

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

IN THE MATTER OF THE 6TH
APPLICATION FOR THE
RECOVERY OF THE
INCREMENTAL COSTS ON
FOREIGN CURRENCY
EXCHANGE RATE
FLUCTUATIONS UNDER THE
INCREMENTAL CURRENCY
EXCHANGE RATE ADJUSTMENT
(6TH ICERA), WITH PRAYER FOR
PROVISIONAL AUTHORITY

ERC CASE NO. 2011-007 RC

NATIONAL POWER
CORPORATION – SMALL POWER
UTILITIES GROUP (NPC-SPUG)
Applicant.
x-----x

FEB 02 2011
By: _____

NOTICE OF PUBLIC HEARING

TO ALL INTERESTED PARTIES:

Notice is hereby given that on January 20, 2011, the National Power Corporation – Small Power Utilities Group (NPC-SPUG) filed an application for recovery of the Incremental Costs on Foreign Currency Exchange Rate Fluctuations under the Incremental Currency Exchange Rate Adjustment (6TH ICERA), with prayer for provisional authority.

In the said application, NPC-SPUG alleged, among others, that:

1. Pursuant to Section 70 of Republic Act No. 9136, otherwise known as the Electric Power Industry Reform Act of 2001 or the EPIRA, it is responsible for providing power generation and its associated power delivery systems in areas that are not connected to the transmission system;

2. In the performance of its missionary electrification function, it incurs additional operating costs as a result of the fluctuation of the 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;
3. In the Order dated February 24, 2003, the 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;
4. The instant application is being filed consistent with Section 4 (e) Rule 3 of the Implementing Rules and Regulations (IRR), as amended of Republic Act No. 9136, otherwise known as the "Electric Power Industry Reform Act of 2001 or the EPIRA";
5. The Commission subsequently approved NPC-SPUG's 1st ICERA application under ERC Case No. 2004-421 on 17 January 2005 for the period 26 December 2003 to 25 July 2004; and 2nd ICERA application under ERC Case No. 2005-037RC on 19 December 2005 for the period 26 July 2004 to 25 December 2004;
6. On June 5, 2006, NPC-SPUG filed its 3rd ICERA application under ERC Case No. 2006-021 RC covering the twelve (12) month period from December 26, 2004 to December 25, 2005;
7. NPC-SPUG likewise filed on May 26, 2009 its 4th ICERA application under ERC Case No. 2009-033RC covering the twenty four (24) month period from December 26, 2005 to December 25, 2007;
8. On August 18, 2009, NPC-SPUG filed its 5th ICERA application under ERC Case No. 2009-059 RC covering the twelve (12)-month period from December 26, 2007 to December 25, 2008;
9. NPC-SPUG is now submitting before the Commission its 6th ICERA petition covering the period from December 26, 2008 to December 25, 2009;
10. It has fully complied with the ICERA's monthly reportorial requirements, to support the calculated allowable costs covering the billing period, as evidenced by the submitted reports/compliances duly received by the Commission;
11. It proposes to recover/(refund) the Deferred Accounting Adjustments (DAAs), corresponding to additional costs or savings 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 to December 2009 for Luzon, Visayas and Mindanao grids;

12. The application does not include any un-recovered or un-refunded balance from the previous ICERA applications pending resolution by the Commission;
13. Considering the foregoing, and pursuant to all the relevant Decisions and Orders issued by the Commission, it has calculated total deferred costs for recovery under the application, comprising of deferred debt service and OPEX, and the corresponding carrying charges for the Luzon, Visayas and Mindanao grids covering the billing period from January to December 2009 only:

Total Deferred FOREX Costs, in PhP

Deferred Costs (PhP)	Carrying Charges (PhP)	TOTAL DAA (PhP)
147,006,190	6,966,004	153,972,194

14. The application seeks the Commission's approval for the recovery/refund of the above-stated total current deferred FOREX costs for the billing period January 2009 to December 2009, through the imposition of the following proposed DAA charges:

Total Deferred FOREX Costs, in PhP/kWh

Deferred Costs (PhP)	Recovery Period	Projected Energy Sales (MWh)	CERA DAA Rate (PhP/kWh)
153,972,194	12 months	776,834	0.1982

15. It proposes the adoption of the one (1) year recovery period to allow relatively even DAA across the regions;
16. As authorized under the Implementing Rules of the ICERA, it utilized the carrying charge interest rates, to wit:

Allowable Carrying Charge Interest Rates

Billing Months	Prevailing 91-day T-Bill Rate ^{1/}	Authorized Allowance ^{2/}	Allowable Rate
January 2009	4.647%	3.00%	7.647%
February	4.647%	3.00%	7.647%
March	4.408%	3.00%	7.408%
April	4.320%	3.00%	7.320%
May	4.294%	3.00%	7.294%
June	4.437%	3.00%	7.437%
July	4.173%	3.00%	7.173%

August	3.948%	3.00%	6.948%
September	3.992%	3.00%	6.992%
October	3.873%	3.00%	6.873%
November	3.809%	3.00%	6.809%
December	3.850%	3.00%	6.850%

- 1- *Source: Bangko Sentral ng Pilipinas*
- 2- *As authorized in the ICERA Implementing Rules*

17. The proposed ICERA DAA is fair and reasonable as it allows the recovery of deferred costs under the ICERA Guidelines and consistent with the principles of free and competitive electricity market as provided under R.A. 9136;
18. It further prays for the issuance of a provisional authority covering the deferred cost under the 3rd, 4th and 5th ICERA for Luzon, Visayas and Mindanao grids, in order to mitigate the accumulated DAA to customers and improve NPC-SPUG financial standing;
19. The proposed ICERA was approved for filing by the National Power Board in Resolution No. 2010-44 dated December 7, 2010; and
20. It prays that the Commission to:
 - 20.1 Approve the deferred cost of **PhP153,972,194** and the corresponding proposed ICERA DAA of **P0.1982/kWh** for NPC-SPUG areas;
 - 20.2 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;
 - 20.3 Allow the continued collection of the ICERA even with the entry of private sector players in a specific NPC-SPUG area; and
 - 20.4 Issue a provisional authority for the implementation of the proposed rates and DAAs for the immediate recovery of deferred FOREX adjustments within the above indicated 12-month recovery period.

Finding the said application to be sufficient in form and substance with the required fees having been paid, the same is hereby set for jurisdictional hearing, expository presentation, pre-trial conference and evidentiary hearing on the following dates and venues:

Date and Time	Venue	Particulars
Luzon		
February 28, 2011 – One thirty in the afternoon (1:30 P.M.)	ERC Hearing Room, 15 th Floor, Pacific Center Building, San Miguel Avenue, Pasig City	Jurisdictional, Expository Presentation and Pre-Trial Hearing
March 24, 2011 – Ten o'clock in the morning (10:00 A.M.)	Sikatuna Beach Resort, San Jose, Mindoro	Evidentiary Hearing
March 31, 2011 - Ten o'clock in the morning (9:00 A.M.)	Legend Palawan Hotel, Malvar Street, Puerto Princesa, Palawan	Evidentiary Hearing
Visayas		
April 7, 2011 – Ten o'clock in the morning (10:00 A.M.)	Savin Resort Hotel, Bantique, Ormoc City	Jurisdictional, Expository Presentation, Pre-Trial and Evidentiary Hearing
Mindanao		
March 3, 2011 – Three o'clock in the afternoon (3:00 P.M.)	Astoria Hotel, Jaldon Street, Zamboanga City	Jurisdictional, Expository Presentation, Pre-Trial and Evidentiary Hearing
March 4, 2011 – Ten o'clock in the morning (10:00 A.M.)	Astoria Hotel, Jaldon Street, Zamboanga City	Continuation of Evidentiary Hearing, If Necessary

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 may wish to have a copy of the application may request the applicant, prior to the date of the initial hearing, that they be furnished with a copy of the application. The applicant is hereby directed to furnish all those making a request with copies of the application and its attachments, subject to reimbursement of reasonable photocopying costs. Likewise, any such person may examine the application and other pertinent records filed with the Commission during the usual office hours.

WITNESS, the Honorable Chairperson, **ZENaida G. CRUZ-DUCUT**, and the Honorable Commissioners, **ALEJANDRO Z. BARIN**, **MARIA TERESA A.R. CASTAÑEDA** and **JOSE C. REYES**, Energy Regulatory Commission, this 31st day of January 2011 at Pasig City.


ATTY. FRANCIS SATURNINO C. JUAN
Executive Director III