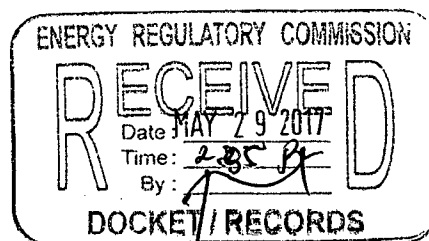


Republic of the Philippines  
**ENERGY REGULATORY COMMISSION**  
Pacific Center Building, San Miguel Avenue  
Ortigas Center, Pasig City

**IN THE MATTER OF THE  
14th, 15th, 16th  
CONSOLIDATED  
APPLICATION FOR THE  
RECOVERY OF THE  
INCREMENTAL COSTS ON  
FOREIGN CURRENCY  
EXCHANGE RATE  
FLUCTUATIONS UNDER THE  
INCREMENTAL CURRENCY  
EXCHANGE RATE  
ADJUSTMENT (ICERA)**



**ERC CASE NO. 2017 - 051 RC**

**NATIONAL POWER  
CORPORATION**

*Applicant.*

X-----X

**APPLICATION**

Applicant **NATIONAL POWER CORPORATION** by the undersigned counsels and to this Honorable Commission, most respectfully states that:

1. NPC is a government-owned and controlled corporation, created and existing under and by virtue of Republic Act No. 6395, as amended, (otherwise known as 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 (NPC-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-SPUG incurs additional operating costs/savings as a result of the fluctuation of foreign exchange which affects the costs of servicing foreign currency debts (excluding interest) and/or foreign exchange-related expenses such as insurance and imported power plant/transmission parts.

4. In the Order dated 24 February 2003, this Honorable Commission issued and adopted the Implementing Rules for the Incremental Currency Exchange Rate Adjustment (ICERA) providing for, among others, the mechanisms for the recovery/(refund) of the deferred incremental costs/(savings) on foreign currency exchange rate fluctuations and carrying charges.

5. This Application is being filed consistent with Section 4(e) Rule 3 of the Implementing Rules and Regulations (IRR), as amended, of Republic Act (RA) 9136 (otherwise known as the Electric Power Industry Reform Act or EPIRA) dated June 8, 2001.

6. The Application covers the following billing period:

- ❖ 14<sup>th</sup> ICERA - 26 Jun 2014 to 25 Dec 2014
- ❖ 15<sup>th</sup> ICERA - 26 Dec 2014 to 25 Jun 2015
- ❖ 16<sup>th</sup> ICERA - 26 Jun 2015 to 25 Dec 2015

7. Applicant has fully complied with the ICERA'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 **Annexes "A" and series** for 14<sup>th</sup> ICERA, **"A-1" and series** for 15<sup>th</sup> ICERA and **"A-2" and series** for 16<sup>th</sup> ICERA.

8. Applicant proposes to recover the Deferred Accounting Adjustments (DAAs) corresponding to additional costs from foreign exchange fluctuations in the settlement of Debt Service (principal repayment portion) and Operating Expenses (OPEX), as well as the corresponding carrying charges for the billing period July 2014 to December 2015 for Luzon, Visayas and Mindanao.

9. Considering the foregoing, and pursuant to all the relevant Decisions and Orders issued by the Honorable Commission, the Applicant has calculated the total deferred costs for recovery under this instant Application comprising the deferred debt service, OPEX and the corresponding carrying charges for Luzon, Visayas and Mindanao covering the billing period from July 2014 to December 2015, as shown below:

**Table 1. Total Deferred FOREX Costs, in PhP**

	<b>Principal</b>	<b>Carrying Charges</b>	<b>TOTAL</b>
<b>14<sup>th</sup> ICERA</b>	<b>8,401,853</b>	<b>30,919</b>	<b>8,432,772</b>
<b>15<sup>th</sup> ICERA</b>	<b>7,798,641</b>	<b>33,417</b>	<b>7,832,059</b>
<b>16<sup>th</sup> ICERA</b>	<b>8,498,965</b>	<b>34,251</b>	<b>8,533,216</b>
<b>TOTAL ICERA DAA</b>	<b>24,699,460</b>	<b>98,587</b>	<b>24,798,047</b>

10. This application seeks the Honorable Commission's approval for the recovery of the above-stated total deferred FOREX costs for the billing period July 2014 to December 2015 through the imposition of the following proposed DAA charges:

**Table 2. Total Deferred FOREX Costs, in PhP/kWh**

	<b>Deferred Costs (PhP)</b>	<b>Recovery Period</b>	<b>Projected Energy Sales (MWh)</b>	<b>ICERA DAA Rate (PhP/kWh)</b>
<b>14<sup>th</sup> ICERA</b>	<b>8,432,772</b>	<b>12 mos</b>	<b>525,506</b>	<b>0.0160</b>
<b>15<sup>th</sup> ICERA</b>	<b>7,832,059</b>	<b>12 mos</b>	<b>525,506</b>	<b>0.0149</b>
<b>16<sup>th</sup> ICERA</b>	<b>8,533,216</b>	<b>12 mos</b>	<b>525,506</b>	<b>0.0162</b>
<b>TOTAL DAA</b>	<b>24,798,047</b>			<b>0.0472</b>

11. Applicant NPC proposes a recovery period of twelve (12) months to be imposed to the end consumers in NPC-SPUG areas.

12. As authorized under the Implementing Rules of the ICERA, Applicant utilized the carrying charge interest rates, as shown in Table 3:

**Table 3. Allowable Carrying Charge Interest Rates**

<b>Test/Billing Months</b>	<b>Prevailing 91-day T-Bill Rate <sup>1/</sup></b>	<b>Authorized Allowance <sup>2/</sup></b>	<b>Allowable Rate</b>
<b>14<sup>th</sup> ICERA</b>			
JUL 2014	1.157	3.00	4.157
AUG	1.373	3.00	4.373
SEP	1.244	3.00	4.244
OCT	1.144	3.00	4.144
NOV	1.298	3.00	4.298
DEC	1.416	3.00	4.416
<b>15<sup>th</sup> ICERA</b>			
JAN 2015 <sup>3/</sup>	1.286	3.00	4.286
FEB	1.541	3.00	4.541
MAR	1.397	3.00	4.397
APR	1.655	3.00	4.655
MAY	2.049	3.00	5.049
JUN	2.142	3.00	5.142
<b>15<sup>th</sup> ICERA</b>			
JUL 2015	2.078	3.00	5.078
AUG	1.999	3.00	4.999
SEP	1.505	3.00	4.505
OCT	1.491	3.00	4.491
NOV	1.773	3.00	4.773
DEC	1.836	3.00	4.836

1- Source: *Bangko Sentral ng Pilipinas (www.bsp.gov.ph/statistics/sdds/tbillsdds.htm)*

2- As authorized in the ICERA Implementing Rules

3- Base on 4<sup>th</sup> Quarter 2014 as there was No Issue (NI) t-bill rates for Jan. 2015

13. The proposed ICERA DAA is fair and reasonable as it is computed in line with the ICERA Guidelines and consistent with the principles of free and competitive electricity market as provided under R.A. 9136.

14. In support of the proposed 14<sup>th</sup>, 15<sup>th</sup>, 16<sup>th</sup> Consolidated ICERA DAA, Applicant respectfully submits the following documents annexed herewith to form part of this Application:

Calculation of Deferred Cost and Proposed Charges

**Annex "B"**

Calculation of Deferred Debt Service/OPEX and corresponding carrying charges

**Annex "C"  
and series**

The Projected Energy Sales (in MWh) used to calculate the proposed DAA charges in P/kWh

**Annex "D"**

91-day Treasury Bill Rates

**Annex "E"**

15. The proposed 14<sup>th</sup>, 15<sup>th</sup> and 16<sup>th</sup> Consolidated ICERA was approved for filing by the National Power Board on 23 May 2017, a certified true copy of Secretary's Certificate is hereto attached as **Annex "F and series"** and made an integral part hereof.

16. Consistent with the principle of structural and functional unbundling of the electric power industry participants, the proposed ICERA is based on foreign exchange-related adjustments attributable only to NPC-SPUG operations, i.e. excluding those associated with NPC's operation in the main grids.

17. The existing approved based foreign exchange rates used in the calculation are based on the 1993 levels of P27.40 to US1.00 and P0.2329 to Japanese Y1.

18. With due respect, the proposed 14<sup>th</sup>, 15<sup>th</sup> and 16<sup>th</sup> Consolidated ICERA DAA adjustment, once approved, should be implemented or applied on top of the SAGR in both NPC-SPUG and delegated NPC-SPUG areas, or upon entry of NPPs thereof to levelize the rates in the said areas and consistent with ERC letter dated 05 March 2012 issued to NPC during the implementation of the 4<sup>th</sup> to 6<sup>th</sup> GRAM and ICERA DAA, copy of which is hereto attached as **Annex "G and series"** hereof.

## **PRAYER**

**WHEREFORE PREMISES CONSIDERED**, it is most respectfully prayed that this Honorable Commission issues an Order, as follows:

1. Approving the recovery of the proposed Deferred Accounting Adjustments covering the test period July 2014 to December 2015 recoverable for a period of one (1) year through the imposition of the following propose rates:

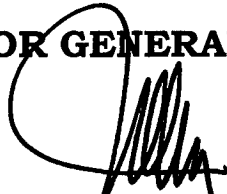
<b>Particulars</b>	<b>14th ICERA</b>	<b>15th ICERA</b>	<b>16th ICERA</b>	<b>TOTAL</b>
Absolute Amount <b>ICERA DAA</b>	<b>8,432,772</b>	<b>7,832,059</b>	<b>8,533,216</b>	<b>24,798,047</b>
P/kWh <b>ICERA DAA, 12 mos</b>	<b>0.0160</b>	<b>0.0149</b>	<b>0.0162</b>	<b>0.0472</b>

2. Imposing/charging the ICERA directly to consumers in NPC-SPUG areas as per the ICERA rules, subject to the discretion of the Honorable Commission in line with ERC Resolution No. 21.
3. Allowing the continued collection of the ICERA even with the entry of private sector players in a specific NPC-SPUG area; and
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 reliefs are likewise prayed for from the Honorable Commission.

Quezon City for Pasig City, 23 May 2017.

**FOR THE SOLICITOR GENERAL**



**MELCHOR R. RIDULME**

VP-Legal Counsel

Special Attorney-OSG

IBP No. 01748/Lifetime/Ilocos Sur

PTR No. 3865010/1-09-2017/Q.C.

MCLE Compliance No. V-0004048

Roll No. 37784



**DELFIN L. BUENAFE II**

Department Manager

Legal Services Department

Special Attorney-OSG

IBP No. 012829/Lifetime/Q.C.

PTR No. 3865011 dated 1-09-2017/Q.C.

MCLE Compliance No. V-0004030

Roll No. 48636



**MAY ROSE C. PINTOR**

Corporate Attorney

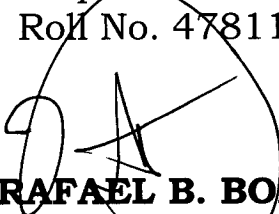
Special Attorney-OSG

IBP Lifetime No. 03387/Cebu City

PTR No. 3865013/1-09-2017/Q.C.

MCLE Compliance No. V-0004045

Roll No. 47811



**DIWA RAFAEL B. BONTUYAN**

Corporate Attorney B

Special Attorney - OSG

IBP No. 1006807/Q.C.

Roll of Attorney No. 64390

PTR No. 3865570/1-10-2017/Q.C.

MCLE Compliance No. V-0019297

Roll No. 64390

Counsels for National Power Corporation  
Office of the General Counsel  
National Power Corporation  
BIR Road cor. Quezon Avenue  
Diliman, Quezon City  
Tel. No. 02-921-9670

cf: **ATTY. JOHN THOMAS S. ALFEROS III**  
City Government Asst. Dept. Head III  
Office of the City Secretary, Quezon City  
3/F, Quezon City Hall

**HON. EFREN BARTOLOME, Jr.**  
Vice-Mayor/Secretary to the  
Sangguniang Panglungsod  
San Jose Del Monte City Hall  
San Jose Del Monte, Bulacan

**HON. EDGAR LABELLA**  
Vice-Mayor/City Secretary  
Cebu City Hall  
Cebu City

**HON. PAOLO Z. DUTERTE**  
Vice Mayor/  
Secretary to the Sangguniang Panglungsod  
San Pedro St., Davao City

**HON. CESAR S. ITURRALDE**  
Vice Mayor/  
Secretary to the Sangguniang Panglungsod  
Office of Sangguniang Panglungsod  
R. T. Lim Boulevard, Zamboanga City



## AFFIDAVIT OF SERVICE

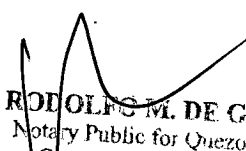
I, **DANIEL P. MANABAT**, of legal age, married and a resident of 15 Samuel St., Barangay Bungad, San Francisco Del Monte, Quezon City, after having been duly sworn to in accordance with law hereby depose and say:

That, I am an employee of the National Power Corporation, with office address at BIR Road corner Quezon Avenue, Diliman, Quezon City;

That on 25 May 2017, I sent a copy of the National Power Corporation (NPC) Application entitled "IN THE MATTER OF THE 14<sup>th</sup>, 15<sup>th</sup>, 16<sup>th</sup> CONSOLIDATED APPLICATION FOR THE RECOVERY OF THE INCREMENTAL COSTS ON FOREIGN CURRENCY EXCHANGE RATE FLUCTUATIONS UNDER THE INCREMENTAL CURRENCY EXCHANGE RATE ADJUSTMENT (ICERA)" including annexes to the following offices of the Local Government Unit (LGU) Body thru personal delivery (PD) /JRS Express:

1. **ATTY. JOHN THOMAS S. ALFEROS III** - [PD]  
City Government Asst. Dept. Head III  
Office of the City Secretary, Quezon City  
Quezon City Hall
2. **HON. EFREN BARTOLOME, JR.** - [JRS Express]  
Vice Mayor/Secretary to the Sangguniang Panglungsod  
San Jose Del Monte City Hall  
San Jose Del Monte, Bulacan
3. **HON. EDGAR LABELLA** - [JRS Express]  
Vice Mayor/City Secretary  
Cebu City Hall  
Cebu City
4. **HON. PAOLO Z. DUTERTE** - [JRS Express]  
Vice Mayor/Secretary to the Sangguniang Panglungsod  
San Pedro St., Davao City, Davao del Sur
5. **HON. CESAR S. ITURRALDE** - [JRS Express]  
Vice Mayor/Secretary to the Sangguniang Panglungsod  
Office of the Sangguniang Panglungsod  
R. T. Lim Boulevard, Zamboanga City

I **WITNESS WHEREOF**, I have hereby set by hand this 25<sup>th</sup> day of May 2017 in Quezon City, Philippines.

  
**ATTY. RODOLFO M. DE GUZMAN, JR.**  
Notary Public for Quezon City  
Commission No. NP-229

  
**DANIEL P. MANABAT**  
Affiant

**SUBSCRIBED AND SWORN TO before me this 25<sup>th</sup> day of May 2017 in Quezon City, Philippines; Affiant exhibiting to me his NPC Employee ID No. APW1300025.**

Commission Expires On: 02/09/18  
IBF No. 10-2936-01/0916-1SM  
Roli No. 44291  
4th Floor NPC Office Building,  
Quezon Ave cor BIR Road,  
Diliman, Quezon City

Doc. No.: 284  
Page No.: 12  
Book No.: 911  
Series of 2017.

Republic of the Philippines )  
Quezon City ) SS.

### VERIFICATION AND CERTIFICATION

I, **PIO J. BENAVIDEZ**, 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 and Chief Executive Officer of the National Power Corporation, herein applicant, and I have caused the preparation of this Consolidated Application pursuant to the authority vested per Resolution No. 2001-134 (copy attached).
2. I have read the same and understood the allegations contained therein, and affirm that the contents thereof are true and correct, as far as NPC is concerned, based on authentic records and on information of my own personal knowledge.
3. I hereby certify that, except for the pending 13<sup>th</sup> ICERA application, 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.
4. 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.
5. 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 hereto affixed my signature this 29<sup>th</sup> day of May 2017 here at Quezon City.

**PIO J. BENAVIDEZ**  
Affiant *alt*

SUBSCRIBED AND SWORN TO before me this 24<sup>th</sup> day of May 2017, affiant presented to me his National Power Corporation (NPC) ID No. APW13-02281 which is competent proof of his identity.

**ATTY. ROBERTO M. DE GUZMAN, JR.**  
Notary Public for Quezon City  
Commission No. NP-229  
Commission Expires on December 31, 2017  
IBP No. 1023936; 01/09/16; RSM  
PTR No. 2389348; 02/04/16; Quezon City  
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4th Floor NPC Office Building,  
Quezon Ave. cor BIR Road,  
Diliman, Quezon City

Doc. No. 270;  
Page No. 54;  
Book No. 70;  
Series of 2017.