



Customer Bulletin 2018-25

June 28, 2018

Order on ERC Case No. 2017-090 RC

On 12 October 2017, NGCP filed an application with the Energy Regulatory Commission (ERC) entitled, *In the Matter of the Application for Approval of Force Majeure Event Regulated Force Majeure Pass-Through for Typhoons Karen and Lawin in Luzon, in accordance with the Rules for Setting Transmission Wheeling Rates, with Prayer for Provisional Authority*, docketed as ERC Case No. 2017-090 RC.

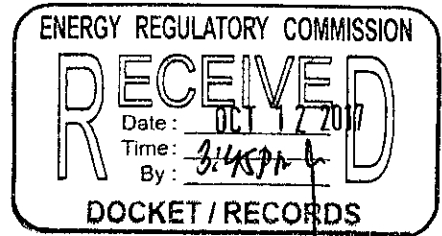
The application was filed by NGCP pursuant to Section 19, in relation to Section 43 (f) of Republic Act No. 9136 which provides that Transmission Charges shall be filed with and approved by the ERC. In computing the proposed charges, NGCP was guided by the provisions of the Rules for Setting Transmission 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 **30 July 2018, Monday, at ten o'clock in the morning (10:00 AM), at the ERC Hearing Room, 15th Floor, Pacific Center Building, San Miguel Avenue, Pasig City.**

This Customer Bulletin was prepared by the Tariff Design and Billing Management Division of the Revenue and Regulatory Affairs Department (RRAD). For any questions/inquiries, you may contact telephone no. 863-7554.

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 TYPHOONS
KAREN AND LAWIN IN LUZON, IN
ACCORDANCE WITH THE RULES
FOR SETTING TRANSMISSION
WHEELING RATES, WITH
PRAYER FOR PROVISIONAL
AUTHORITY

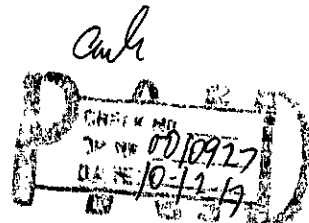


ERC CASE NO. 2017-90 RC

NATIONAL GRID CORPORATION
OF THE PHILIPPINES,

APPLICANT

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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 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 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.

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

STATEMENT OF FACTS

4. From 13 to 17 October 2016, Typhoon Karen was inside the Philippine Area of Responsibility (PAR) with maximum winds of 150 kilometers per hour (kph) and gustiness of 210 kph. Subsequently, from 17 to 20 October 2016, Typhoon Lawin also entered the PAR with maximum winds of 225 and gustiness of 315 kph.

5. Due to heavy rains and gusty winds brought by Typhoons Karen and Lawin, NGCP's transmission assets and other related facilities in Luzon were damaged causing widespread power interruption over the area. Copy of the Certification dated 27 December 2016 issued by the Philippine Atmospheric, Geophysical and Astronomical Services Administration (PAGASA) is attached hereto as **Annex "A."**

6. In compliance with Article X of the Rules for the Setting of Transmission Wheeling Rates (RTWR), NGCP filed with this Honorable Commission Force Majeure Event (FME) Notices for Typhoons Karen and Lawin both dated 16 December 2016. Copies of the FME Notices for Typhoons Karen and Lawin duly received by the Honorable Commission are attached hereto as **Annexes "B" and "C,"** respectively.

7. Immediately after the devastation of Typhoons Karen and Lawin in Luzon, 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

8. 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,

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war (declared or undeclared), sabotage, blockade, revolution, riot, insurrection, civil commotion or any violent or threatening actions.”

9. Typhoons Karen and Lawin were categorized by PAGASA as a “Typhoon” in its Certification dated 27 December 2016.³ Therefore, Typhoons Karen and Lawin fall within the definition of an FME in accordance with Section 1.3 of the RTWR.

10. 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 Typhoons Karen and Lawin through an FM Pass-Through Amount.

11. Within three (3) months after the occurrence of Typhoons Karen and Lawin in Luzon, NGCP filed before the Honorable Commission FME Notices both dated 16 December 2016 pursuant to Sections 10.2.1 and 10.2.2 of the RTWR.

12. Thereafter, within twelve (12) months after the occurrence of FME Typhoons Karen and Lawin, 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

13. 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 2016 the cost NGCP incurred in the repair, restoration and rehabilitation of the transmission assets and other related facilities damaged by the FMEs Typhoons Karen and Lawin, considering that the affected assets 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 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 FMEs Typhoons Karen and Lawin in Luzon pursuant to the RTWR.

14. The cost NGCP incurred as additional FME Capital

³ Please see PAGASA Certification, Page 2 of for Typhon Karen and Page 3 for Typhoon Lawin.

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Expenditure (CAPEX) and Operating Expenditure (OPEX) for the repair, restoration and rehabilitation of its transmission assets and other related facilities damaged by Typhoons Karen and Lawin in Luzon are summarized below:

Amount in PHP	
CAPEX	13,551,641.83
OPEX	16,131,730.94
TOTAL	29,683,372.77

15. Further, the recoverable value or the Net Fixed Asset Value (NFAV) of the assets destroyed by Typhoons Karen and Lawin is **Four Million Nine Hundred Twenty-Nine Thousand Three Hundred Eighty-Eight and 40/100 (PHP4,929,388.40)**.

16. NGCP proposes the FM Pass-Through Amounts, in P/kW-month, as additional network charges starting October 2017 billing month until December 2020 for Luzon, or until such time that the amounts incurred are fully recovered, computed as shown in the tables below:

Luzon	2017	2018	2019	2020
P/kW-mo.	0.30	0.08	0.09	0.09
P/kWh	0.0006	0.0002	0.0002	0.0002

17. NGCP proposes the FM Pass-Through Amounts for the years 2017 to 2020 to allow the recovery of the CAPEX, OPEX, and NFAV incurred relative to the FME Typhoons Karen and Lawin in Luzon pending the reset process for the Transmission Services for the Fourth Regulatory Period.

18. Considering that FM Pass-Through Amounts are not included in NGCP's Final Determination for any regulatory period, 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."**

19. Further, the FM Pass-Through Amounts in this Application do not breach the Force Majeure Threshold Amount (FMFTA) of PhP0.0347/kWh in accordance with the RTWR. A copy of the FMFTA Computation is hereto attached as **Annex "E."**

20. Also, NGCP considered the NFAV of the transmission assets and other related facilities damaged by the FME Typhoons Karen and Lawin in Luzon 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 FMEs.

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 rehabilitation of the assets damaged by the aforementioned FMEs in Luzon 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.

23. 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.

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 "F."**

PRAYER

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

1. **DECLARE** Typhoons Karen and Lawin in Luzon as Force Majeure Events (FMEs);
2. Immediately **GRANT Provisional Approval** to implement

and bill the following FM Pass-Through Amounts starting October 2017 billing month to December 2020 for Luzon customers, or until such time that the amounts incurred are fully recovered:

Luzon	2017	2018	2019	2020
P/kW-mo.	0.30	0.08	0.09	0.09
P/kWh	0.0006	0.0002	0.0002	0.0002

3. **APPROVE** the CAPEX and OPEX incurred by NGCP for the repair, restoration and rehabilitation of the damaged transmission assets and other related facilities due to FMEs Typhoons Karen and Lawin broken down as follows;

Amount in PHP	
CAPEX	13,551,641.83
OPEX	16,131,730.94
TOTAL	29,683,372.77

4. **APPROVE**, after due notice and hearing, the proposed FM Pass-Through Amounts to be collected from the Luzon customers starting October 2017 billing month or until such time that the amounts incurred are fully recovered, as follows:

Luzon	2017	2018	2019	2020
P/kW-mo.	0.30	0.08	0.09	0.09
P/kWh	0.0006	0.0002	0.0002	0.02

5. **APPROVE** and **ALLOW** the recovery of the Net Fixed Asset Value of the transmission assets and other related facilities damaged by the FMEs Typhoons Karen and Lawin in Luzon amounting to **Four Million Nine Hundred Twenty-Nine Three Thousand Hundred Eighty-Eight and 40/100 (PHP4,929,388.40)**; 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, 2 October 2017.

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



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COURTESY COPY FURNISHED TO:

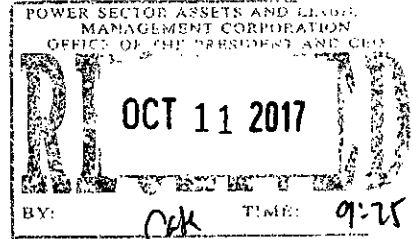
NATIONAL TRANSMISSION CORPORATION
Office of the President
Quezon Avenue cor. BIR Road
Diliman, 1101 Quezon City

RAIBCO-RECORDS

6838 17 OCT 11 A9:18

POWER SECTOR ASSETS AND LIABILITIES
MANAGEMENT CORPORATION
Office of the President
7th Floor, Bankmer Building,
6756 Ayala Ave., Makati City

RECEIVED BY: my/Jan



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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"**;

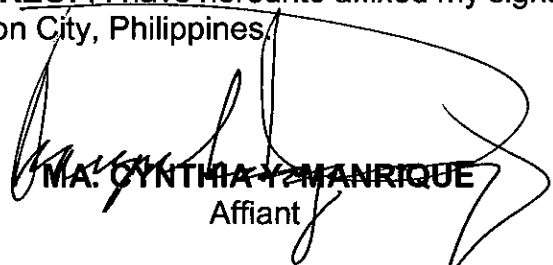
3. I have caused the preparation of the foregoing Application;

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;

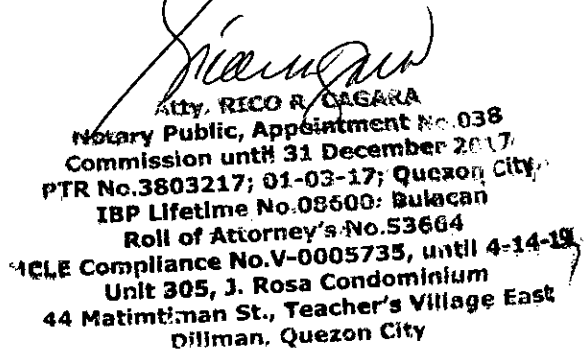
6. If I should thereafter learn that the same or similar action or claim has been filed or is pending, I shall report that fact to this Commission within five (5) days therefrom.

IN WITNESS WHEREOF, I have hereunto affixed my signature this 2nd day of October 2017, in Quezon City, Philippines.


MA. CYNTHIA Y. MANRIQUE
Affiant

SUBSCRIBED AND SWORN to before me this 2nd day of October 2017, affiant exhibited to me her Driver's License with No. XO1-91-014806 with expires on 2017-06-13 and issued by the Land Transportation Office, Quezon City.

Doc. No. 282 :
Page No. 58 :
Book No. 28 :
Series of 2017.


Atty. RICO R. CAGARA
Notary Public, Appointment No. 038
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