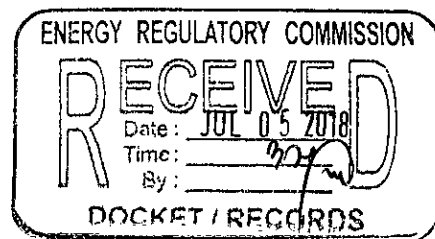


Republic of the Philippines
ENERGY REGULATORY COMMISSION
San Miguel Avenue, Pasig City

IN THE MATTER OF THE APPLICATION FOR THE APPROVAL OF FORCE MAJEURE EVENT REGULATED FM PASS-THROUGH FOR EARTHQUAKE IN LEYTE IN THE VISAYAS REGION, IN ACCORDANCE WITH THE RULES FOR SETTING TRANSMISSION WHEELING RATES, WITH PRAYER FOR PROVISIONAL AUTHORITY

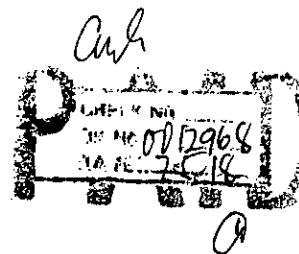


ERC CASE NO. 2018-073 RC

NATIONAL GRID CORPORATION OF THE PHILIPPINES,

Applicant.

X -----X



APPLICATION

Applicant **NATIONAL GRID CORPORATION OF THE PHILIPPINES (NGCP)**, by counsel, respectfully states:

1. NGCP is a corporation created and existing under the laws of the Republic of the Philippines, with principal office address at NGCP Building, Quezon Avenue corner BIR Road, Diliman, Quezon City. It is the concessionaire that operates and maintains the nationwide transmission system pursuant to Republic Act No. (RA) 9136, otherwise known as the Electric Power Industry Reform Act of 2001 (EPIRA).¹

2. Under RA 9511,² NGCP was granted a franchise to construct, install, finance, manage, improve, expand, operate,

¹ Republic Act No. 9136 entitled, "An Act Ordaining Reforms in the Electric Power Industry, Amending for the Purpose Certain Laws and for Other Purposes"

² Republic Act No. 9511 entitled "An Act Granting the National Grid Corporation of the Philippines a Franchise to Engage in the Business of Conveying or Transmitting Electricity Through High Voltage Back-bone System or Interconnected Transmission Lines, Substations and Related Facilities, and for Other Purposes"

maintain, rehabilitate, repair and refurbish the present nationwide transmission system of the Republic of the Philippines.

STATEMENT OF FACTS

3. On 6 July 2017, an earthquake with a magnitude of 6.5 on the Richter Scale occurred in Leyte in the Visayas region. Due to its intensity, NGCP's transmission assets and other related facilities in Visayas were damaged. A copy of the Certification dated 31 August 2017 issued by the Philippine Institute of Volcanology and Seismology (PHIVOLCS) is attached hereto as **Annex "A."**

4. In compliance with Article X of the Rules for the Setting of Transmission Wheeling Rates (RTWR), NGCP filed with this Honorable Commission a Force Majeure Event (FME) Notice dated 24 August 2017, copy is attached hereto as **Annex "B,"** receipt of which was acknowledged by the Honorable Commission in its Letter dated 19 September 2017, copy is attached hereto as **Annex "C."**

5. Immediately after the devastation of the earthquake, NGCP started the repair, restoration and rehabilitation of its damaged transmission assets and other related facilities in order to restore transmission service to its customers and the public. As a result, NGCP incurred additional costs for the repair, restoration and rehabilitation of the said damaged transmission assets.

FORCE MAJEURE EVENT CLAIM

6. Under Section 1.3(a) of the RTWR, an FME is defined as a "typhoon, storm, tropical depression, flood, drought, volcanic eruption, **earthquake**, tidal wave or landslide; or an act of public enemy, war (declared or undeclared), sabotage, blockade, revolution, riot, insurrection, civil commotion or any violent or threatening actions."

7. Based on the Certification issued by PHIVOLCS, an earthquake with a magnitude of 6.5 on the Richter Scale occurred on 6 July 2017 in Leyte in the Visayas region, thus, falling within the definition of an FME in accordance with Section 1.3 of the RTWR.

8. Pursuant to Section 10.1.1 of the RTWR, NGCP is allowed to recover the cost it incurred in the repair, restoration, and rehabilitation of its transmission assets and other related facilities

damaged by the earthquake in Leyte through an FM Pass-Through Amount.

9. Within three (3) months after the occurrence of the FME Earthquake in Leyte, NGCP filed before the Honorable Commission FME Notice dated 24 August 2017, pursuant to Sections 10.2.1 and 10.2.2 of the RTWR.

10. Thereafter, within twelve (12) months after the occurrence of the FME Earthquake in Leyte, NGCP hereby files the instant FME Application, in accordance with Sections 10.2.1 and 10.2.3 of the RTWR.

FM PASS-THROUGH AMOUNT COMPUTATION

11. It must be noted that NGCP has not recovered from its Industrial All-Risk (IAR) Insurance Policy procured from the Government Service Insurance System (GSIS) for the year 2017 the cost NGCP incurred in the repair, restoration and rehabilitation of the transmission assets and other related facilities damaged by the FME Earthquake in Leyte, considering that the affected assets are not covered by the IAR as they are located beyond the 1,000 meters radius from the nearest substation perimeter fence, and that the total cost of damage is below the One (1) Million US Dollars deductible amount. Thus, it is but proper for NGCP to file the instant FME Application to recover the cost it incurred for the repair, restoration and rehabilitation of its transmission assets and other related facilities damaged by the FME Earthquake in Leyte pursuant to the RTWR.

12. The total cost NGCP incurred for the repair, restoration and rehabilitation of its transmission assets and other related facilities damaged by the FME Earthquake in Leyte is **One Hundred Ninety-Three Million Eight Hundred Thirty-One Thousand Four Hundred Forty-Eight Pesos and 44/100 (PhP193,831,448.44)** broken down as follows:

	AMOUNT
Operating Expenditure (OPEX)	112,924,039.14
Capital Expenditure (CAPEX)	41,616,874.46
Net Fixed Asset Value (NFAV)	39,290,534.84
Total	193,831,448.44

13. NGCP proposes the FM Pass-Through Amounts, in P/kW-month, as additional network charges starting August 2018 billing

month until December 2020 for Visayas, or until such time that the amounts incurred are fully recovered, computed as shown in the tables below:

Visayas	2018	2019	2020
P/kW-mo.	7.24	3.21	3.40
P/kWh	0.0150	0.0067	0.0072

14. NGCP proposes the FM Pass-Through Amounts for the years 2018 to 2020 to allow the recovery of the expenditures incurred by NGCP relative to the FME Earthquake in Leyte, pending the reset process for the Transmission Services for the Fourth Regulatory Period.

15. Considering that NGCP's Final Determination for the fourth (4th) Regulatory Period has yet to be issued by the Honorable Commission, the proposed FM Pass-Through Amounts can be recovered pursuant to Section 10.1.1 of the RTWR where NGCP is allowed to recover the cost incurred for the repair, restoration, and rehabilitation of damage sustained by its transmission assets and other related facilities as a result of an FME. A copy of the FM Pass-Through Amount Computation is hereto attached as **Annex "D."**

16. Further, the FM Pass-Through Amounts in this Application do not breach the Force Majeure Threshold Amount (FMTA) of Php0.0357/kWh in accordance with the RTWR. A copy of the FMTA Computation is hereto attached as **Annex "E."**

17. Also, NGCP considered the NFAV of the transmission assets and other related facilities damaged by the FME Earthquake in Leyte given that NGCP would have normally fully recovered the return of capital on said assets for the duration of their economic lives had these assets not been damaged or destroyed by said FME.

JUSTIFICATION FOR THE ISSUANCE OF PROVISIONAL AUTHORITY

18. NGCP respectfully moves for the issuance of a provisional approval for the immediate recovery of the FM Pass-Through Amounts pursuant to Section 3, Rule 14 of the ERC Rules of Practice and Procedure.

19. NGCP needs to immediately recover the actual expenses incurred for the repair, restoration and rehabilitation of the damaged transmission assets and other related facilities. It must be emphasized

f

that the rehabilitation of the assets damaged by the FME Earthquake in Leyte required capital infusion, the recovery of which should be allowed immediately in order to avoid any financial strain in the operation of NGCP and to allow the continuous provision of transmission service to the grid customers.

20. In addition, the timely implementation of the FM Pass-Through Amounts will allow the equal or even spread of the increases or decreases in tariffs from the initial implementation of the recovery of the cost.

21. A copy of the Judicial Affidavit of Agnes F. Dela Cruz, Head, Tariff Design and Billing Management Division, Revenue and Regulatory Affairs, in support of the instant Application, is hereto attached as **Annex "F."**

PRAYER

WHEREFORE, it is most respectfully prayed of this Honorable Commission to:

1. **DECLARE** the earthquake in Leyte in the Visayas region as Force Majeure Events (FME);
2. Immediately **GRANT Provisional Approval** to implement and bill the following FM Pass-Through Amounts starting August 2018 billing month to December 2020 for Visayas, or until such time that the amounts incurred are fully recovered:

Visayas	2018	2019	2020
P/kW-mo.	7.24	3.21	3.40
P/kWh	0.0150	0.0067	0.0072

3. **APPROVE** the FME CAPEX and OPEX amounting to **One Hundred Fifty-Four Million Eight Hundred Fifty-Three Thousand Forty Pesos and 16/100 (PhP154,853,040.16)** incurred by NGCP for the repair, restoration and rehabilitation of the damaged transmission assets and other related facilities due to FME Earthquake in Leyte;

4. **APPROVE**, after due notice and hearing, the proposed FM Pass-Through Amounts to be collected from the Visayas customers starting August 2018 billing month or until such time that the amounts incurred are fully recovered, as follows:

f

Visayas	2018	2019	2020
P/kW-mo.	7.24	3.21	3.40
P/kWh	0.0150	0.0067	0.0072

5. **APPROVE** and **ALLOW** the recovery of the Net Fixed Asset Value of the transmission assets and other related facilities damaged by the FME Earthquake in Leyte amounting to **Thirty-Nine Million Two Hundred Ninety Thousand Five Hundred Thirty-Four Pesos and 84/100 (PhP39,290,534.84)** given that it would have been fully recovered by NGCP if these transmission assets and other related facilities have not been damaged or destroyed by the said FME; and

6. **EXCLUDE** the proposed Pass-Through Amounts from the side constraint calculation.

NGCP prays for other relief deemed just and equitable under the premises.

Quezon City for Pasig City, 21 June 2018.

OFFICE OF THE GENERAL COUNSEL
NATIONAL GRID CORPORATION OF THE PHILIPPINES
 NGCP Building, Quezon Avenue corner
 BIR Road, Diliman, Quezon City
 Tel. No. 981-2100 (Trunk Line)

By:



LUIS MANUEL U. BUGAYONG
 PTR No. 5521013 / 01.03.18 / Quezon City
 IBP Lifetime No. 010191/RSM
 MCLE Compliance No. V-0006616 / 02.24.15
 Roll of Attorneys No. 38002
 Email address: lubugayong@ngcp.ph



MARK ANTHONY S. ACTUB

PTR No. 5521006 / 01.03.18 / Quezon City
MCLE Compliance No. V-0006614 / 02.24.15
IBP Lifetime No. 04514/ Misamis Oriental
Roll of Attorneys No. 45707
Email address: msactub@ngcp.ph



ARI VERGIL P. FABROS

PTR No. 5521012 / 01.03.18 / Quezon City
MCLE Compliance No. V-0007270 / 04.15.15
IBP Lifetime No. 889152 / Nueva Ecija
Roll of Attorneys No. 58963
Email address: apfabros@ngcp.ph

RECEIVED BY: _____
0124 18 JUL -3 P3:53

COURTESY COPY FURNISHED TO:

NATIONAL TRANSMISSION CORPORATION
Office of the President
Quezon Avenue cor. BIR Road
Diliman, 1101 Quezon City

MARY JOY D. GOMEZ
LOMO STAFF ANALYST

POWER SECTOR ASSETS AND LIABILITIES
MANAGEMENT CORPORATION
Office of the President
Quezon Avenue cor. BIR Road
Diliman, 1101 Quezon City

POWER SECTOR ASSETS AND LIABILITIES
MANAGEMENT CORPORATION
OFFICE OF THE PRESIDENT AND CLO
JUL 03 2018
BY: JOSEPH 3:17 PM

REPUBLIC OF THE PHILIPPINES)
Quezon City) S.S.

VERIFICATION

I, **MA. CYNTHIA Y. MANRIQUE**, after having been duly sworn to in accordance with law, hereby depose and say that:

1. I am presently the Head of the Revenue and Regulatory Affairs Department of the National Grid Corporation of the Philippines (NGCP);

2. I am duly authorized to sign the Verification and Certification of Non-Forum Shopping for and on behalf of NGCP as evidenced by the Secretary's Certificate hereto attached as **Annex "A - Verification"**;

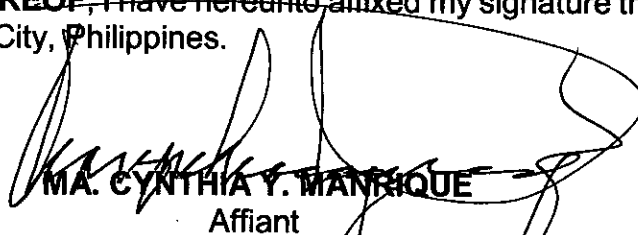
3. I have caused the preparation of the foregoing Application;

4. I have read the foregoing Application and I attest that the allegations therein are true and correct of my personal knowledge and based on authentic records;

5. I further attest that NGCP has not theretofore commenced any action or filed any claim involving the same issues in any court, tribunal or quasi-judicial agency and, to the best of my knowledge, no such other action or claim is pending therein;


6. If I should thereafter learn that the same or similar action or claim has been filed or is pending, I shall report that fact to this Commission within five (5) days therefrom.

IN WITNESS WHEREOF, I have hereunto affixed my signature this 21st day of June 2018, in Quezon City, Philippines.


MA. CYNTHIA Y. MANRIQUE
Affiant

SUBSCRIBED AND SWORN to before me this 21st day of June 2018, affiant exhibited to me her Passport with No. EC0371531 valid until 20 February 2019 issued by the Department of Foreign Affairs, National Capital Region.

Doc. No. 478 :
Page No. 97 :
Book No. 29 :
Series of 2018.


Atty. RICO R. CAGARA
Notary Public, Appointment No. 077
Commission until 31 December 2019
PTR No. 5521004; 01-03-18; Quezon City
IBP Lifetime No. 08600; Bulacan
Roll of Attorney's No. 53664
MCLE Compliance No. V-0005735, until 4-14-19
Unit 305, J. Rosa Condominium
44 Matimtiman St., Teacher's Village East
Diliman, Quezon City

J