

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

**IN THE MATTER OF THE ADOPTION OF
THE INCREMENTAL CURRENCY
EXCHANGE RATE ADJUSTMENT (4th
ICERA)**

ERC CASE No. 2009-_____

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

Applicant.

X-----X

APPLICATION

Applicant **NATIONAL POWER CORPORATION-SMALL POWER UTILITIES GROUP (NPC-SPUG)**, by undersigned counsels, to this Honorable Commission, most respectfully states that:

1. NPC is a government-owned and controlled corporation, created and existing by virtue of Republic Act No. 6395, as amended, 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's Small Power Utilities Group (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/generates additional operating costs/savings as a result of the fluctuation of foreign exchange which affects the cost of

servicing foreign currency debts (excluding interest) and/or foreign exchange-related operating expenses such as insurance and imported power plant/transmission parts.

4. In an 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 of the deferred foreign exchange-related (FOREX) adjustments.

5. The Honorable Commission subsequently approved NPC-SPUG's 1st ICERA application under Case No. 2004-421 on 17 January 2005 for the period 26 December 2003 to 25 July 2004; and 2nd ICERA application under Case No. 2005-037RC on 19 December 2005 for the period 26 July 2004 to 25 December 2004.

6. The recoveries of NPC-SPUG's 2nd ICERA amounting to P 1.16 Billion were however charged to the Universal Charge (UC). The table below shows the projected balance of UC after deducting the projected allowable Universal Charge for Missionary Electrification (UC-ME) of P 1.34 Billion:

	2009	2010	2011	2012	2013
Projected Philippines Energy Sales, In MWh	53,159,499.00	60,818,520.00	63,379,667.00	66,240,881.00	69,145,088.00
Projected UC-ME @ P0.0373/kWh	2,163,349.31	2,268,530.80	2,364,061.58	2,470,784.86	2,579,111.78
Less: Projected Allowable UC-ME Funds, In ThP	1,340,000.00	1,340,000.00	1,340,000.00	1,340,000.00	1,340,000.00
Projected Balance of UC Funds, In ThP	829,349.31	928,530.80	1,024,061.58	1,130,784.86	1,239,111.78

7. On 05 June 2006, NPC-SPUG filed its 3rd ICERA application under Case No. 2006-021RC covering the twelve (12)-month period from 26 December 2004 to 25 December 2005.

8. NPC-SPUG is now submitting before the Honorable Commission its 4th ICERA petition covering the period from 26 December 2005 to 25 December 2007.

9. Based on the approved ICERA Methodology, the Deferred Accounting Adjustments (DAA) were computed to be as follows:

Deferred Accounting Adjustments (PhP)		
Deferred Costs	Carrying Charge	TOTAL DAA
539,561,828.90	41,448,199.19	581,010,028.10

10. The P/kWh impact of the deferred costs will vary depending on the recovery period. The proposed recovery period is shown in the following table.

Deferred Costs (PhP)	Billing Determinant (kWh)	Recovery Period (No. of Years)	ICERA DAA Rate (PhP/kWh)
581,010,028.10	717,381,466.61	1	0.8099
581,010,028.10	1,497,991,853.00	2	0.3879
581,010,028.10	2,342,566,733.00	3	0.2480

11. Applicant NPC-SPUG proposes the adoption of the 1 year recovery period to allow relatively even DAA's across the regions. The impact on existing effective rates is shown in the table that follows.

Areas	Existing Effective Rates						DAA	New Effective Rates w/ DAA
	Generation			Trans.	Total	1 Year		
	Fuel	Fixed	FOREX					
	(a)	(b)	(c)	(d)	(e=sum a-d)	(f)	(g = e+f)	
1 Occidental Mindoro	3.6479	1.2980	0.4987	0.1958	5.6404	0.8099	6.4503	
2 Oriental Mindoro	3.6479	1.2980	0.4987	0.1958	5.6404	0.8099	6.4503	
3 Marinduque	3.6479	1.4938	0.4987		5.6404	0.8099	6.4503	
4 Mainland Palawan	3.6479	1.3457	0.4987	0.1481	5.6404	0.8099	6.4503	
5 Catanduanes	3.6479	1.4938	0.4987		5.6404	0.8099	6.4503	
6 Masbate	3.2787	1.3393	0.4987		5.1167	0.8099	5.9266	
7 Tablas	3.6479	1.4938	0.4987		5.6404	0.8099	6.4503	
8 Romblon	3.6479	1.4938	0.4987		5.6404	0.8099	6.4503	
9 Bantayan	4.1948	1.5618	0.4987		6.2553	0.8099	7.0652	
10 Camotes	4.1948	1.5618	0.4987		6.2553	0.8099	7.0652	
11 Siquijor	4.1948	1.5618	0.4987		6.2553	0.8099	7.0652	
12 Tawi-Tawi	3.2787	1.3393	0.4987		5.1167	0.8099	5.9266	
13 Basilan	3.2787	1.3393	0.4987		5.1167	0.8099	5.9266	
14 Sulu	3.2787	1.3393	0.4987		5.1167	0.8099	5.9266	
15 Other Luzon	2.0282	1.1795	0.4987		3.7064	0.8099	4.5163	
16 Other Visayas	3.8942	1.2475	0.4987		5.6404	0.8099	6.4503	
17 Other Mindanao	3.2787	1.0250	0.4987		4.8024	0.8099	5.6123	

12. In support of the proposed ICERA, attached hereto are the computations and information on the following:

Receipt of ERC of Reportorial Requirements	Annex "A"
Summary of Foreign Exchange Denominated Expenses for the Test Period	Annex "B"
Summary of Billed Versus Actual FOREX Expenses and Deferred Costs for the Test Period	Annex "C"
Determination of Deferred FOREX Costs and Corresponding Carrying Charges for Inclusion in DAA	Annex "D"
Monthly Energy Sales for the Test Period	Annex "E"
Schedule of Monthly Average Treasury Bill Rates	Annex "F"
Projected SPUG Energy Sales for the DAA Recovery Periods	Annex "G"

13. The proposed ICERA was approved by the National Power Board in Resolution No. 2009-17 dated 30 March 2009, a photocopy of which is attached hereto as **Annex "H"** and made an integral part hereof.

14. The proposed ICERA is just, fair and reasonable as it is based only on allowable deferred costs under the ICERA guidelines.

PRAYER

WHEREFORE, PREMISES CONSIDERED, it is most respectfully prayed of this Honorable Commission to:

1. Approve the deferred cost of **P 581,010,028.10** and the corresponding proposed ICERA DAA of **0.8099 P/kWh** for NPC-SPUG areas;
2. Allow NPC-SPUG to file its ICERA petitions at a later date beyond the prescribed 30 day period after the adjustment date as stipulated in Section 5, paragraph 3 of the ICERA Implementing Rules, due to administrative difficulties in securing reports and supporting documents from all of NPC-SPUG's 91 operational areas.
3. Charge the ICERA directly to consumers in NPC-SPUG areas, as intended in the ICERA guidelines, and NOT to the Universal Charge for Missionary Electrification (UC-ME). This shall prevent the ICERA from "competing" with the legitimate claims from the UC-ME under the Department of Energy's Missionary Electrification Development Plan.
4. Allow the continued collection of the ICERA even with the entry of private sector players in a specific NPC-SPUG area.

Other reliefs just and equitable under the premises are likewise prayed for.

Quezon City for Pasig City, 21 May 2009.

FOR THE SOLICITOR GENERAL



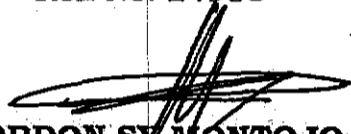
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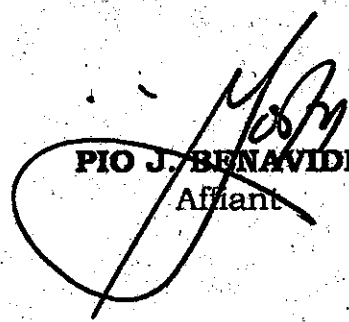
VERIFICATION AND CERTIFICATION

REPUBLIC OF THE PHILIPPINES)
QUEZON CITY) S. S.

I, **PIO J. BENAVIDEZ**, of legal age, married with office address at NPC Office Building Complex, corner Quezon Avenue and Agham Road, Diliman, Quezon City, after having been sworn to in accordance with law, hereby depose and say;


1. That I am the Senior Vice President and Officer-in-Charge of the National Power Corporation, the petitioner herein;
2. I have caused the preparation of the foregoing Application and that I have read and understood the allegations contained therein and that they are true and correct to my personal knowledge; and,
3. I have not therefore commenced any action or filed any claim involving the same issues in any court, tribunal or quasi-judicial agency and, to the best of my knowledge, no other such action or claim is pending therein; and that I should thereafter learn that the same or similar action or claim has been filed or is pending in any court, tribunal or quasi-judicial agency, I hereby undertake to report the same within five (5) days therefrom to this court.

Quezon City for Pasig City, Philippines, May 21, 2009.


PIO J. BENAVIDEZ
 Affiant

SUBSCRIBED AND SWORN TO before this 21st day of May 2009, affiant **PIO J. BENAVIDEZ** presented to me his Community Tax Certificate No. 1208-0003109 issued on 2 APRIL, 2009 at QUEZON CITY, known to me and to me known to be the same person who executed the foregoing Application.

Doc. No. ; 437
 Page No. ; 88
 Book No. ; 11
 Series of 2009.


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 Notary Public for Quezon City
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