

Draft Implementing Rules for the Recovery of the Deferred Incremental Currency Exchange Adjustments

Deferred Incremental Currency Exchange Recovery (DICER)

Section 1. Definitions.

- a) Unless the context otherwise provides, the following words and terms used herein shall have the following meanings:

“Adjustment Date” refers to the last day of the test period used by a utility for purposes of a deferred incremental currency exchange accounting application.

“Base Rate” shall mean the initial component of the currency exchange adjustment established by the Commission.

“Carrying Charges” shall mean the amount included in the Deferred Currency Exchange Cost Account representing the financing costs associated with the deferred recovery or refund of the incremental currency exchange adjustment computed at the rate of the 91-day Treasury Bill.

“Commission” refers to the Energy Regulatory Commission (ERC) created under Republic Act No. 9136.

“Deferred Accounting Adjustment” (DAA) shall mean the component of the total currency exchange adjustment calculated in accordance with Section 6 hereof, intended to recover or refund the deferred currency exchange adjustment balance.

“Deferred Currency Exchange Accounting Balance” refers to the amount contained in the deferred currency exchange adjustment account, and represents the sum of:

1. The total amount of actual currency exchange adjustment less the Base Rate revenue established by the Commission;
2. The revenue received from the DAA; and
3. Carrying charges.

“Deferred Currency Exchange Accounting” shall mean an accounting practice which provides for the monthly deferral of any increase or decrease in currency exchange adjustments over the Base Rate as calculated using the existing currency exchange adjustment clause during a specific period approved by the ERC.

“Recovery Period” shall mean a period established by the Commission beginning on the effective date of the DICER with a maximum period of three (3) years.

“Test Period” refers to the period designated by the Commission to be used in the calculation of the rate of the deferred currency adjustment recoverable from the DICER.

“Utility” shall refer to NPC (Main and SPUG), TRANSCO, private electric utilities and electric cooperatives under the jurisdiction of the Commission.

Section 2. Scope.

The provisions of this Rule shall provide for the procedure to be followed for the recovery of Deferred Incremental Currency Exchange Adjustment incurred by the utility.

Section 3. Deferred Accounts.

Deferred accounts may be used only to carry out deferred incremental currency exchange adjustment accounting procedures and are not amendments to any other regulation of the Commission. The accounts must be consistent with the provisions of these Rules. The following accounts shall be used to record currency exchange deferrals and recoveries on a monthly basis:

1. Deferred Currency Exchange accounts;
2. Accrued Utility Revenue accounts;
3. Interest Income accounts; and
4. Interest Expense accounts.

Section 4. Deferred Accounts-Required Entries.

1. A debit entry or credit entry, if negative, to the deferred currency exchange account equal to the total amount of actual currency exchange adjustment less the Base Rate revenue;

2. A debit entry or credit entry, if negative, equal to the previous month's ending balance multiplied by one-twelfth (1/12) of the carrying charge in accordance with Section 8.

3. Contra entries for the entries made in accordance with Subsection 1 hereof are made to the Accrued Utility Revenue accounts.

4. Contra entries for the entries made in accordance with Subsection 2 hereof are made to the interest income or expense account.

Section 5. Deferred Currency Exchange Accounting Applications.

1. A utility shall file a deferred currency exchange accounting application setting forth its calculations of the DICER. The filing shall not be later than one (1) year from its last filing or whenever there is a significant change of five percent (5%) or more in P/kWh in the Base Rate, whichever comes first. For NPC and TRANSCO, the filing shall be for a particular grid.

2. Applications shall be specific for each company and are not required to be filed concurrently.

3. An application must be filed not later than thirty (30) days after the adjustment date.

4. The rate of DICER must be based on the allowable costs for the test period designated by the Commission and calculated in accordance with Section 7 hereof.

5. The DICER rate remains in effect until the Commission authorizes a new rate.

Section 6. Calculation of the Deferred Accounting Adjustment.

The Deferred Currency Exchange Accounting Adjustment must be established and based on the following formula:

Let:

DAA = The deferred accounting adjustment

DBF = The balance in the deferred currency exchange account as of the end of the test period plus carrying charge

T = The total estimated sales for the recovery period

$$DAA = \frac{DBF}{T}$$

DICER shall be reflected as a separate item under “Other Adjustments” in the power bill of utilities.

Section 7. Accounting for Disallowed Costs.

The utility shall have the burden of proving that all costs contained in the deferred currency exchange account have been prudently incurred are reasonable and eligible for recovery in accordance with the current policies of the Commission.

Section 8. Carrying Charges.

1. A carrying charge must be computed on the current debit or credit balance at the end of each month in the deferred currency exchange account and must be respectively debited or credited to the interest income or expense account computed at the 91-day Treasury Bill rate as established by the Bangko Sentral ng Pilipinas (BSP). The rate of the carrying charge must be applied to the entire balance in the account.

2. The contra entries for the carrying charge must be made to interest income.

Section 9. Monthly Reports.

1. Not later than ten (10) days after the end of each month, the utility must submit to the Commission a report containing all transactions and calculations affecting the deferred accounts. Monthly reports shall include any other information or data required by the Commission to expedite or facilitate the application and/or necessary to clear the balances of deferred accounts.

2. The utility shall submit not later than ten (10) days after the end of each month, the following:

- Monthly report showing its actual computation of currency exchange related adjustments;
- Data pertaining to: (a) amount to be recovered through currency exchange related adjustments; (b) actual sales for the billing period; (c) revenue derived from said adjustment per Grid; and (d) total revenue derived per Grid;

- Supporting documents to be attached to all submissions;
- List of foreign related operating expenses; and
- Debt service payments segregating principal and interest portion.

3. Other information as may be required by the Commission.

Section 10. Exception from Regulations.

Where good cause appears, the Commission may permit an exception from Section 2 to 9, inclusive, if the exception is found to be in the public interest and is not contrary to law.

Section 11. Separability Clause:

Shall any provision herein be subsequently declared unconstitutional, the same shall not affect the validity and legality of the other provisions.

Section 12. Effectivity Clause:

These rules shall take effect on the fifteenth (15th) day following its publication in the Official Gazette or in at least two (2) newspapers of general circulation.