

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



**IN THE MATTER OF THE 11TH
APPLICATION FOR THE
RECOVERY OF THE
INCREMENTAL COSTS ON
FOREIGN CURRENCY
EXCHANGE RATE
FLUCTUATIONS UNDER THE
INCREMENTAL CURRENCY
EXCHANGE RATE
ADJUSTMENT (ICERA), WITH
PRAYER FOR PROVISIONAL
AUTHORITY**

ERC CASE NO. 2014-091 RC

**NATIONAL POWER
CORPORATION (NPC),
Applicant.
X-----X**

D O C K E T E D
Date: JUL 11 2014
By: [Signature]

NOTICE OF PUBLIC HEARING

TO ALL INTERESTED PARTIES:

Notice is hereby given that on June 20, 2014, the National Power Corporation (NPC) filed an application for recovery of the Incremental Costs on Foreign Currency Exchange Rate fluctuations under the Incremental Currency Exchange Rate Adjustment (11TH ICERA), with prayer for provisional authority.

In the said application, NPC alleged, among others, that:

1. Pursuant to Section 70 of Republic Act No. 9136 (R.A. 9136), otherwise known as the Electric Power Industry Reform Act of 2001 or the EPIRA, it is responsible, through its Small Power Utilities Group (SPUG) for providing power generation and its associated power delivery systems in areas that are not connected to the transmission system;
2. In the performance of its missionary electrification function, it incurs additional operating costs as a result of

the fluctuation of the 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;

3. In the Order dated February 24, 2003, the 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;
4. The instant application was filed consistent with Section 4 (e) Rule 3 of the EPIRA Implementing Rules and Regulations (IRR), as amended. It covers the billing period January 2013 to June 2013;
5. It has fully complied with the ICERA's monthly reportorial requirements, to support the calculated allowable costs covering the billing period, as evidenced by the submitted reports/compliances duly received by the Commission;
6. It proposes to recover the Deferred Accounting Adjustments (DAAs), corresponding to additional costs or savings 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 January 2013 to June 2013 for Luzon, Visayas and Mindanao Grids;
7. Considering the foregoing, and pursuant to all the relevant Decisions and Orders issued by the Commission, it has calculated total deferred costs for recovery under the application comprising of deferred debt service, OPEX and the corresponding carrying charges for the Luzon, Visayas and Mindanao Grids covering the billing period from January 2013 to June 2013, to wit:

Total Deferred FOREX Costs, in PhP

Principal (PhP)	Carrying Charges (PhP)	TOTAL DAA (PhP)
8,041,597	26,135	8,067,732

8. The instant application seeks the Commission's approval for the recovery of the above-stated total current deferred FOREX costs for the billing period January 2013 to June 2013, through the imposition of the following proposed DAA charges:

Total Deferred FOREX Costs, in PhP/kWh

Deferred Costs (PhP)	Recovery Period	Projected Energy Sales (MWh)	ICERA DAA Rate (PhP/kWh)
8,067,732	12 Months	500,259	0.0162

9. It proposes a recovery period of twelve (12) months to the end-consumers in NPC-SPUG areas;
10. As authorized under the Implementing Rules of the ICERA, it utilized the carrying charge interest rates, to wit:

Allowable Carrying Charge Interest Rates

Test/Billing Months	Prevailing 91-day T-Bill Rate ^{1/}	Authorized Allowance ^{2/}	Allowable Rate
January 2013	0.05	3.000	3.05
February 2013	0.05	3.000	3.05
March 2013	0.08	3.000	3.08
April 2013	0.04	3.000	3.04
May 2013	0.217	3.000	3.217
June 2013	0.90	3.000	3.90

1- Source: *Bangko Sentral ng Pilipinas*

2- As authorized in the *ICERA Implementing Rules*

Allegations in Support of the Prayer for Provisional Authority

11. 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 its operations, i.e., excluding those associated with its operation in the main grids;

12. The existing approved based foreign exchange rates used in the calculation were based on the 1993 levels of PhP27.40 to US\$1.00 and PhP0.2329 to Japanese Y1;
13. Since these expenses were incurred in the first semester of CY 2013, the immediate recovery of this adjustment through a provisional authority, without prejudice on the authority of the Commission to approve the recovery of this adjustment as part of the True Cost of Generation Rate (TCGR), would help alleviate its operational funding;
14. Pursuant to Rule 15, Section 3 of the Commission's Rules of Practice and Procedure, it has the authority to grant provisional authority pending final approval of the instant application; and
15. It prays that the Commission approves the following:
 - a. The deferred cost of PhP8,067,732.00 and the corresponding proposed ICERA DAA of PhP0.0162/kWh for NPC-SPUG areas;
 - b. Charge the ICERA directly to consumers in NPC-SPUG areas, as intended in the ICERA guidelines, subject to the discretion of the Commission;
 - c. Allow the continued collection of the ICERA even with the entry of private sector players in a specific NPC-SPUG area;
 - d. Approve the implementation of the proposed rates on top of its existing Subsidized Approved Generation Rates (SAGR) and SAGR of delegated NPC-SPUG Areas where New Power Providers (NPPs) operate for the purpose of determining the level of subsidy; and
 - e. Issue a provisional authority for the implementation of the proposed rates and DAAs for the immediate recovery of deferred FOREX adjustments within the above proposed twelve (12) months recovery period.

The Commission has set the instant application for jurisdictional hearing, expository presentation, pre-trial conference and evidentiary hearing on the following dates and venues:

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Notice of Public Hearing/July 7, 2014

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Date and Time	Venue	Particulars
Luzon		
August 13, 2014 (Wednesday) at two o'clock in the afternoon (2:00 P.M.)	ERC Hearing Room, 15 th Floor, Pacific Center Building, San Miguel Avenue, Pasig City	Jurisdictional, Expository Presentation, Pre-Trial Conference and Evidentiary Hearing
Visayas		
August 19, 2014 (Tuesday) at one o'clock in the afternoon (1:00 P.M.)	Holiday Plaza Hotel, F. Ramos Street, Cebu City	Expository Presentation, Pre-Trial Conference and Evidentiary Hearing
Mindanao		
August 28, 2014 (Thursday) at one o'clock in the afternoon (1:00 P.M.)	Energy Regulatory Commission – Mindanao Field Office (ERC-MFO), Mezzanine Floor, Mintrade Building, Monteverde Avenue corner Sales Street, Davao City	Expository Presentation, Pre-Trial Conference and Evidentiary Hearing

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 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 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 such request with copies of the petition 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, **ALFREDO J. NON**, **GLORIA VICTORIA C. YAP-TARUC**, and **JOSEFINA PATRICIA A. MAGPALE-ASIRIT**, Energy Regulatory Commission, this 7th day of July, 2014 at Pasig City.


ATTY. FRANCIS SATURNINO C. JUAN
Executive Director III