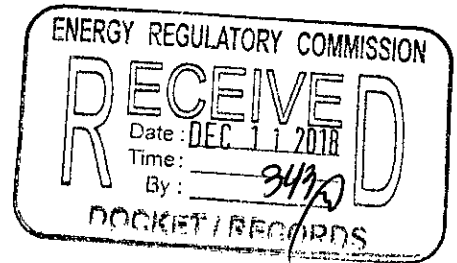


Republic of the Philippines
ENERGY REGULATORY COMMISSION
San Miguel Avenue, Pasig City

IN THE MATTER OF THE APPLICATION OF THE NATIONAL GRID CORPORATION OF THE PHILIPPINES FOR THE APPROVAL OF FORCE MAJEURE (FM) EVENT REGULATED FM PASS THROUGH FOR SEVERE TROPICAL STORM URDUJA IN THE VISAYAS, TYPHOON VINTA IN MINDANAO, TROPICAL STORM BASYANG IN THE VISAYAS AND MINDANAO, AND FLASH FLOOD IN MINDANAO IN ACCORDANCE WITH THE RULES FOR SETTING TRANSMISSION WHEELING RATES, WITH PRAYER FOR PROVISIONAL AUTHORITY

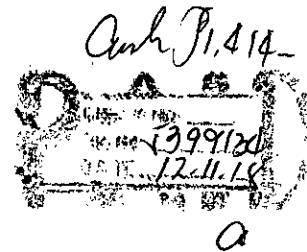


ERC CASE NO. 2018-¹¹⁷ RC

NATIONAL GRID CORPORATION
OF THE PHILIPPINES,

Applicant

X ----- X



APPLICATION

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

1. Applicant 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 B.I.R. Road, Diliman, Quezon City. It is the concessionaire that operates and maintains the nationwide transmission system pursuant to Section 21 of Republic Act No. 9136, otherwise known as the Electric Power Industry Reform Act of 2001 ("EPIRA").¹

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. Under Republic Act No. 9511,² NGCP was granted a franchise to construct, install, finance, manage, improve, expand, operate, maintain, rehabilitate, repair and refurbish the present nationwide transmission system of the Republic of the Philippines.

3. Pursuant to Section 10.1.1 of the Rules for Setting Transmission Wheeling Rates (“RTWR”), NGCP is allowed to recover the cost incurred for the repair, restoration, rehabilitation of its transmission assets and other related facilities damaged as a result of a force majeure event (“FME”), as defined in Article I of RTWR.

STATEMENT OF FACTS

A. Severe Tropical Storm Urduja

4. Severe Tropical Storm (STS) Urduja was inside the Philippine Area of Responsibility (PAR) during the period 12 to 19 December 2017, with maximum winds of 95 kph and gustiness of 120 kph. It made landfall six times and traversed the Samar Provinces, Masbate, Sibuyan Island, Romblon, Aklan, Cuyo Island, and Palawan. As a result, NGCP’s transmission assets and other related facilities particularly in the Visayas were damaged. A copy of the Certification dated 23 January 2018, issued by the Philippine Atmospheric, Geophysical and Astronomical Services Administration (PAGASA) is attached hereto as **Annex “A.”**

5. After the occurrence of STS Urduja and in compliance with Article X of the RTWR, NGCP filed with this Honorable Commission a Force Majeure Event Notice (FME Notice) regarding STS Urduja dated 3 January 2018. A copy of the FME Notice regarding STS Urduja dated 3 January 2018 is attached hereto as **Annex “B.”**

B. Typhoon Vinta

6. Typhoon Vinta was inside the PAR during the period 20 to 24 December 2017, with maximum winds of 120 kph and gustiness of 145 kph. It made landfall in Cateel, Davao Oriental and traversed several provinces in Mindanao, causing damage to NGCP’s transmission assets and other related facilities in therein. A copy of the Certification dated 12 February 2018 issued by the PAGASA is attached hereto as **Annex “C.”**

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”

7. After the occurrence of Typhoon Vinta and in compliance with Article X of the RTWR, NGCP filed with this Honorable Commission an FME Notice regarding Typhoon Vinta dated 6 February 2018. A copy of the FME Notice regarding Typhoon Vinta dated 6 February 2018 is attached hereto as **Annex "D."**

C. Tropical Storm Basyang

8. Tropical Storm (TS) Basyang was in the PAR from 11 to 14 February 2018, with maximum winds of 65 kph and gustiness of 80 kph. It made landfall in Cortes, Surigao del Sur, traversed the Surigao Provinces, and again made landfall over Dumaguete City, causing damage to NGCP's transmission assets and other related facilities in the Visayas and Mindanao. A copy of the Certification dated 27 March 2018 issued by the PAGASA is attached hereto as **Annex "E."**

9. After the occurrence of TS Basyang and in compliance with Article X of the RTWR, NGCP filed with this Honorable Commission an FME Notice regarding TS Basyang dated 7 March 2018. A copy of the FME Notice regarding TS Basyang dated 7 March 2018 is attached hereto as **Annex "F."**

D. FLASH FLOOD IN MINDANAO

10. On 25 February 2018, a flash flood occurred within the jurisdiction of Barangay Sianib, Polanco, Zamboanga del Norte, causing damage to NGCP's transmission assets and other related facilities in Mindanao. A copy of the Certification dated 1 March 2018 issued by Barangay Chairman Marcelo C. Sumagang, Sr. is attached hereto as **Annex "G"**.

11. The Certification dated 3 October 2018, issued by PAGASA and attached hereto as **Annex "H"**, states that continuous rain and occasional thunderstorm were observed from 25 to 26 February 2018 at the Dipolog City Weather Station, the PAGASA observing station closest to Zamboanga del Norte.

12. After the occurrence of the flash flood and in compliance with Article X of the RTWR, NGCP filed with this Honorable Commission an FME Notice regarding the flash flood dated 30 April 2018. A copy of the FME Notice regarding the flash flood dated 30 April 2018 is attached herewith as **Annex "I."**

FME CLAIM

13. Immediately after the devastation caused by the foregoing incidents, 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 and other related facilities.

14. 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.”

15. 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 STS Urduja in the Visayas, Typhoon Vinta in Mindanao, TS Basyang in the Visayas and Mindanao, and the flash flood in Mindanao, (the “Subject Force Majeure Events”) through an FM Pass-Through Amount.

16. Pursuant to Sections 10.2.1 and 10.2.2 of the RTWR, within three (3) months after the occurrence of the Subject Force Majeure Events, NGCP filed before the Honorable Commission the required FME Notices. The Honorable Commission acknowledged receipt of the FME Notices for STS Urduja, Typhoon Vinta, and TS Basyang, in its letters respectively dated 5 February, 21 February, and 5 April 2018, attached hereto as **Annexes “J”, “K”, and “L”**.

17. Thereafter, within twelve (12) months after the occurrence of the Subject Force Majeure Events, 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

18. NGCP has not recovered from its Industrial All-Risk (IAR) Insurance Policy procured from the Government Service Insurance System (GSIS) for the years 2017 and 2018, the cost that it incurred in the repair, restoration, and rehabilitation of the transmission assets and other related facilities damaged by the Subject Force Majeure Events. The affected assets are located beyond a one (1) kilometer radius from the nearest substation (except for Babatngon Substation and Kananga-Tabango 230 kV line), and are therefore not covered by the IAR. With regard to the Babatngon Substation and Kananga-Tabango 230 kV line, 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 Subject Force Majeure Events pursuant to the RTWR.

19. The total cost NGCP incurred for the repair, restoration and rehabilitation of its transmission assets and other related facilities damaged by the Subject Force Majeure Events is **Sixty-Three Million Eight Hundred Seventy Thousand Seven Hundred Eighty-Six Pesos and 10/100 (PhP63,870,786.10)**. Further, the recoverable values of the assets destroyed (Net Fixed Asset Value or NFAV) is **Two Million Fourteen Thousand Five Hundred Sixty-Five and 43/100 (PhP2,014,565.43)**. The breakdown of the expenses is shown in the table below:

FME	CAPEX/OPEX*	NFAV	Total
Tropical Storm Urduja	40,936,343.46	260,182.36	41,196,525.82
Typhoon Vinta	399,610.27	883,711.95	1,283,322.22
Tropical Storm Basyang	22,402,140.29	657,676.72	23,059,817.01
Flash flood in Mindanao	132,692.08	212,994.40	345,686.48
Total	63,870,786.10	2,014,565.43	65,885,351.53

* Capital Expenditures/Operating Expenditures, exclusive of VAT (pursuant to the TRAIN law) and Permit Fees

20. NGCP proposes the FM Pass-Through Amounts, in P/kW-month, as additional network charges starting January 2019 until 2020 to Visayas and Mindanao, or until such time that the amounts incurred are fully recovered, computed as shown in the tables below:

Visayas	2019	2020
P/kW-mo.	2.95	0.02
P/kWh	0.00587	0.00005

Mindanao	2019	2020
P/kW-mo.	0.06	0.003
P/kWh	0.00012	0.00001

Note: P/kWh in this table are only the equivalent P/kWh of the FME Pass-Through amounts

21. NGCP proposes the FM Pass-Through Amounts for the years 2019 to 2020 to allow the recovery of the expenditures incurred by NGCP relative to the Subject Force Majeure Events, pending the reset process for the Transmission Services.

22. The proposed FM Pass-Through Amounts can be recovered pursuant to Section 10.1.1 of the RTWR, wherein 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 a force majeure event. A copy of the FM Pass-Through Amount Computation is hereto attached as **Annex "M"**

23. Further, the FM Pass-Through Amounts in this Application do not breach the Force Majeure Threshold Amount (FMTA) of PhP0.0366/kWh in accordance with the RTWR. A copy of the FMTA Computation is hereto attached as **Annex "N."**

24. Also, NGCP considered the NFAV of the transmission assets and other related facilities damaged by the Subject Force Majeure Events 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 the Subject Force Majeure Events.

JUSTIFICATION FOR THE ISSUANCE OF PROVISIONAL AUTHORITY

25. NGCP respectfully moves for the issuance of 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.

26. 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 that the rehabilitation of the assets damaged by the Subject Force Majeure Events 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.

27. 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.

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

PRAYER

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

1. **DECLARE** Severe Tropical Storm Urduja in the Visayas, Typhoon Vinta in Mindanao, Tropical Storm Basyang in the Visayas and Mindanao, and flash flood in Mindanao as Force Majeure Events (FME);

2. **Immediately GRANT PROVISIONAL APPROVAL** to implement and bill the following FM Pass-Through Amounts to Visayas and Mindanao customers starting January 2019 billing month to December 2020 billing month or until such time that the amount incurred is fully recovered;

Visayas	2019	2020
P/kW-mo.	2.95	0.02
P/kWh	0.00587	0.00005

Mindanao	2019	2020
P/kW-mo.	0.06	0.003
P/kWh	0.00012	0.00001

3. **APPROVE** the FME CAPEX/OPEX amounting to **Sixty-Three Million Eight Hundred Seventy Thousand Seven Hundred Eighty-Six Pesos and 10/100 (PhP63,870,786.10)** incurred by NGCP for the repair, restoration, and rehabilitation of the damaged transmission assets and other related facilities due to Severe Tropical Storm Urduja in the Visayas, Typhoon Vinta in Mindanao, Tropical Storm Basyang in the Visayas and Mindanao, and flash flood in Mindanao;

4. **APPROVE**, after due notice and hearing, the proposed FM Pass Through Amount to be collected from the Visayas and Mindanao customers starting January 2019 billing month to December 2020 billing month or until such time that the amount incurred is fully recovered, as follows:

Visayas	2019	2020
P/kW-mo.	2.95	0.02
P/kWh	0.00587	0.00005

Mindanao	2019	2020
P/kW-mo.	0.06	0.003
P/kWh	0.00012	0.00001

5. **APPROVE** and **ALLOW** the recovery of the Net Fixed Asset Value of the transmission assets and other related facilities damaged by Severe Tropical Storm Urduja in the Visayas, Typhoon Vinta in Mindanao, Tropical Storm Basyang in the Visayas and Mindanao, and flash flood in Mindanao, amounting to **Two Million Fourteen Thousand Five Hundred Sixty-Five and 43/100 (PhP2,014,565.43)**. 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 Subject Force Majeure Events; 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, 28 November 2018.

**OFFICE OF THE GENERAL COUNSEL
NATIONAL GRID CORPORATION OF THE PHILIPPINES**

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By:


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COURTESY COPY FURNISHED TO:

NATIONAL TRANSMISSION CORPORATION

Office of the President

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Diliman, 1101 Quezon City

NATIONAL TRANSMISSION CORPORATION

Office of the General Counsel

Quezon Avenue cor. BIR Road
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**POWER SECTOR ASSETS AND LIABILITIES
MANAGEMENT CORPORATION**

Office of the President

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Vertis North, Mindanao Avenue, 1105 Quezon City

RD 991934217
22

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 Vice President and 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"**;

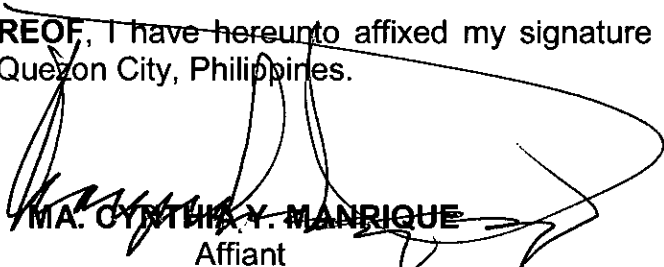
3. I have caused the preparation of the foregoing Application;

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 3th day of December 2018, in Quezon City, Philippines.


MA. CYNTHIA Y. MANRIQUE
Affiant

SUBSCRIBED AND SWORN to before me this DEC 03 2018 day of December 2018, affiant exhibited to me Driver's License No. X01-9 1-014806, valid until 13 June 2022 issued by the Land Transportation Office, National Capital Region.

Doc. No. 137;
Page No. 029;
Book No. 4;
Series of 2018.


LUISITO A. TRINIDAD
Commission - AM No. NP078 (2018-2019)
Notary for Quezon City until 31 Dec 2019
NGCP Bldg Quezon Ave cor BIR Road Diliman QC
Roll No. 38451 - 13 May 1993
IBP Lifetime No. 013977 - 08 July 2015
PTR No. 5521674 - 04 Jan 2018
MCLE Compliance No. V-0024524 - 15 Dec 2016