

**Order on ERC Case No. 2015-205 RC**

On 04 December 2015, NGCP filed an application with the Energy Regulatory Commission (ERC) entitled, *In the Matter of the Application of the National Grid Corporation of the Philippines for the Approval of Force Majeure Event Regulated FM Pass-Through for Typhoon Ruby and Tropical Storm Seniang in Visayas and Mindanao, in accordance with the Rules for Setting Transmission Wheeling Rates, with Prayer for Provisional Authority*, docketed as ERC Case No. 2015-205 RC.

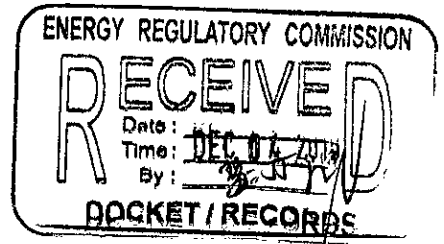
The application was filed by NGCP pursuant to Section 19, in relation to Section 43 (f) of Republic Act No. 9136 which provides that Transmission Charges shall be filed with and approved by the ERC. In computing the proposed charges, NGCP was guided by the provisions of the Rules for Setting Transmission Wheeling Rates (RTWR), which prescribe for, among others, the methodology for calculating the Force Majeure (FM) Pass Through Amount to recover the reasonable costs incurred for the repair, restoration, and rehabilitation of the damaged transmission assets and other related facilities due to the occurrence of an FME.

The ERC set the case for jurisdictional hearing, expository presentation, pre-trial conference, and presentation of evidence on the following dates:

DATE	TIME	VENUE	PARTICULARS
July 16, 2018 (Monday)	10:00 AM	ERC Hearing Room, 15 th Floor Pacific Center Building, San Miguel Avenue, Pasig City	Jurisdictional and Expository Hearing
July 18, 2018 (Wednesday)	9:00 AM	ERC Visayas Field Office, St. Mary's Drive, Banilad, Cebu City	Expository Hearing for Visayas Stakeholders
July 25, 2018 (Wednesday)	9:00 AM	ERC Mindanao Field Office, Mintrade Building, Monteverde Avenue corner Sales Street, Davao City	Expository Hearing for Mindanao Stakeholders
July 30, 2018 (Monday)	2:00 PM	ERC Hearing Room, 15 th Floor Pacific Center Building, San Miguel Avenue, Pasig City	Pre-trial Conference and Evidentiary Hearing

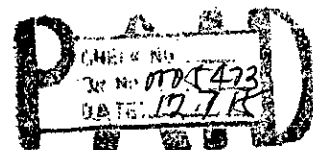
Republic of the Philippines
ENERGY REGULATORY COMMISSION
San Miguel Avenue, Pasig City

IN THE MATTER OF THE APPLICATION OF THE NATIONAL GRID CORPORATION OF THE PHILIPPINES FOR THE APPROVAL OF FORCE MAJEURE EVENT REGULATED FM PASS-THROUGH FOR TYPHOON RUBY AND TROPICAL STORM SENIANG IN VISAYAS AND MINDANAO, IN ACCORDANCE WITH THE RULES FOR SETTING TRANSMISSION WHEELING RATES, WITH PRAYER FOR PROVISIONAL AUTHORITY



ERC CASE NO. 2015-205 RC

NATIONAL GRID CORPORATION OF THE PHILIPPINES,



Applicant

X

APPLICATION

REC'D
MICHELLE F. PINEDA
Records Officer TransCom
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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 which assumed the power transmission functions of the National Transmission Corporation (TRANSCO) 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

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

3. On 15 January 2009, NGCP assumed transmission functions of TRANSCO including the operation, management and maintenance of the nationwide electrical grid.

STATEMENT OF FACTS

A. Typhoon Ruby

4. On or about 6 December 2014, Typhoon Ruby entered the Philippine Area of Responsibility with maximum winds of 215 kph and gustiness of 250 kph. Due to its intensity and heavy rainfall, NGCP's transmission assets and other related facilities in the Visayas area were damaged causing widespread power interruption over the area. A copy of the Certification dated 26 January 2015 issued by the Philippine Atmospheric, Geophysical and Astronomical Services Administration (PAGASA) is attached herewith as **Annex "A."**

5. After the occurrence of Typhoon Ruby, in compliance with Article X of the RTWR, NGCP filed with this Honorable Commission a Force Majeure Event (FME) Notice regarding Typhoon Ruby dated 20 January 2015. A copy of the FME Notice regarding Typhoon Ruby dated 20 January 2015 is attached herewith as **Annex "B."**

B. Tropical Storm Seniang

6. On or about 28 December 2014, Tropical Storm Seniang entered the Philippine Area of Responsibility with maximum winds of 65 kph and gustiness of 80 kph. The occurrence of Tropical Storm Seniang caused damage to NGCP's transmission assets and other related facilities in the Visayas and Mindanao. A copy of the Certification dated 1 March 2015 issued by the PAGASA is attached herewith as **Annex "C."**

7. After the occurrence of Tropical Storm Seniang, in compliance with Article X of the RTWR, NGCP filed with this Honorable Commission an FME Notice regarding Typhoon Seniang dated 12 March 2015. A copy of the FME Notice regarding Typhoon Seniang dated 12 March 2015 is attached herewith as **Annex "D."**

8. Immediately after the devastation of Typhoon Ruby and Tropical Storm Seniang, NGCP started the repair, restoration and rehabilitation of its damaged transmission assets and other related facilities to restore the transmission of electricity in the Visayas and Mindanao areas. As a result, NGCP incurred additional cost for the repair, restoration and rehabilitation of the said transmission assets damaged by Typhoons Ruby and Seniang.

FORCE MAJEURE EVENT CLAIM

9. Under Section 1.3(a) of the Rules for Setting Transmission Wheeling Rates (RTWR), an FME is defined as a "**typhoon, storm**, tropical depression, flood, drought, volcanic eruption, earthquake, tidal wave or landslide."

10. Ruby and Seniang were categorized by PAGASA as "Typhoon" and "Storm" in its Certifications dated 26 January 2015 and 1 March 2015, respectively. Therefore, Typhoon Ruby and Tropical Storm Seniang fall within the definition of an FME in accordance with Section 1.3 of the RTWR.

11. In relation to the occurrence of the FME Ruby and Seniang and pursuant to Section 10.1.1 of the same 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 FME Ruby and Seniang through an FM Pass-Through Amount.

12. Within three (3) months after the occurrence of the FME Ruby and Seniang, NGCP filed before the Energy Regulatory Commission (ERC) FME Notice Regarding Typhoon Ruby dated 20 January 2015 and FME Notice Regarding Typhoon Seniang dated 12 March 2015, pursuant to Sections 10.2.1 and 10.2.2 of the RTWR.³

13. Thereafter, within twelve (12) months after the occurrence of the FME Ruby and Seniang, NGCP hereby files the instant FME Claim Application, in accordance with Sections 10.2.1 and 10.2.3 of the RTWR.

³ Please see Annexes "B" and "D"

FM PASS-THROUGH AMOUNT COMPUTATION

14. It must be noted that NGCP has not recovered any amount from its Industrial All-Risk (IAR) Insurance Policy procured from the Government Service Insurance System (GSIS) for the year 2014 as compensation for the damage and cost it incurred in the repair, restoration and rehabilitation of the transmission assets and other related facilities damaged by the FME Ruby and Seniang. Thus, it is but proper for NGCP to file the instant FME Claim 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 Ruby and Seniang.

15. The total cost NGCP incurred as additional FME Capital Expenditure (CAPEX) for the repair, restoration and rehabilitation of its transmission assets and other related facilities damaged by the FME Ruby and Seniang is **Thirty-Seven Million Eight Hundred Nine Thousand Six Hundred Thirty-Nine and 76/100 (Php 37,809,639.76)**. Further, the recoverable values of the assets destroyed (Net Fixed Asset Value) is **Sixteen Million Five Hundred Fifty-Six Thousand Five Hundred Ninety-Seven and 57/100 (Php16,556,597.57)**. The breakdown of the expenses⁴ is shown in the table below:

FME	FME CAPEX		NFAV		TOTAL
	VISAYAS	MINDANAO	VISAYAS	MINDANAO	
RUBY	27,113,681.07	-	13,544,183.30	-	40,657,864.37
SENIANG	491,923.11	10,204,035.58	161,269.31	2,851,144.96	13,708,372.96
Total	27,605,604.18	10,204,035.58	13,705,452.61	2,851,144.96	54,366,237.33

16. NGCP proposes the Force Majeure (FM) Pass-Through Amount, in P/kW-month, as additional network charges in the Visayas and Mindanao starting the billing period of January 2016 to December 2020, or until such time that the amount incurred is fully recovered, computed as shown in the table below:

Visayas	2016	2017	2018	2019	2020
P/kW-mo.	0.76	0.59	0.22	0.21	0.20
P/kWh	0.0016	0.0013	0.0005	0.0005	0.0004
Mindanao	2016	2017	2018	2019	2020
P/kW-mo.	0.30	0.08	0.07	0.07	0.06
P/kWh	0.0006	0.0002	0.0002	0.0001	0.0001

⁴ Exclusive of Permit Fees

17. NGCP proposes the FM Pass-Through Amounts for the years 2016 to 2020 to allow the recovery of the CAPEX incurred relative to the FME Ruby and Seniang pending the reset process for the Transmission Services for the Fourth Regulatory Period.

18. Although the instant FM Pass-Through Amounts are not included in NGCP's Third (3rd) Regulatory Reset Application, the same 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 the FME. A copy of the FM Pass-Through Amount Computation is hereto attached as **Annex "E."**

19. Further, the FM Pass-Through Amounts under this Application did not breach the Force Majeure Threshold Amount (FMTA) of PhP0.0336/kWh in accordance with the RTWR. A copy of the FMTA Computation is hereto attached as **Annex "F."**

20. Also, NGCP considered the Net Fixed Asset Value of the transmission assets and other related facilities damaged by the FME Ruby and Seniang 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 FME Ruby and Seniang.

JUSTIFICATION FOR THE ISSUANCE OF PROVISIONAL AUTHORITY

21. 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.

22. 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 occurrence of the aforementioned FME Ruby and Seniang required massive capital infusion, thus, 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.

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

24. 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 "G."**

25. Lastly, in compliance with Rule 6 of this Honorable Commission's Rules of Practice and Procedure, the pre-filing requirements of the instant application are attached herewith as **Annex "H"** and series.

PRAYER

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

1. **DECLARE** the Typhoon Ruby and Tropical Storm Seniang as Force Majeure Events (FMEs);

2. **GRANT Provisional Approval** to implement and bill the FM Pass-Through Amounts to Visayas and Mindanao customers starting January 2016 billing month to December 2020 billing month or until such time that the amount incurred is fully recovered;

Visayas	2016	2017	2018	2019	2020
P/kW-mo.	0.76	0.59	0.22	0.21	0.20
P/kWh	0.0016	0.0013	0.0005	0.0005	0.0004

Mindanao	2016	2017	2018	2019	2020
P/kW-mo.	0.30	0.08	0.07	0.07	0.06
P/kWh	0.0006	0.0002	0.0002	0.0001	0.0001

3. **APPROVE** the Capital Expenditure (CAPEX) amounting to **Php 37,809,639.76** incurred by NGCP for the repair, restoration and rehabilitation of the damaged transmission assets and other related facilities due to the Typhoon Ruby and Tropical Storm Seniang as FMEs;

4. **APPROVE**, after due notice and hearing, the proposed FM Pass Through Amount to be collected from the Visayas and Mindanao customers starting January 2016 billing month to December 2020 billing month or until such time that the amount incurred is fully recovered, as follows;

Visayas	2016	2017	2018	2019	2020
P/kW-mo.	0.76	0.59	0.22	0.21	0.20
P/kWh	0.0016	0.0013	0.0005	0.0005	0.0004

Mindanao	2016	2017	2018	2019	2020
P/kW-mo.	0.30	0.08	0.07	0.07	0.06
P/kWh	0.0006	0.0002	0.0002	0.0001	0.0001

5. **APPROVE** and **ALLOW** the recovery of the Net Fixed Asset Value of the transmission assets and other related facilities damaged by the FME Ruby and Seniang amounting to **Php16,556,597.57**, 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 FME Ruby and Seniang; and

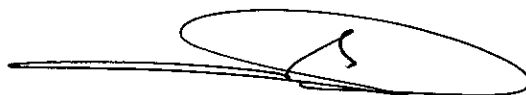
6. **EXCLUDE** the proposed Pass-Through Amount from the side constraint calculation.

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

Quezon City for Pasig City, 2 December 2015.

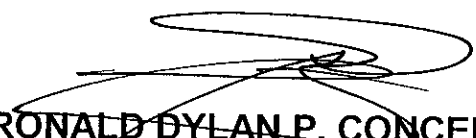
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COURTESY COPY FURNISHED TO:

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Diliman, 1101 Quezon City

**POWER SECTOR ASSETS AND LI
MANAGEMENT CORPORATION**

7th Floor, Bankmer Building,
6756 Ayala Ave., Makati City

REGISTRY RECEIPT

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