

Republic of the Philippines
ENERGY REGULATORY COMMISSION
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 (NPC),**
Applicant.

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D O C K E T E D
Date: MAR 09 2018
By: [Signature]

NOTICE OF PUBLIC HEARING

TO ALL INTERESTED PARTIES:

Notice is hereby given that on 29 May 2017, Applicant National Power Corporation (NPC) filed its consolidated Application for the recovery of the incremental costs on foreign currency exchange rate fluctuations under the Incremental Currency Exchange Rate Adjustment (ICERA) for the following billing periods: (1) 14th ICERA - 26 Jun 2014 to 25 Dec 2014; (2) 15th ICERA - 26 Dec 2014 to 25 Jun 2015; and (3) 16th ICERA - 26 Jun 2015 to 25 Dec 2015.

In the said Application, NPC alleged the following:

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:
 - ❖ 14th ICERA - 26 Jun 2014 to 25 Dec 2014
 - ❖ 15th ICERA - 26 Dec 2014 to 25 Jun 2015
 - ❖ 16th 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 14th ICERA, "**A-1**"

and series for 15th ICERA and “A-2” and series for 16th 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

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

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

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

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

Test/Billing Months	Prevailing 91-day T-Bill Rate ^{1/}	Authorized Allowance ^{2/}	Allowable Rate
14th ICERA			
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
15th ICERA			
JAN 2015 ^{3/}	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
15th ICERA			
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 4th 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 14th, 15th, 16th Consolidated ICERA DAA, Applicant respectfully submits the following documents annexed herewith to form part of this Application:

Calculation of Deferred Cost and **Annex “B”**
Proposed Charges

Calculation of Deferred Debt **Annex “C”**
Service/OPEX and corresponding **and series**
carrying charges

The Projected Energy Sales (in MWh) **Annex “D”**
used to calculate the proposed DAA
charges in P/kWh

91-day Treasury Bill Rates **Annex “E”**

15. The proposed 14th, 15th and 16th 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 14th, 15th and 16th 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 4th to 6th 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:

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

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.

The Commission has set the said Application for initial hearing for the determination of compliance with the jurisdictional requirements, expository presentation, Pre-Trial Conference, and presentation of evidence on the following dates:

Date and Time	Venue	Hearing Coverage
8 May 2018 (Tuesday) Two o'clock in the afternoon (2:00 P.M.)	ERC Hearing Room, 15 th Floor Pacific Center Building, San Miguel Avenue, Ortigas Center, Pasig City	Jurisdictional and Expository Presentation
16 May 2018 (Wednesday) Ten o'clock in the morning (10:00 A.M.)	Visayas Field Office, St. Mary's Drive, Banilad, Cebu City	Expository Presentation
23 May 2018 (Wednesday) Ten o'clock in the morning (10:00 A.M.)	ERC Mindanao Field Office, Mintrade Bldg., Monteverde Ave. cor Sales St., 8000 Davao City	Expository Presentation
30 May 2018 (Wednesday) Ten o'clock in the morning (10:00 A.M.)	ERC Hearing Room, 15 th Floor Pacific Center Building, San Miguel Avenue, Ortigas Center, Pasig City	Pre-trial Conference & Presentation of Evidence

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 title of the proceeding and stating: (1) the Applicant's name and address; (2) the nature of Applicant'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 Applicants conclude the presentation of their 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 wish to have a copy of the Application may request the Applicant, prior to the date of the initial hearing, that they be furnished with a copy of the Application. The Applicant is hereby directed to furnish all those making a request with copies of the Application and its attachments, subject to 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 Chairperson **AGNES VST DEVANADERA**, and Honorable Commissioners **ALFREDO J. NON**, **GLORIA VICTORIA C. YAP-TARUC**, and **GERONIMO D. STA. ANA**, Energy Regulatory Commission, this 23th day of February 2018 in Pasig City.


JOSEFINA PATRICIA A. MAGPALE-ASIRIT
Commissioner


KTB/REM/APV