

Republic of the Philippines
ENERGY REGULATORY COMMISSION
Pasig City

**IN THE MATTER OF THE 19th
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. 2020-034 RC

**NATIONAL POWER
CORPORATION,**
Applicant.

Promulgated:
November 16, 2020

X-----X

ORDER

On 15 October 2020, the National Power Corporation (NPC) filed an *Application* dated 20 July 2020, 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 provisions 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, (otherwise known as the NPC Charter), 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 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 cover the billing period from January 2018 to December 2018. Further, 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 2018 to December 2018 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 2018 to December 2018, as shown below:

Table 1. Total Deferred FOREX Costs, in PhP

	Principal	Carrying Charges	Total DAA
TOTAL	32,890,113	899,310	33,789,423

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 2018 to December 2018 through the imposition of the following proposed DAA charges:

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

¹ Thereto attached to the Judicial Affidavit as "Exhibits A to A-106;"

Deferred Cost (PhP)	Recovery Period	Projected Energy Sales (MWh)	ICERA DAA Rate (PhP/kWh)
33,789,423	12 months	549,305.24	0.0615

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 2018	2.277	3.00	5.277
FEB	2.670	3.00	5.670
MAR	3.008	3.00	6.008
APR	3.440	3.00	6.440
MAY	3.407	3.00	6.407
JUN	3.356	3.00	6.356
JUL	3.297	3.00	6.297
AUG	3.239	3.00	6.239
SEP	3.349	3.00	6.349
OCT	4.778	3.00	7.778
NOV	5.181	3.00	8.181
DEC	5.356	3.00	8.356

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 19th ICERA DAA, Applicant has used the following documents in the process of the calculation of the proposed 19th ICERA:
 - a. Calculation 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
1. The Judicial Affidavit of Ms. Margarita M. Egnisaban, Applicant NPC's witness is likewise attached herein as **Exhibit "H"** 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 **Exhibits "A to A-106"**
Compliances submitted to
this Honorable Commission

Calculation of Deferred Cost **Exhibit "B"**
and Proposed Charges

Calculation of Deferred Debt **Exhibits "C to C-2"**
Service/OPEX and
corresponding carrying
charges

The Projected Energy Sales **Exhibit "D"**
(in kWh) used to calculate
the proposed DAA charges
in P/kWh

91-day Treasury Bill Rates **Exhibit "E"**

14. The proposed ICERA was approved for filing by the Board of Directors of Applicant on 27 February 2020. A certified copy of the Corporate Secretary's Certificate NPB-OCS-20-048, which was identified by the witness in her Judicial Affidavit and pre-marked, is attached thereto **Exhibit "F"** and made an 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;
17. With due respect, the proposed 19th 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.

PRAYER

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

1. Approving the deferred cost of **PhP33,789,423** and the corresponding proposed ICERA DAA of **Po.0615/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 reliefs, just and equitable, are likewise prayed for.

Finding the said *Application* to be sufficient in substance with the required fees having been paid, the same is hereby set for determination of compliance with the jurisdictional requirements, expository presentations, pre-trial conference, and presentation of evidence on the following dates and online platforms for the conduct thereof, pursuant to Resolution No. 07, Series of 2020² dated 23 July 2020:

(This space was intentionally left blank.)

² Entitled: *A Resolution for the Transitory Implementation of Legal e-Processes Pending the Adoption of the Interim Guidelines Governing Electronic Application, Filings, and Virtual Hearings Before the Energy Regulatory Commission;*

Date	Platform	Activity
LUZON		
15 January 2021 (Friday) at nine o'clock in the morning (9:00 A.M.)	Microsoft Teams	Determination of compliance with jurisdictional requirements and Expository Presentation for Luzon Stakeholders
VISAYAS		
22 January 2021 (Friday) at nine o'clock in the morning (9:00 A.M.)	Microsoft Teams	Expository Presentation for the Visayas Stakeholders
MINDANAO		
29 January 2021 (Friday) at nine o'clock in the morning (9:00 A.M.)	Microsoft Teams	Expository Presentation for the Mindanao Stakeholders
LUZON		
05 February 2021 (Friday) at nine o'clock in the morning (9:00 A.M.)	Microsoft Teams	Pre-trial Conference and Presentation of Evidence
12 February 2021 (Friday) at nine o'clock in the morning (9:00 A.M.)	Microsoft Teams	Presentation of Evidence

Relative thereto, NPC is hereby directed to:

- 1) Cause the publication of the attached *Notice of Virtual Hearing* in two (2) newspapers of nationwide circulation in the Philippines at its own expense, twice (2x) within two (2) successive weeks, the dates of publication not being less than seven (7) days apart, and the date of the last publication to be made not later than ten (10) days before the date of the scheduled initial hearing;
- 2) Furnish with copies of this *Order* and the attached *Notice of Virtual Hearing* the Offices of the Provincial Governor, the City and the Municipal Mayors, and the Local Government Unit (LGU) legislative bodies covered by the franchise area of distribution utilities where the NPC-Small Power Utilities Group (NPC-SPUG) operates for the

appropriate posting thereof on their respective bulletin boards;

- 3) Inform the consumers within the affected area, by any other means available and appropriate, of the filing of the *Application*, its reasons therefor, and of the scheduled virtual hearings thereon;
- 4) Furnish with copies of this *Order* and the attached *Notice of Virtual Hearing*, the Office of the Solicitor General (OSG), the Commission on Audit (COA), and the Committees on Energy of both Houses of Congress. They are hereby requested, if they so desire to send their duly authorized representatives and attend the scheduled hearings; and
- 5) Furnish with copies of the *Application* and its attachments all those making requests therefor, subject to reimbursement of reasonable photocopying costs.

Within five (5) calendar days prior to the date of the virtual hearing, Applicant must submit to the Commission via electronic mail (e-mail) at records@erc.gov.ph and records.erc.gov.ph@gmail.com, copy furnish the Legal Service through legal.erc.gov.ph@gmail.com, the scanned copies of its written compliance with the aforementioned jurisdictional requirements attaching therewith, methodically arranged and duly marked, the following:

- 1) The evidence of publication of the attached *Notice of Virtual Hearing* consisting of affidavits of the Editors or Business Managers of the newspapers where the said *Notice of Virtual Hearing* were published, and the complete issues of the said newspapers;
- 2) The evidence of actual posting of this *Order* and the attached *Notice of Virtual Hearing* consisting of certifications issued to that effect, signed by the aforementioned Governors, Mayors, and LGU legislative bodies or their duly authorized representatives, bearing the seals of their offices;
- 3) The evidence of other means employed by NPC to inform the consumers affected of the filing of the *Application*, its reasons therefor, and of the scheduled hearing thereon;

- 4) The evidence of receipt of copies of this *Order* and the attached *Notice of Virtual Hearing* by the OSG, COA, and the Committees on Energy of both Houses of Congress;
- 5) The evidence of receipt of copies of the *Application* and its attachments by all those making requests therefor, if any; and
- 6) Such other proofs of compliance with the requirements of the Commission.

Moreover, Applicant is hereby required to post on its bulletin boards, the scanned copies of the foregoing jurisdictional requirements, together with the newspaper publications and certifications issued by the concerned Offices of the Provincial Governor, Mayors, and Local Legislative Bodies, and to submit proof of its posting thereof.

Applicant and all interested parties are also required to submit to the Commission via e-mail at records@erc.gov.ph and records.erc.gov.ph@gmail.com, copy furnish the Legal Service through legal.erc.gov.ph@gmail.com, at least five (5) calendar days before the date of the scheduled virtual hearing and Pre-trial Conference, their respective Pre-Trial Briefs containing, among others:

- 1) A summary of admitted facts and proposed stipulation of facts;
- 2) The issues to be tried or resolved;
- 3) The documents or exhibits to be presented, stating the purposes and proposed markings therefor, which should also be attached to the Pre-trial Brief; and
- 4) The number and names of the witnesses, with their written testimonies in a Judicial Affidavit form attached to the Pre-trial Brief.

NPC must ensure that all the documents or exhibits proposed to be presented have already been duly submitted to the Commission at least five (5) calendar days before the date of the scheduled initial virtual hearing and Pre-trial Conference pursuant to the preceding paragraph.

Failure of Applicant to comply with the above requirements within the prescribed period shall be a ground for cancellation of the scheduled hearings, and the resetting of which shall be six (6) months from the said date of cancellation.

Applicant must also be prepared to make an expository presentation of the instant *Application*, aided by whatever communication medium that it may deem appropriate for the purpose, in order to put in plain words and explain, for the benefit of the consumers and other concerned parties, the nature of the *Application* with relevant information and pertinent details substantiating the reasons and justifications being cited in support thereof.

NPC is hereby directed to file a copy of its Expository Presentation via e-mail at records@erc.gov.ph and records.erc.gov.ph@gmail.com, copy furnish the Legal Service through legal.erc.gov.ph@gmail.com, at least five (5) calendar days prior to the scheduled virtual hearings. Applicant shall also be required, upon the request of any stakeholder, to provide an advance copy of its expository presentation, at least five (5) calendar days prior to the scheduled virtual hearing.

Any interested stakeholder may submit its comments and/or clarifications at least one (1) calendar day prior to the scheduled virtual hearings, via e-mail at records@erc.gov.ph and records.erc.gov.ph@gmail.com, copy furnish the Legal Service through legal.erc.gov.ph@gmail.com. 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 presentations.

Applicant is hereby directed to submit, either through personal service, registered or ordinary mail/private courier, one (1) set of the original or certified true hard/printed copy/ies of its Jurisdictional Compliance, Expository Presentation, Pre-trial Brief, and Judicial Affidavit/s of witness/es, within five (5) working days from the date that the same were electronically submitted, as reflected in the acknowledgment receipt e-mail sent by the Commission. Similarly, all interested parties who filed their Petition for Intervention or Opposition are required to submit the hard/printed copy thereof within the same period through any of the available modes of service.

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Finally, NPC including its authorized representative/s and witness/es, are hereby directed to provide the Commission, thru legal.virtualhearings.erc.gov.ph@gmail.com, with their respective e-mail addresses upon receipt of this *Order*. The Commission will send the access link/s to the aforementioned hearing platform within five (5) working days prior to the scheduled hearing.

SO ORDERED.

Pasig City, 30 October 2020.

FOR AND BY AUTHORITY
OF THE COMMISSION:




AGNES VST DEVANADERA
Chairperson and CEO

mfd ag 3
LS: MFD/ARG/MCCG

Copy furnished:

1. Atty. Melchor P. Ridulme, Atty. Delfin L. Buenafe II,
Atty. May Rose C. Pintor, Atty. Bienvenido Mabulac II
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Applicant
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Diliman, Quezon City
corpcomm@napocor.gov.ph
3. Office of the Solicitor General
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Makati City, Metro Manila
4. Commission on Audit
Commonwealth Avenue
Quezon City, Metro Manila
5. Senate Committee on Energy
GSIS Building, Roxas Boulevard
Pasay City, Metro Manila
6. House Committee on Energy
Batasan Hills
Quezon City, Metro Manila
7. Office of the City Mayor
Quezon City

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8. Office of the Legislative Government Unit (LGU) Legislative Body
Quezon City
9. Office of the Provincial Governor
Province of Bulacan
10. Office of the Legislative Government Unit (LGU) Legislative Body
Province of Bulacan
11. Office of the City Mayor
Cebu City
12. Office of the Legislative Government Unit (LGU) Legislative Body
Cebu City
13. Office of the City Mayor
Davao City
14. Office of the Legislative Government Unit (LGU) Legislative Body
Davao City
15. Office of the Provincial Governor
Batanes
16. Office of the Legislative Government Unit (LGU) Legislative Body
Batanes
17. Office of the City Mayor
Basco, Batanes
18. Office of the Legislative Government Unit (LGU) Legislative Body
Basco, Batanes
19. Office of the Municipal Mayor
Itbayat, Batanes
20. Office of the Legislative Government Unit (LGU) Legislative Body
Itbayat, Batanes
21. Office of the Municipal Mayor
Sabtang, Batanes
22. Office of the Legislative Government Unit (LGU) Legislative Body
Sabtang, Batanes
23. Office of the Municipal Mayor
Mahatao, Batanes
24. Office of the Legislative Government Unit (LGU) Legislative Body Legislative Body
Mahatao, Batanes
25. Office of the Municipal Mayor
Uyugan, Batanes
26. Office of the Legislative Government Unit (LGU) Legislative Body Legislative Body
Uyugan, Batanes
27. Office of the Municipal Mayor
Ivana, Batanes
28. Office of the Legislative Government Unit (LGU) Legislative Body Legislative Body
Ivana, Batanes
29. General Manager
Batanes Electric Cooperative, Inc. (BATANELCO)

30. Office of the Provincial Governor
Cagayan
31. Office of the Legislative Government Unit (LGU) Legislative Body
Cagayan
32. Office of the Municipal Mayor
Calayan, Cagayan
33. Office of the Legislative Government Unit (LGU) Legislative Body Legislative Body
Calayan, Cagayan
34. General Manager
Cagayan II Electric Cooperative, Inc. (CAGELCO II)
35. Office of the Provincial Governor
Apayao
36. Office of the Legislative Government Unit (LGU) Legislative Body
Apayao
37. Office of the Municipal Mayor
Kabugao, Apayao
38. Office of the Legislative Government Unit (LGU) Legislative Body Legislative Body
Kabugao, Apayao
39. Office of the Provincial Governor
Kalinga
40. Office of the Legislative Government Unit (LGU) Legislative Body
Kalinga
41. Office of the Municipal Mayor
Lubuagan, Kalinga
42. Office of the Legislative Government Unit (LGU) Legislative Body Legislative Body
Lubuagan, Kalinga
43. General Manager
Kalinga-Apayao Electric Cooperative, Inc. (KAELCO)
44. Office of the Provincial Governor
Isabela
45. Office of the Legislative Government Unit (LGU) Legislative Body
Isabela
46. Office of the Municipal Mayor
Palanan, Isabela
47. Office of the Legislative Government Unit (LGU) Legislative Body Legislative Body
Palanan, Isabela
48. Office of the Municipal Mayor
Maconacon, Isabela
49. Office of the Legislative Government Unit (LGU) Legislative Body Legislative Body
Maconacon, Isabela
50. Office of the Municipal Mayor
Dinapigue, Isabela
51. Office of the Legislative Government Unit (LGU) Legislative Body Legislative Body
Dinapigue, Isabela

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52. General Manager
Isabela II Electric Cooperative, Inc. (ISELCO II)
53. Office of the Provincial Governor
Aurora
54. Office of the Legislative Government Unit (LGU) Legislative Body
Aurora
55. Office of the Municipal Mayor
Casiguran, Aurora
56. Office of the Legislative Government Unit (LGU) Legislative Body Legislative Body
Casiguran, Aurora
57. Office of the Municipal Mayor
Dingalan, Aurora
58. Office of the Legislative Government Unit (LGU) Legislative Body Legislative Body
Dingalan, Aurora
59. Office of the Municipal Mayor
Dilasag, Aurora
60. Office of the Legislative Government Unit (LGU) Legislative Body Legislative Body
Dilasag, Aurora
61. Office of the Municipal Mayor
Dinalungan, Aurora
62. Office of the Legislative Government Unit (LGU) Legislative Body Legislative Body
Dinalungan, Aurora
63. General Manager
Aurora Electric Cooperative, Inc. (AURELCO)
64. Office of the Provincial Governor
Quezon
65. Office of the Legislative Government Unit (LGU) Legislative Body
Quezon
66. Office of the Municipal Mayor
Jomalig, Quezon
67. Office of the Legislative Government Unit (LGU) Legislative Body Legislative Body
Jomalig, Quezon
68. Office of the Municipal Mayor
Patnanungan, Quezon
69. Office of the Legislative Government Unit (LGU) Legislative Body Legislative Body
Patnanungan, Quezon
70. Office of the Municipal Mayor
Polilio, Quezon
71. Office of the Legislative Government Unit (LGU) Legislative Body Legislative Body
Polilio, Quezon
72. General Manager
Quezon II Electric Cooperative, Inc. (QUEZELCO II)
73. Office of the Provincial Governor
Batangas

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74. Office of the Legislative Government Unit (LGU) Legislative Body
Batangas
75. Office of the Municipal Mayor
Tingloy, Batangas
76. Office of the Legislative Government Unit (LGU) Legislative Body Legislative Body
Tingloy, Batangas
77. General Manager
Batangas II Electric Cooperative, Inc. (BATELEC II)
78. Office of the Provincial Governor
Marinduque
79. Office of the Legislative Government Unit (LGU) Legislative Body
Marinduque
80. Office of the Municipal Mayor
Boac, Marinduque
81. Office of the Legislative Government Unit (LGU) Legislative Body Legislative Body
Boac, Marinduque
82. Office of the Municipal Mayor
Mogpog, Marinduque
83. Office of the Legislative Government Unit (LGU) Legislative Body Legislative Body
Mogpog, Marinduque
84. Office of the Municipal Mayor
Santa Cruz, Marinduque
85. Office of the Legislative Government Unit (LGU) Legislative Body Legislative Body
Santa Cruz, Marinduque
86. Office of the Municipal Mayor
Torrijos, Marinduque
87. Office of the Legislative Government Unit (LGU) Legislative Body Legislative Body
Torrijos, Marinduque
88. Office of the Municipal Mayor
Buenavista, Marinduque
89. Office of the Legislative Government Unit (LGU) Legislative Body Legislative Body
Buenavista, Marinduque
90. Office of the Municipal Mayor
Gasán, Marinduque
91. Office of the Legislative Government Unit (LGU) Legislative Body Legislative Body
Gasán, Marinduque
92. General Manager
Marinduque Electric Cooperative, Inc. (MARELCO)
93. Office of the Provincial Governor
Occidental Mindoro
94. Office of the Legislative Government Unit (LGU) Legislative Body
Occidental Mindoro
95. Office of the City Mayor
Lubang, Occidental Mindoro

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96. Office of the Legislative Government Unit (LGU) Legislative Body
Lubang, Occidental Mindoro
97. Office of the Municipal Mayor
Mamburao, Occidental Mindoro
98. Office of the Legislative Government Unit (LGU) Legislative Body
Mamburao, Occidental Mindoro
99. Office of the Municipal Mayor
Paluan, Occidental Mindoro
100. Office of the Legislative Government Unit (LGU) Legislative Body
Paluan, Occidental Mindoro
101. Office of the Municipal Mayor
San Jose, Occidental Mindoro
102. Office of the Legislative Government Unit (LGU) Legislative Body
San Jose, Occidental Mindoro
103. Office of the Municipal Mayor
Abra de Ilog, Occidental Mindoro
104. Office of the Legislative Government Unit (LGU) Legislative Body
Abra de Ilog, Occidental Mindoro
105. Office of the Municipal Mayor
Calintaan, Occidental Mindoro
106. Office of the Legislative Government Unit (LGU) Legislative Body
Calintaan, Occidental Mindoro
107. Office of the Municipal Mayor
Looc, Occidental Mindoro
108. Office of the Legislative Government Unit (LGU) Legislative Body
Looc, Occidental Mindoro
109. Office of the Municipal Mayor
Magsaysay, Occidental Mindoro
110. Office of the Legislative Government Unit (LGU) Legislative Body
Magsaysay, Occidental Mindoro
111. Office of the Municipal Mayor
Rizal, Occidental Mindoro
112. Office of the Legislative Government Unit (LGU) Legislative Body
Rizal, Occidental Mindoro
113. Office of the Municipal Mayor
Sablayan, Occidental Mindoro
114. Office of the Legislative Government Unit (LGU) Legislative Body
Sablayan, Occidental Mindoro
115. Office of the Municipal Mayor
Sta. Cruz, Occidental Mindoro
116. Office of the Legislative Government Unit (LGU) Legislative Body
Sta. Cruz, Occidental Mindoro
117. General Manager
Occidental Mindoro Electric Cooperative, Inc. (OMECECO)

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118. General Manager
Lubang Island Electric Cooperative (LUBELCO)
119. Office of the Provincial Governor
Oriental Mindoro
120. Office of the Legislative Government Unit (LGU) Legislative Body
Oriental Mindoro
121. Office of the City Mayor
Calapan, Oriental Mindoro
122. Office of the Legislative Government Unit (LGU) Legislative Body Legislative Body
Calapan, Oriental Mindoro
123. Office of the Municipal Mayor
Baco, Oriental Mindoro
124. Office of the Legislative Government Unit (LGU) Legislative Body Legislative Body
Baco, Oriental Mindoro
125. Office of the Municipal Mayor
San Teodoro, Oriental Mindoro
126. Office of the Legislative Government Unit (LGU) Legislative Body Legislative Body
San Teodoro, Oriental Mindoro
127. Office of the Municipal Mayor
Puerto Galera, Oriental Mindoro
128. Office of the Legislative Government Unit (LGU) Legislative Body Legislative Body
Puerto Galera, Oriental Mindoro
129. Office of the Municipal Mayor
Naujan, Oriental Mindoro
130. Office of the Legislative Government Unit (LGU) Legislative Body Legislative Body
Naujan, Oriental Mindoro
131. Office of the Municipal Mayor
Victoria, Oriental Mindoro
132. Office of the Legislative Government Unit (LGU) Legislative Body Legislative Body
Victoria, Oriental Mindoro
133. Office of the Municipal Mayor
Socorro, Oriental Mindoro
134. Office of the Legislative Government Unit (LGU) Legislative Body Legislative Body
Socorro, Oriental Mindoro
135. Office of the Municipal Mayor
Pola, Oriental Mindoro
136. Office of the Legislative Government Unit (LGU) Legislative Body Legislative Body
Pola, Oriental Mindoro
137. Office of the Municipal Mayor
Pinamalayan, Oriental Mindoro
138. Office of the Legislative Government Unit (LGU) Legislative Body Legislative Body
Pinamalayan, Oriental Mindoro
139. Office of the Municipal Mayor
Gloria, Oriental Mindoro

140. Office of the Legislative Government Unit (LGU) Legislative Body Legislative Body
Gloria, Oriental Mindoro
141. Office of the Municipal Mayor
Bansud, Oriental Mindoro
142. Office of the Legislative Government Unit (LGU) Legislative Body Legislative Body
Bansud, Oriental Mindoro
143. Office of the Municipal Mayor
Bongabong, Oriental Mindoro
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Bongabong, Oriental Mindoro
145. Office of the Municipal Mayor
Roxas, Oriental Mindoro
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Roxas, Oriental Mindoro
147. Office of the Municipal Mayor
Mansalay, Oriental Mindoro
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Mansalay, Oriental Mindoro
149. Office of the Municipal Mayor
Bulalacao, Oriental Mindoro
150. Office of the Legislative Government Unit (LGU) Legislative Body Legislative Body
Bulalacao, Oriental Mindoro
151. General Manager
Oriental Mindoro Electric Cooperative, Inc. (ORMECO)
152. Office of the Provincial Governor
Palawan
153. Office of the Legislative Government Unit (LGU) Legislative Body
Palawan
154. Office of the City Mayor
Puerto Prinsesa, Palawan
155. Office of the Legislative Government Unit (LGU) Legislative Body Legislative Body
Puerto Prinsesa, Palawan
156. Office of the Municipal Mayor
Agulaya, Palawan
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Agulaya, Palawan
158. Office of the Municipal Mayor
Araceli, Palawan
159. Office of the Legislative Government Unit (LGU) Legislative Body Legislative Body
Araceli, Palawan
160. Office of the Municipal Mayor
Batabac, Palawan
161. Office of the Legislative Government Unit (LGU) Legislative Body Legislative Body
Batabac, Palawan

162. Office of the Municipal Mayor
Busuanga, Palawan
163. Office of the Legislative Government Unit (LGU) Legislative Body Legislative Body
Busuanga, Palawan
164. Office of the Municipal Mayor
Coron, Palawan
165. Office of the Legislative Government Unit (LGU) Legislative Body Legislative Body
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166. Office of the Municipal Mayor
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167. Office of the Legislative Government Unit (LGU) Legislative Body Legislative Body
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168. Office of the Municipal Mayor
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169. Office of the Legislative Government Unit (LGU) Legislative Body Legislative Body
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175. Office of the Legislative Government Unit (LGU) Legislative Body Legislative Body
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177. Office of the Legislative Government Unit (LGU) Legislative Body Legislative Body
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178. Office of the Municipal Mayor
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179. Office of the Legislative Government Unit (LGU) Legislative Body Legislative Body
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180. Office of the Municipal Mayor
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181. Office of the Legislative Government Unit (LGU) Legislative Body Legislative Body
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182. Office of the Municipal Mayor
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183. Office of the Legislative Government Unit (LGU) Legislative Body Legislative Body
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187. Office of the Legislative Government Unit (LGU) Legislative Body Legislative Body
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199. Office of the Legislative Government Unit (LGU) Legislative Body Legislative Body
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200. General Manager
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201. General Manager
Sub-Office
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202. General Manager
Busuanga Island Electric Cooperative, Inc. (BISELCO)
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204. Office of the Legislative Government Unit (LGU) Legislative Body
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233. Office of the Municipal Mayor
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275. Provincial Governor
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276. Office of the Legislative Government Unit (LGU) Legislative Body Legislative Body
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277. Office of the Municipal Mayor
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278. Office of the Legislative Government Unit (LGU) Legislative Body Legislative Body
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279. General Manager
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280. Provincial Governor
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310. Office of the Municipal Mayor
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- 317. Office of the Legislative Government Unit (LGU) Legislative Body Legislative Body
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- 318. Office of the Municipal Mayor
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- 319. Office of the Legislative Government Unit (LGU) Legislative Body Legislative Body
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- 320. Office of the Municipal Mayor
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- 321. Office of the Legislative Government Unit (LGU) Legislative Body Legislative Body
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- 322. General Manager
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- 323. General Manager
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- 325. Office of the Legislative Government Unit (LGU) Legislative Body Legislative Body
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- 326. Office of the Municipal Mayor
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- 328. Office of the Provincial Governor
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- 329. Office of the Legislative Government Unit (LGU) Legislative Body Legislative Body
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- 330. Office of the Municipal Mayor
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- 332. Office of the Provincial Governor
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- 333. Office of the Legislative Government Unit (LGU) Legislative Body Legislative Body
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- 334. Office of the Municipal Mayor
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- 336. Office of the Municipal Mayor
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- 343. Office of the Municipal Mayor
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- 344. Office of the Legislative Government Unit (LGU) Legislative Body Legislative Body
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- 345. Office of the Municipal Mayor
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- 347. Office of the Municipal Mayor
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- 348. Office of the Legislative Government Unit (LGU) Legislative Body Legislative Body
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- 349. General Manager
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- 350. General Manager
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- 351. Office of the Provincial Governor
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- 352. Office of the Legislative Government Unit (LGU) Legislative Body Legislative Body
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- 353. Office of the Municipal Mayor
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- 354. Office of the Legislative Government Unit (LGU) Legislative Body Legislative Body
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- 355. Office of the Municipal Mayor
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- 356. Office of the Legislative Government Unit (LGU) Legislative Body Legislative Body
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- 357. Office of the Municipal Mayor
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- 358. Office of the Legislative Government Unit (LGU) Legislative Body Legislative Body
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364. General Manager
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365. Office of the Provincial Governor
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366. Office of the Legislative Government Unit (LGU) Legislative Body Legislative Body
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369. General Manager
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378. Office of the Municipal Mayor
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379. Office of the Legislative Government Unit (LGU) Legislative Body Legislative Body
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380. General Manager
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409. Office of the Provincial Governor
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410. Office of the Legislative Government Unit (LGU) Legislative Body Legislative Body
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411. Office of the Municipal Mayor
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412. Office of the Legislative Government Unit (LGU) Legislative Body Legislative Body
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414. Office of the Legislative Government Unit (LGU) Legislative Body Legislative Body
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415. Office of the Provincial Governor
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417. Office of the City Mayor
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418. Office of the Legislative Government Unit (LGU) Legislative Body Legislative Body
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419. General Manager
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420. Office of the Provincial Governor
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422. Office of the Municipal Mayor
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423. Office of the Legislative Government Unit (LGU) Legislative Body Legislative Body
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- 428. Office of the Municipal Mayor
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- 430. General Manager
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- 431. Office of the Provincial Governor
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- 433. Office of the City Mayor
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- 435. Office of the Provincial Governor
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- 443. Office of the Municipal Mayor
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- 445. Office of the Municipal Mayor
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- 453. Office of the Municipal Mayor
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- 455. General Manager
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- 456. General Manager
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- 457. Office of the Provincial Governor
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- 459. Office of the Municipal Mayor
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- 461. Office of the Municipal Mayor
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- 463. Office of the Municipal Mayor
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- 464. Office of the Legislative Government Unit (LGU) Legislative Body Legislative Body
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- 465. Office of the Municipal Mayor
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- 466. Office of the Legislative Government Unit (LGU) Legislative Body Legislative Body
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- 467. Office of the Municipal Mayor
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- 468. Office of the Legislative Government Unit (LGU) Legislative Body Legislative Body
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- 471. Office of the Municipal Mayor
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- 472. Office of the Legislative Government Unit (LGU) Legislative Body Legislative Body
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- 473. Office of the Municipal Mayor
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- 474. Office of the Legislative Government Unit (LGU) Legislative Body Legislative Body
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- 475. General Manager
Tawi-tawi Electric Cooperative, Inc. (TAWELCO)
- 476. General Manager
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- 477. Office of the Provincial Governor
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- 479. Office of the Municipal Mayor
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- 481. Office of the Municipal Mayor
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- 483. General Manager
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- 484. Office of the Provincial Governor
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- 486. Office of the City Mayor
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- 487. Office of the Legislative Government Unit (LGU) Legislative Body Legislative Body
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- 488. General Manager
Surigao del Norte Electric Cooperative, Inc. (SURNECO)
- 489. Regulatory Operations Service (ROS)
17th Floor, Pacific Center Building
San Miguel Avenue, Pasig City

Republic of the Philippines
ENERGY REGULATORY COMMISSION
Pasig City

**IN THE MATTER OF THE 19th
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. 2020-034 RC

**NATIONAL POWER
CORPORATION,**

Applicant.

Promulgated:
November 16, 2020

X-----X

NOTICE OF VIRTUAL HEARING

TO ALL INTERESTED PARTIES:

Notice is hereby given that on 15 October 2020, the National Power Corporation (NPC) filed an *Application* dated 20 July 2020, 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 provisions 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, (otherwise known as the NPC Charter), 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 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 cover the billing period from January 2018 to December 2018. Further, 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 2018 to December 2018 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 2018 to December 2018, as shown below:

Table 1. Total Deferred FOREX Costs, in PhP

	Principal	Carrying Charges	Total DAA
TOTAL	32,890,113	899,310	33,789,423

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 2018 to December 2018 through the imposition of the following proposed DAA charges:

¹ Thereto attached to the Judicial Affidavit as "Exhibits A to A-106;"

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

Deferred Cost (PhP)	Recovery Period	Projected Energy Sales (MWh)	ICERA DAA Rate (PhP/kWh)
33,789,423	12 months	549,305.24	0.0615

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 2018	2.277	3.00	5.277
FEB	2.670	3.00	5.670
MAR	3.008	3.00	6.008
APR	3.440	3.00	6.440
MAY	3.407	3.00	6.407
JUN	3.356	3.00	6.356
JUL	3.297	3.00	6.297
AUG	3.239	3.00	6.239
SEP	3.349	3.00	6.349
OCT	4.778	3.00	7.778
NOV	5.181	3.00	8.181
DEC	5.356	3.00	8.356

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 19th ICERA DAA, Applicant has used the following documents in the process of the calculation of the proposed 19th ICERA:
 - a. Calculation 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
 1. The Judicial Affidavit of Ms. Margarita M. Egnisaban, Applicant NPC's witness is likewise attached herein as **Exhibit "H"** 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 **Exhibits "A to A-106"**
Compliances submitted to
this Honorable Commission

Calculation of Deferred Cost **Exhibit "B"**
and Proposed Charges

Calculation of Deferred Debt **Exhibits "C to C-2"**
Service/OPEX and
corresponding carrying
charges

The Projected Energy Sales **Exhibit "D"**
(in kWh) used to calculate
the proposed DAA charges
in P/kWh

91-day Treasury Bill Rates **Exhibit "E"**

14. The proposed ICERA was approved for filing by the Board of Directors of Applicant on 27 February 2020. A certified copy of the Corporate Secretary's Certificate NPB-OCS-20-048, which was identified by the witness in her Judicial Affidavit and pre-marked, is attached thereto **Exhibit "F"** and made an 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 P0.2329 to Japanese Y1;
17. With due respect, the proposed 19th 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.

PRAYER

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

1. Approving the deferred cost of **PhP33,789,423** and the corresponding proposed ICERA DAA of **Ph0.0615/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 reliefs, just and equitable, are likewise prayed for.

The Commission has set the instant *Application* for the determination of compliance with the jurisdictional requirements, expository presentations, pre-trial conference, and presentation of evidence on the following dates and online platforms for the conduct thereof, pursuant to Resolution No. 07, Series of 2020² dated 23 July 2020:

Date	Platform	Activity
LUZON		
15 January 2021 (Friday) at nine o'clock in the morning (9:00 A.M.)	Microsoft Teams	Determination of compliance with jurisdictional requirements and Expository Presentation for Luzon Stakeholders

² Entitled: *A Resolution for the Transitory Implementation of Legal e-Processes Pending the Adoption of the Interim Guidelines Governing Electronic Application, Filings, and Virtual Hearings Before the Energy Regulatory Commission;*

VISAYAS		
22 January 2021 (Friday) at nine o'clock in the morning (9:00 A.M.)	Microsoft Teams	Expository Presentation for the Visayas Stakeholders
MINDANAO		
29 January 2021 (Friday) at nine o'clock in the morning (9:00 A.M.)	Microsoft Teams	Expository Presentation for the Mindanao Stakeholders
LUZON		
05 February 2021 (Friday) at nine o'clock in the morning (9:00 A.M.)	Microsoft Teams	Pre-trial Conference and Presentation of Evidence
12 February 2021 (Friday) at nine o'clock in the morning (9:00 A.M.)	Microsoft Teams	Presentation of Evidence

Any interested stakeholder may submit its comments and/or clarifications at least one (1) calendar day prior to the scheduled virtual hearings, via electronic mail (e-mail) at records@erc.gov.ph and records.erc.gov.ph@gmail.com, copy furnish the Legal Service through legal.erc.gov.ph@gmail.com. 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 presentations.

Moreover, all 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 records@erc.gov.ph and records.erc.gov.ph@gmail.com, copy furnish the Legal Service through legal.erc.gov.ph@gmail.com, 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 2006 ERC 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 records@erc.gov.ph and records.erc.gov.ph@gmail.com, 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 2006 ERC 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.

All such persons who wish to have a copy of the *Application* may request from Applicant that they be furnished with the same prior to the date of the initial hearing. Applicant is hereby directed to furnish all those making such request with copies of the *Application* and its attachments, through any of the available modes of service, upon their agreement, 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 the standard office hours. In the alternative, those persons who wish to have an electronic copy of the *Application* may request the Commission for the e-mail addresses of the Applicant by sending an e-mail to records@erc.gov.ph and records.erc.gov.ph@gmail.com, copy furnish the Legal Service through legal.erc.gov.ph@gmail.com. Nonetheless, any person may also access the *Application* as posted by the Commission in its official website at www.erc.gov.ph.

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

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WITNESS, the Honorable Commissioners **ALEXIS M. LUMBATAN, CATHERINE P. MACEDA, FLORESINDA G. BALDO-DIGAL** and **MARKO ROMEO L. FUENTES**, Energy Regulatory Commission, this 30th day of October 2020 in Pasig City.


AGNES VSI DEVANADERA
Chairperson and CEO


LS: MFD/ARG/MCCG

