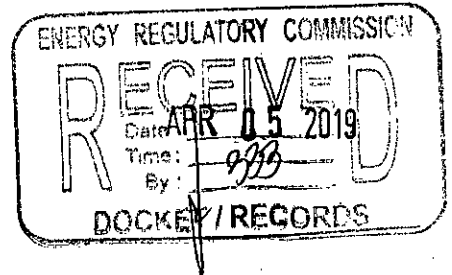


Republic of the Philippines
ENERGY REGULATORY COMMISSION
Pacific Center Building, San Miguel Avenue
Ortigas Center, Pasig City



**IN THE MATTER OF THE 18th 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 (PA)**

ERC Case No. 2019-026 RC

NATIONAL POWER CORPORATION
Applicant.

X-----X

APPLICATION

Applicant **NATIONAL POWER CORPORATION** ("NPC"), through undersigned counsel, and to this Honorable Commission, most respectfully states that:

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 EPIRA dated June 8, 2001.

6. The Application covers the billing period from January 2017 to December 2017. Further, 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.**

7. 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 January 2017 to December 2017 for Luzon, Visayas and Mindanao.

8. 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 of the deferred debt service, OPEX and the corresponding carrying charges for Luzon, Visayas and Mindanao covering the billing period from January 2017 to December 2017, as shown below:

Table 1. Total Deferred FOREX Costs, in PhP

	Principal	Carrying Charges	Total DAA
TOTAL	23,150,323	375,341	23,525,664

9. This application seeks the Honorable Commission's approval for the recovery of the above-stated total deferred FOREX costs for the billing period January 2017 to December 2017 through the imposition of the following proposed DAA charges:

Table 2. Total Deferred FOREX Costs, in PhP/kWh

Deferred Cost (PhP)	Recovery Period	Projected Energy Sales (MWh)	ICERA DAA Rate (PhP/kWh)
23,525,664	12 months	538,462	0.0437

10. Applicant NPC proposes a recovery period of twelve (12) months as approved by its Board of Directors. If this application is approved as filed, the proposed rate above shall be billed to island grid customers for twelve months.

11. 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
JAN 2017	1.178	3.00	4.178
FEB	2.104	3.00	5.104
MAR	2.367	3.00	5.367
APR	2.347	3.00	5.347
MAY	2.177	3.00	5.177
JUN	2.094	3.00	5.094
JUL	2.152	3.00	5.152
AUG	2.160	3.00	5.160
SEP	2.060	3.00	5.060
OCT	1.958	3.00	4.958
NOV	2.148	3.00	5.148
DEC ^{3/}	2.034	3.00	5.034

1- Source: Bangko Sentral ng Pilipinas (www.bsp.gov.ph/statistics/sdds/tbillsdds.htm)

2- As authorized in the ICERA Implementing Rules

3- There was no T-bill rates for December hence, the data used was based on 4th quarter

12. The proposed ICERA DAA is fair and reasonable as it is computed in line with the ICERA Guidelines.

13. In support of the proposed 18th ICERA DAA, Applicant respectfully submits the following documents annexed herewith to form part of this Application:

Calculation of Deferred Cost and Proposed Charges	Annex "B"
Calculation of Deferred Debt Service/OPEX and corresponding carrying charges	Annex "C" and series
The Projected Energy Sales (in MWh) used to calculate the proposed DAA charges in P/kWh	Annex "D"
91-day Treasury Bill Rates	Annex "E"

14. The proposed ICERA was approved for filing by the Board of Directors of Applicant on 28 March 2019, a certified true copy of Secretary's Certificate is hereto attached as **Annex "F and series"** and made an integral part hereof.

**ALLEGATIONS IN SUPPORT OF THE PRAYER FOR
PROVISIONAL AUTHORITY**

15. 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.

16. 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.

17. Since these expenses were incurred in the year 2017 immediate recovery of this adjustment through a provisional authority would help alleviate the operational funding of applicant, without prejudice to the authority of the Honorable Commission to approve the recovery of this adjustment as part of the applicant's True Cost Generation Rate (TCGR).

18. Moreover, pursuant to Rule 15, Section 3 of the Commission's Rules of Practice and Procedure, the Honorable Commission has the authority to grant a provisional authority pending final approval of the instant petition, it states, as follows:

“Section 3. Action and Motion. – Motions for provisional authority or interim relief may be acted upon with or without hearing. The Commission shall act on the motion on the basis of the allegations of the application or petition and supporting documents and other evidences that applicant or petitioner has submitted and the comments or oppositions filed by any interested person, if any there be any.” (Emphasis supplied)

19. Based on the foregoing justifications, NPC finds it proper to respectfully request the Honorable Commission for a provisional authority pending the hearing on the merits of the subject application and the final approval of the proposed ICERA DAA and the corresponding rate for CY 2017.

20. With due respect, the proposed 18th 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 level the rates in the said areas and consistent with Resolution 21 and with the clarification letter of ERC 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 issue an Order, as follows:

1. Approving the deferred cost of **PhP23,525,664** and the corresponding proposed ICERA DAA of **P0.0437/kWh** for NPC-SPUG areas;
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;
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; and

5. Granting NPC 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.

Other just and equitable reliefs are likewise prayed for from the Honorable Commission.

Quezon City for Pasig City, 01 April 2019.

FOR THE SOLICITOR GENERAL



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VP-Legal Counsel

Special Attorney-OSG

PTR No. 7447936c; 01/14/2019; Quezon City
IBP OR No. 01748; Lifetime; Ilocos Sur Chapter
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GENE MAE E. TRONO

Corporate Attorney

Special Attorney - OSG

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MCLE Compliance No. V-0015579; 03/07/2016

Roll No. 64522

Counsels for National Power Corporation

Office of the General Counsel

National Power Corporation

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Diliman, Quezon City

Tel. No. 02-921-9670

cc: **ATTY. JOHN THOMAS S. ALFEROS III**
City Government Asst. Dept. Head III
Office of the City Secretary, Quezon City
3/F, Quezon City Hall

HON. EFREN BARTOLOME, Jr.
Vice-Mayor/Secretary to the Sangguniang Panglungsod
San Jose Del Monte City Hall
San Jose Del Monte, Bulacan

HON. EDGAR LABELLA
Vice-Mayor/City Secretary
Cebu City Hall
Cebu City

HON. BERNARD ECHAVEZ AL-AG
Vice Mayor/Secretary to the Sangguniang Panglungsod
San Pedro St., Davao City

HON. CESAR S. ITURRALDE
Vice Mayor/Secretary to the Sangguniang Panglungsod
Office of Sangguniang Panglungsod
R. T. Lim Boulevard, Zamboanga City

LBC EXPRESS, INC.
G/F ETON CYBERPOD, CENTRIS BLDG., EDSA C
OR QUEZON AVE., QUEZON CITY
Tel. No. : (63) -
TIN No. : 000-782-140-00575



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Card Number: TIN:

CONSIGNEE:
And or/ care of: /

LABELLA, EDGAR
Address: VICE MAYOR/CITY SECRETARY CEBU CITY HALL
CEBU CITY, CEBU
Contact No.(s) : 9000000000

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Delivery Date	: 04/05/2019	VAT Zero-Rated	: 0.00
Area Dest.	: Visayas	100M Pickup Fee	: 0.00
Tran. Type	: Delivery	Discount	: 0.00
Cut-Off	: 07:30 PM	Total Sales	: 149.11
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Signature of Associate

NATIONAL POWER CORPORATION
Signature of Shipper

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Card Number: TIN:

CONSIGNEE:
And or/ care of: /

AL AG, BERNARD ECHAVEZ
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NGLUNGSOD SAN PEDRO ST
DAVAO CITY, DAVAO DEL SUR
Contact No.(s) : 9999999999

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Cut-Off	: 07:30 PM	Total Sales	: 149.11
Actual Wt (Kg.)	: 0.00	12% VAT	: 17.89
Amount Due			: 167.00
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Card Number: TIN:

CONSIGNEE:
And or/ care of: /

ITURRALDE, CESAR S
Address: VICE MAYOR/ SECRETARY TO THE SANGGUNIANG P
ANGLUNGSOD OFFICE OF THE SANGGUNIANG PANGLUNGSOD RT
ZAMBOANGA CITY, ZAMBOANGA DEL SUR
Contact No.(s) : 9000000000

Courier N-Pouch XL

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Delivery Date	: 04/05/2019	VAT Zero-Rated	: 0.00
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Cut-Off	: 07:30 PM	Total Sales	: 149.11
Actual Wt (Kg.)	: 0.00	12% VAT	: 17.89
Amount Due			: 167.00
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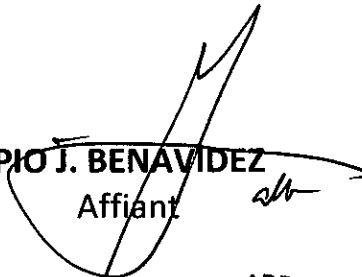
Republic of the Philippines)
Quezon City) SS.

VERIFICATION AND CERTIFICATION

I, **PIO J. BENAVIDEZ**, 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 and Chief Executive Officer of the National Power Corporation, herein applicant, and I have caused the preparation of this Application pursuant to the authority vested per Resolution No. 2001-134 (copy attached).
2. I have read the same and understood the allegations contained therein, and affirm that the contents thereof are true and correct, as far as NPC is concerned, based on authentic records and on information of my own personal knowledge.
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 hereto affixed my signature this _____ day of April 2019 here at Quezon City.


PIO J. BENAVIDEZ
Affiant

SUBSCRIBED AND SWORN TO before me this APR 01 day of April 2019, affiant presented to me his National Power Corporation (NPC) ID No. APW13-02281 which is competent proof of his identity.

Doc. No. 464;
Page No. 93;
Book No. IV;
Series of 2019.


ATTY. RODOLFO M. DE GUZMAN, JR.
Notary Public for Quezon City
Commission No. NP-190 (2018-2019)
Commission Expires on December 31, 2019
IBP No. 025364; 01/10/18; RSM
PTR No. 5611536; 01/09/18; Quezon City
Roll No. 44291
MCTC Compliance No. V-4055; 10/07/14; Pasig City
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