

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



**IN THE MATTER OF THE 13TH
APPLICATION FOR THE
RECOVERY OF THE
INCREMENTAL COSTS ON
FOREIGN CURRENCY
EXCHANGE RATE
FLUCTUATIONS UNDER THE
INCREMENTAL CURRENCY
EXCHANGE RATE
ADJUSTMENT (ICERA)**

ERC CASE NO. 2015-204 RC

**NATIONAL POWER
CORPORATION,**

Applicant.

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DOCKETED
Date: AUG 17 2016
By: [Signature]

NOTICE OF PUBLIC HEARING

TO ALL INTERESTED PARTIES:

Notice is hereby given that on 04 December 2015, the National Power Corporation (NPC) filed an Application for the recovery of the incremental costs on foreign currency exchange rate fluctuations under the incremental currency exchange rate adjustments (ICERA).

In the said Application, NPC alleged the following:

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 Republic Act (RA) 9136 (otherwise known as the Electric Power Industry Reform Act or EPIRA) dated June 8, 2001.
6. The Application covers the billing period from January to June 2014. 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 **Annex "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 2014 to June 2014 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 the deferred debt service, OPEX and the corresponding carrying charges for Luzon, Visayas, and Mindanao covering the billing period from January 2014 to June 2014, as shown below:

Table 1. Total Deferred FOREX Costs, in PhP

	Principal	Carrying Charges	Total DAA
TOTAL	8,745,296	29,406	8,774,702

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 2014 to June 2014 through the imposition of the following proposed DAA charges:

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

Deferred Costs (PhP)	Recovery Period	Projected Energy Sales (MWh)	ICERA DAA Rate (PhP/kWh)
8,774,702	12 months	491,820	0.0178

10. Applicant NPC proposes a recovery period of twelve (12) months to be imposed to the end consumers in NPC-SPUG areas.
11. As authorized under the Implementing Rules of the ICERA, Applicant utilized the carrying charge interest rates, as shown in Table 3 below:

Table 3. Allowable Carrying Charge Interest Rates

Test/Billing Months	Prevailing 91-day T-Bill Rate ^{1/}	Authorized Allowance ^{2/}	Allowable Rate
JAN	0.693	3.00	3.693
FEB	1.458	3.00	4.458
MAR	1.000	3.00	4.000
APR	1.440	3.00	4.440
MAY	1.346	3.00	4.346
JUN	1.035	3.00	4.035

1- Source: *Bangko Sentral ng Pilipinas*

2- As authorized in the *ICERA Implementing Rules*

12. The proposed ICERA DAA is fair and reasonable as it is computed in line with the ICERA Guidelines and consistent with the principles of free and competitive electricity market as provided under R.A. 9136.

13. In support of the proposed 13th ICERA DAA, Applicant respectfully submits the following documents annexed herewith to form part of this Application:
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|---|-----------------------------|
| 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 National Power Board on 07 October 2015 under NPBoard Resolution No. 2015-32, attached hereto as **Annex "F and series"** and made integral part hereof.
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 Po.2329 to Japanese Y1.

PRAYER

WHEREFORE, PREMISES CONSIDERED, it is most respectfully prayed that this Honorable Commission issues an Order, as follows:

1. Approving the deferred cost of **PhP8,774,702** and the corresponding proposed ICERA DAA of **PhPo.0178/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;

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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 Delegates NPC-SPUG Areas where NPPs operate for the purpose of determining the level of subsidy; and

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

The Commission has set the Application for determination of compliance with the jurisdictional requirements, Expository Presentation, Pre-trial Conference, and Presentation of Evidence on the following dates and venues:

Date and Time	Venue	Particulars
LUZON		
26 October 2016 (Wednesday) at two o'clock in the afternoon (2:00 P.M.)	ERC Hearing Room, 15th Floor, Pacific Center Building, San Miguel Avenue, Pasig Ciy	Jurisdictional, Expository Presentation, Pre-Trial Conference, and Evidentiary Hearing
VISAYAS		
10 November 2016 (Thursday) at ten thirty in the morning (10:30 A.M.)	Energy Regulatory Commission- Visayas Field Office (ERC-VFO), St. Mary's Drive, Banilad, Cebu City, Philippines	Jurisdictional, Expository Presentation, Pre-Trial Conference, and Evidentiary Hearing
MINDANAO		
17 November 2016 (Thursday) at ten thirty in the morning (10:30 A.M.)	Energy Regulatory Commission- Mindanao Field Office (ERC-MFO), Mezzanine Floor, Mintrade Building, Monteverde Avenue cor. Sales Street, Davao City	Jurisdictional, 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*

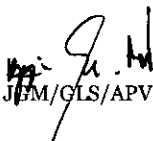
of Practice and Procedure, a verified petition with the Commission giving the docket number and title of the proceeding and stating: (1) the petitioner's name and address; (2) the nature of petitioner's interest in the subject matter of the proceeding, and the way and manner in which such interest is 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 wish to have a copy of the Application may request from the applicant that they be furnished with the same, prior to the date of the initial hearing. The applicant is hereby directed to furnish all those making such request with copies of the Application and its attachments, subject to the reimbursement of reasonable photocopying costs. Any such person may likewise examine the Application and other pertinent records filed with the Commission during standard office hours.

WITNESS, the Honorable Chairman **JOSE VICENTE B. SALAZAR**, and the Honorable Commissioners **ALFREDO J. NON**, **GLORIA VICTORIA C. YAP-TARUC**, **JOSEFINA PATRICIA A. MAGPALE-ASIRIT**, and **GERONIMO D. STA. ANA**, Energy Regulatory Commission, this 26th day of July 2016 in Pasig City.


ATTY. NATHAN J. MARASIGAN
Chief of Staff
Office of the Chairman and CEO


LS: JEM/CLS/APV