

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 (5th
ICERA) WITH PRAYER FOR
PROVISIONAL AUTHORITY**

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 (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/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 PhP 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 PhP 1.34 Billion:

	2009	2010	2011	2012	2013
Projected Philippines Energy Sales, In MWH	58,159,499.00	60,818,520.00	63,379,657.00	66,240,881.00	69,145,088.00
Projected UC-ME @ P0.0373/kWh	2,169,349.31	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. 2006-021 RC covering the twelve (12)-month period from 26 December 2004 to 25 December 2005.

8. NPC-SPUG likewise filed on 26 May 2009 its 4th ICERA application under Case No. 2009-033 RC covering the twenty four (24)-month period from 26 December 2005 to 25 December 2007.

9. NPC-SPUG is now submitting before the Honorable Commission its 5th ICERA petition covering the period from 26 December 2007 to 25 December 2008.

10. Based on the approved ICERA methodology, the Deferred Accounting Adjustments (DAA) and the proposed ICERA – DAA Recovery Rate (PhP/kWh) were computed to be as follows:

Deferred Accounting Adjustments (PhP)

Deferred Costs	Carrying Charge	TOTAL DAA
555,406,746.71	27,848,479.93	583,255,226.65

11. The PhP/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)	Recovery Period (No. of Years)	Billing Determinant (kWh)	ICERA DAA Rate (PhP/kWh)
583,255,226.65	1	666,169,376.77	0.8755
583,255,226.65	2	1,395,052,420.85	0.4181
583,255,226.65	3	2,183,087,514.74	0.2672

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

**Proposed New SPUG Rates w/ 5th ICERA DAA
and Impact on Existing Effective Rates**

Areas	Generation			Trans.	Existing Basic Rates	New FOREX Rate	DAA	Total Calculated Rates
	Fuel	Fixed	FOREX				1 Year	
	(a)	(b)	(c)	(d)	(e) = (sum of a-d)	(f)	(g)	(j) = (a)+(b)+(d) + (f)+(g)
17 Rates Grouping:								
1 Occidental Mindoro*	3.6479	1.2980	0.4987	0.1958	5.6404	1.5064	0.8755	7.5236
2 Oriental Mindoro*	3.6479	1.2980	0.4987	0.1958	5.6404	1.5064	0.8755	7.5236
3 Marinduque	3.6479	1.4938	0.4987		5.6404	1.5064	0.8755	7.5236
4 Mainland Palawan*	3.6479	1.3457	0.4987	0.1481	5.6404	1.5064	0.8755	7.5236
5 Catanduanes	3.6479	1.4938	0.4987		5.6404	1.5064	0.8755	7.5236
6 Masbate	3.2787	1.3393	0.4987		5.1167	1.5064	0.8755	6.9999
7 Tablas	3.6479	1.4938	0.4987		5.6404	1.5064	0.8755	7.5236
8 Romblon	3.6479	1.4938	0.4987		5.6404	1.5064	0.8755	7.5236
9 Bantayan	-----	-----	-----		-----	Being served by an New Power Provider		
10 Camotes	4.1948	1.5618	0.4987		6.2553	1.5064	0.8755	8.1385
11 Siquijor	4.1948	1.5618	0.4987		6.2553	1.5064	0.8755	8.1385
12 Tawi-Tawi	3.2787	1.3393	0.4987		5.1167	1.5064	0.8755	6.9999
13 Basilan	3.2787	1.3393	0.4987		5.1167	1.5064	0.8755	6.9999
14 Sulu	3.2787	1.3393	0.4987		5.1167	1.5064	0.8755	6.9999
15 Other Luzon	2.0282	1.1795	0.4987		3.7064	1.5064	0.8755	5.5896
16 Other Visayas	3.8942	1.2475	0.4987		5.6404	1.5064	0.8755	7.5236
17 Other Mindanao	3.2787	1.0250	0.4987		4.8024	1.5064	0.8755	6.6856

*Including approved transmission rates of 0.1958 PhP/kWh for Mindoro & 0.1481 PhP/kWh in Palawan.

13. 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"

14. The proposed ICERA was approved by the National Power Board in Resolution No. 2009-34 dated 06 July 2009, a photocopy of which is attached hereto as **Annex "H"** and made an integral part hereof.

15. 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 **PhP 583,255,226.65** and the corresponding proposed ICERA DAA of **0.8755 PhP/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 112 power plants in 97 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; and
5. Issue a Provisional Authority for the implementation the proposed rates and DAAs for the immediate recovery of deferred FOREX adjustments within the above indicated 1-year recovery period.

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

Quezon City for Pasig City, _____ 2009.

FOR THE SOLICITOR GENERAL

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VERIFICATION AND CERTIFICATION

I, **FROILAN A. TAMPINCO**, 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 of the National Power Corporation, the applicant herein; I caused the preparation of this Application, I have read the same and understood the allegations contained therein, and affirm that the contents thereof are true and correct based on authentic records at my disposal and on information of my own personal knowledge;
2. I am duly authorized by the Board of Directors to certify that 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. A copy of Resolution No. 2001-134 is attached as required by Rule 3, Section 4 of the Rules of Practice and Procedure.
3. 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.
4. 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 hereunto affixed my signature this ___ day of AUG 17 2009 2009 here at Quezon City.


FROILAN A. TAMPINCO
Affiant
AUG 17 2009

SUBSCRIBED AND SWORN TO before me this ___ day of ___ 2009 here at Quezon City, affiant-exhibiting to me his CTC No. 16797358 issued on Jan. 30, 2009 at Quezon City.

Doc. No. 151;
Page No. 32;
Book No. IV;
Series of 2009.


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