

Republic of the Philippines
ENERGY REGULATORY COMMISSION
Pasig City

**IN THE MATTER OF THE 22nd
APPLICATION FOR THE
RECOVERY OF THE
INCREMENTAL COSTS ON
FOREIGN CURRENCY
EXCHANGE RATE
FLUCTUATIONS UNDER THE
INCREMENTAL CURRENCY
EXCHANGE RATE
ADJUSTMENT (22nd ICERA)**

ERC CASE NO. 2022-053 RC

NATIONAL POWER
CORPORATION,
Applicant.

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Promulgated:
August 16, 2022

NOTICE OF VIRTUAL HEARING

TO ALL INTERESTED PARTIES:

Notice is hereby given that on 05 August 2022, National Power Corporation (NPC) filed an *Application* dated 24 June 2022, seeking the Commission's approval of the recovery of the incremental costs on foreign currency exchange rate fluctuations under the Incremental Currency Exchange Rate Adjustment (ICERA).

The pertinent allegations of the said *Application* are hereunder quoted as follows:

1. Applicant NPC is a government-owned and controlled corporation, created and existing under and by virtue of Republic Act No. 6395, as amended, with principal office address at NPC-Office Building Complex, 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 pursuant to Section 4(e) Rule 3 of the Implementing Rules and Regulation (“IRR”), as amended, of EPIRA dated June 8, 2001.
6. The Application covers the billing period from January 2020 to June 2020. Applicant has fully complied with the ICERA’s monthly reportorial requirements¹ in support of the calculated allowable costs covering the billing period.
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 2020 to June 2020 for Luzon, Visayas, and Mindanao.
8. Considering the foregoing, and pursuant to all the relevant Decisions and Orders issued by the Honorable Commission, Applicant 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 2020 to June 2020, as shown below:

Table 1. Total Deferred FOREX Costs, in PhP

	Principal	Carrying Charges	Total DAA
TOTAL	8,363,506.88	125,001.61	8,488,508.49

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 2020 to June 2020 through the imposition of the following proposed DAA charges:

¹ Attached to the Judicial Affidavit as “Exhibits A to A-60.”

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

Deferred Cost (PhP)	Recovery Period	Projected Energy Sales (MWh)	ICERA DAA Rate (PhP/kWh)
8,488,508.49	12 months	550,518.32	0.0154

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
January 2020	3.299	3.00	6.299
February 2020	3.094	3.00	6.094
March 2020	3.019	3.00	6.019
April 2020	3.204	3.00	6.204
May 2020	2.234	3.00	5.234
June 2020	1.978	3.00	4.978

1- Source: Bangko Sentral ng Pilipinas (www.bsp.gov.ph/statistics/sdds/tbillsdds.htm)
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.
13. In support of the proposed 22nd ICERA DAA, Applicant has used the following documents in the process of the calculation of the proposed 22nd ICERA:
- a. Summary of Deferred Cost and Proposed Charges
 - b. Calculation of Deferred Debt Service/OPEX and corresponding carrying charges
 - c. Projected Energy Sales, in kWh
 - d. 91-Day Treasury Bill Rates
14. The Judicial Affidavit of Ms. Margarita M. Egnisaban, Applicant NPC’s witness is likewise attached herein as Annex “A” to further support this application. The witness’ testimony shall prove that this application, and the computations made herein are all in accordance with the applicable rules and guidelines. Attached to the said Judicial Affidavit, which shall form part of this Application, are the following documents previously enumerated and/or mentioned by Applicant as basis in the calculations. These documents are identified by the witness in her Judicial Affidavit and pre-marked in accordance with the Judicial Affidavit rule.

Monthly Reportorial Compliances Exhibit “A to A-60”
submitted to this Honorable
Commission

Summary of Deferred Cost and Proposed Charges	Exhibit "B"
Calculation of Deferred Debt Service/OPEX and corresponding carrying charges	Exhibits "C" to "C-2"
The Projected Energy Sales (in kWh) used to calculate the proposed DAA charges in P/kWh	Exhibit "D"
91-day Treasury Bill Rates	Exhibit "E"

15. The National Power Board approved the filing of this instant application as evidenced by the Secretary's Certificate NPB OCS-22-119 dated 26 April 2022, which was identified by the witness in her Judicial Affidavit and pre-marked, is attached thereto as Exhibit "F" to "F-1" and made an integral part hereof.
16. 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.
17. The existing approved based foreign exchange rates used in the calculation are based on the 1993 levels of P27.40 to US\$1.00 and P0.2329 to Japanese ¥1.
18. With due respect, the proposed 22nd ICERA DAA adjustment, once approved, should be implemented or applied on top of the Subsidized Approved Generation Rate ("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, series of 2011 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. A copy of the said ERC letter dated 05 March 2012, which was identified by the witness in her Judicial Affidavit and pre-marked, is thereto attached as Exhibits "G" to "G-3", forming an integral part of this Application.
19. Lastly, since these expenses were incurred in the 1st semester of 2020, immediate recovery of the adjustment would help alleviate the operation funding of Applicant. This is 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").

PRAYER

WHEREFORE, premises considered, it is most respectfully prayed that this Honorable Commission issue an Order:

1. Approving the deferred cost of PhP 8,488,508.49 and the corresponding proposed ICERA DAA of P0.0154/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, series of 2011;
- 3. Allowing the continued collection of the ICERA even with the entry of private sector players in a specific NPC-SPUG area; and
- 4. Approving the implementation of the proposed rates on top of the existing SAGR of NPC-SPUG and SAGR of Delegated NPC-SPUG Areas where NPPs operate for the purpose of determining the level of subsidy;

Other similar and interim reliefs, just and equitable, are likewise prayed for.

The Commission hereby sets the instant *Application* for the determination of compliance with the jurisdictional requirements, expository presentation, Pre-trial Conference, and presentation of evidence on the following dates and online platform for the conduct thereof, pursuant to Resolution No. 09, Series of 2020² dated 24 September 2020 and Resolution No. 01, Series of 2021 dated 17 December 2020 (ERC Revised Rules of Practice and Procedure):³

Date	Platform	Activity
19 October 2022 (Wednesday) at two o'clock in the afternoon (2:00 P.M.)	Microsoft Teams	Determination of compliance with the jurisdictional requirements and Expository Presentation for Luzon, Visayas and Mindanao Stakeholders
26 October 2022 (Wednesday) at two o'clock in the afternoon (2:00 P.M.)	Microsoft Teams	Pre-trial Conference and presentation of evidence
09 November 2022 (Wednesday) at two o'clock in the afternoon (2:00 P.M.)	Microsoft Teams	Presentation of evidence
16 November 2022	Microsoft Teams	Presentation of evidence

² A Resolution Adopting the Guidelines Governing Electronic Applications, Filings and Virtual Hearings Before the Energy Regulatory Commission.

³ A Resolution Adopting the Revised Rules of Practice and Procedure of the Energy Regulatory Commission.

Date	Platform	Activity
(Wednesday) at two o'clock in the afternoon (2:00 P.M.)		

Any interested stakeholder may submit its comments and/or clarifications **at least one (1) calendar day** prior to the scheduled initial virtual hearing, via electronic mail (e-mail) at docket@erc.ph, copy furnish the Legal Service through legal@erc.ph. The Commission shall give priority to the stakeholders who have duly submitted their respective comments and/or clarifications, to discuss the same and propound questions during the course of the expository presentation.

Moreover, any persons who have an interest in the subject matter of the instant case may become a party by filing with the Commission via e-mail at docket@erc.ph, copy furnish the Legal Service through legal@erc.ph, a verified Petition to Intervene **at least five (5) calendar days** prior to the date of the initial virtual hearing and subject to the requirements under Rule 9 of the ERC Revised Rules of Practice and Procedure, indicating therein the docket number and title of the case and stating the following:

- 1) The petitioner’s name, mailing address, and e-mail 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.

Likewise, all other persons who may want their views known to the Commission with respect to the subject matter of the case may file through e-mail at docket@erc.ph, copy furnish the Legal Service through legal@erc.ph, their Opposition or Comment thereon **at least five (5) calendar days** prior to the initial virtual hearing and subject to the requirements under Rule 9 of the ERC Revised Rules of Practice and Procedure. No particular form of Opposition or Comment is required, but the document, letter, or writing should contain the following:

- 1) The name, mailing address, and e-mail address of such person;

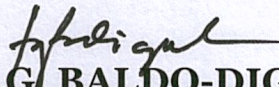
- 2) A concise statement of the Opposition or Comment; and
- 3) The grounds relied upon.

Any of the persons mentioned in the preceding paragraphs may access the copy of the *Application* on the Commission's official website at www.erc.gov.ph.

Finally, all interested persons may be allowed to join the scheduled initial virtual hearings by providing the Commission, thru legal.virtualhearings@erc.ph, with their respective e-mail addresses and indicating therein the case number of the instant *Petition*. The Commission will send the access link/s to the aforementioned hearing platform **within five (5) working days** prior to the scheduled hearings.

WITNESS, the Honorable Chairperson and CEO **MONALISA C. DIMALANTA**, and the Honorable Commissioners **ALEXIS M. LUMBATAN**, **CATHERINE P. MACEDA**, and **MARKO ROMEO L. FUENTES**, Energy Regulatory Commission, this 16th day of August 2022 in Pasig City.

FOR AND BY AUTHORITY
OF THE COMMISSION:


FLORESINDA G. BALDO-DIGAL
Oversight Commissioner
For the Legal Service


LS:VMA/ LSP/MCCG