

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 THE
LIGHTNING AT MATNOG REPEATER
STATION AND SABOTAGE IN
MINDANAO IN ACCORDANCE WITH
THE RULES FOR SETTING
TRANSMISSION WHEELING RATES,
WITH PRAYER FOR PROVISIONAL
AUTHORITY,**

ERC CASE NO. _____RC

**NATIONAL GRID CORPORATION OF
THE PHILIPPINES,**

Applicant.

x ----- x

APPLICATION

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

Nature of the Application

1. This Application is filed pursuant to Section 10.1.1, Article X of the Rules for Setting Transmission Wheeling Rates (RTWR), for the purpose of seeking this Honorable Commission's approval to charge its customers for expenditures incurred (FM Pass-Through Amount) in relation to the rehabilitation/repair of transmission assets found in Luzon and Mindanao, brought about by the:

- a) The destruction of the Matnog Repeater Station 13.2KV AC power line on June 13, 2009, located in Barangay Pangue, Matnog, Sorsogon due

to lightning strikes, which caused the 25 KVA distribution transformer to malfunction and the burning of the automatic voltage regulator of the generator set, output DC terminal and cable of Chloride charger and terminals of AC panel, resulting to the loss of commercial AC power.

- b) The bombing and sabotage of Tower No. 142 on 16 March 2009, which is part of the Kibawe-Tacurong/Nuling 138kV line located at Kabacan, North Cotobato by lawless elements, resulting in the total destruction of the tower.

2. Under the RTWR, NGCP is allowed to recover costs that it incurred in the transmission of electricity as a result of a Force Majeure Event, as defined in the Section 1.3 Article I of the RTWR. Likewise, Force Majeure Event is defined in Module A: General Terms and Conditions under the Open Access Transmission Service Rules (OATS Rules). Moreover, Section 10.1.1 of the RTWR provides:

“If a Force Majeure Event occurs, the Regulated Entity may seek the ERC’s approval to charge Customers, in addition to the maximum amounts that the Regulated Entity is otherwise permitted to charge Customers for Regulated Transmission Services pursuant to Articles III, IV or V (as applicable), an amount (FM Pass-Through Amount) that is not greater than the Eligible FM Pass Through Amount (as calculated by the Regulated Entity) in respect of that Force Majeure Event as at the date of the Force Majeure Event Claim (if any) given to the ERC pursuant to Section 10.2 in respect of that Force Majeure Event.”

The Applicant

3. NGCP is a corporation created and existing under the laws of the Philippines, with principal office address at NGCP Building, Quezon Avenue corner BIR Road, Diliman, Quezon City. It is the corporate vehicle of the consortium which was awarded the concession to assume the power transmission functions of the National Transmission Corporation (TRANSCO) pursuant to Republic Act No. 9136, otherwise known as the *Electric Power Industry Reform Act of 2001* (EPIRA).

4. Under 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,"* 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.

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

Statement of Facts

Lightning at Matnog Repeater Station

6. On the 13 June 2009, lightning struck twice the Matnog Repeater Station which is located at Baranggay Pangué, Matnog, Sorsogon, thereby causing damage to the equipments thereat.

7. On 14 August 2009, NGCP filed a verified Notice of Force Majeure Event within the period prescribed in the Transmission Wheeling Rates Guidelines (TWRG) [amended by Rules on Transmission Wheeling Rates (RTWR), which took effect on 22 September 2009], as condition precedent for a claim of Force Majeure Pass Through Amount. A copy of the said Notice, with its annexes, is attached hereto as **Annex "A and series."**

Kibawe-Kabacan Tower No. 142 Sabotage

8. On 16 March 2009, Tower No. 142, which is part of the Kibawe-Tacurong/Nuling 138kV line located at Kabacan, North Cotobato was bombed by lawless elements, resulting in the total destruction of the tower.

9. Thus, on 10 June 2009, NGCP timely filed the corresponding verified Notice of Force Majeure Event. A copy of the said Notice, with its annex, is attached hereto as **Annex “B and series.”**

10. On account of the change in NGCP’s management in March 2010, NGCP failed to file within the period prescribed by the ERC Rules this application for the FME pass through involving the bombing incident for which NGCP seeks the kind indulgence of this Honorable Commission to consider.

11. In view of the aforementioned Force Majeure Events, there arose the need to immediately program or realign capital expenditure (CAPEX) projects that will bring back the necessary service and permanently restore the damaged transmission assets.

12. The restoration and rehabilitation activities of the damaged towers have been completed.

Computation of Force Majeure Event Pass-Through Cost

13. The transmission facilities damaged as a result of the Force Majeure Events form part of the Luzon and Mindanao grid. Consequently, on the basic principle that there should be no cross-subsidy, the actual and programmed costs incurred for the incidents are specifically identified for Luzon and Mindanao. The costs approved by this Honorable Commission for recovery shall be recovered from NGCP’s customers in Luzon and Mindanao.

14. The CAPEX that NGCP has actually incurred to complete the towers’ rehabilitation amounts to:

Grid	Amount, Php
Luzon	3,702,391.09
Mindanao	792,467.47

15. NGCP proposes to include the corresponding amount of permit fees to be part of the total recoverable cost from customers in the respective grid. These permit fees are treated as capitalized cost as these costs will form part of the total capital expenditures. The computed permit fees, following the rate prescribed by ERC in Resolution No.21 Series of 2007:

Luzon Grid:

Php 3,702,391.09
 ----- X Php 0.75 = Php 27,767.93
 Php 100.00

Mindanao Grid:

Php 792,467.47
 ----- X Php 0.75 = Php 5,943.51
 Php 100.00

Grid	Permit Fees, Php
Luzon	27,767.93
Mindanao	5,943.51

16. In respect of the capital expenditures arising from the restoration activities, summaries of the two schedules thereof, are indicated in Tables below:

Table 1: Schedule of Capital Expenditures, Real PhP, thousands

FM Event	As of December 2009	Estimated in 2010	As of December 2010
Luzon	107.80	2,800.85	2,908.65
Mindanao	648.38	-	648.38
TOTAL	756.18	2,800.85	3,557.03

Table 2: Schedule of Capital Expenditures, Nominal PhP, Thousands

FM Event	As of December 2009	Estimated in 2010	As of December 2010
Luzon	132.75	3,597.41	3,730.16
Mindanao	798.41	-	798.41
TOTAL	931.16	3,597.41	4,528.57

The above nominal values were computed using the inflation indexation factors¹ provided in the Final Determination dated 13 June 2006 of 1.2314 and 1.2844 for 2009 and 2010, respectively. While in the nominal values in the table below is computed using the proposed inflation indexation factors submitted by NGCP in its Third Regulatory Reset Application of 1.0430, 1.0847, 1.1281, 1.1732, 1.2331 for 2010, 2011, 2012, 2013, 2014 and 2015, respectively.

17. Using the building block approach of determining the Annual Revenue Requirement (ARR) for Luzon and Mindanao Grid as shown in Table 3 hereto attached as **Annexes “C”** and **“D”**, respectively, NGCP proposes to pass through the FME Claim as additional network charges in Luzon and Mindanao (summarized in Table 4 below) starting the Regulatory Year 2010, or until such time that the amounts incurred are fully recovered. The FME claim was not incorporated in the Building Block analysis in the 3rd Regulatory Reset application for purposes of proposal to recover the pass-through FME claim extending until the 3rd Regulatory Period.

Table 4: Proposed Recovery for 2009 up to 2015

FMEvent - Pesos/kW	2009	2010	2011	2012	2013	2014	2015	Total
Luzon-Matnog RS	0.00023	0.00557	0.00822	0.00761	0.00703	0.00650	0.00600	0.04116
Mindanao Sabotage	0.00513	0.00866	0.00819	0.00775	0.00735	0.00699	0.00664	0.05071

18. The following assumptions were used in the computation of the ARR:

- A. The Return on Capital was determined by applying the approved Regulatory WACC of 15.87% for the Second Regulatory Period on the fifty per cent (50%) of the 2009 CAPEX (since the opening of the regulatory asset base for 2009 is equal to zero (0)) and on the average of rolled forward asset base for 2010 up to 2015.
- B. As regards the Return of Capital, the depreciation was calculated using the ERC’s approved assets’ lives in the Final Determination for the Second Regulatory Period.

¹ Inflation indexation factors adopted by the ERC in determining the nominal values of TRANSCO’s CAPEX, Final Determination – MODEL on 2nd Regulatory Period Application

C. Depreciation for 2009 is equivalent to fifty per cent (50%) of the annual depreciation on actual CAPEX. For 2010 up to 2015, it is the full annual depreciation of the asset base.

D. Taxes were computed based on 3% of the ARR.

E. P/kW and P/kWh were determined using the demand and energy data used in the application for the 2010 Maximum Allowable Revenue.

19. In accordance with Article 10.2.5 of the RTWR, the Force Majeure Threshold Amount (FMTA) is determined using the following formula:

$$FMTA_t = 0.02PhP/kWh \times (CPI_{t-1}/CPI_{2002})$$

Where: CPI_{t-1} has the same meaning as in Section 3.3.2 of the RTWR
 CPI_{2002} is the sum of the CPIs for the quarters ending on 31 December 2001, March 2002, June 2002, and September 2002

20. The applicable CPI values and the computation of the FMTA are provided in the following table:

Table 5: Force Majeure Threshold Amount (FMTA)

CPI_{t-1}			CPI_{2002}		
Dec 2008	CPI Q4, 2007	156.7	Dec 2001	CPI Q4, 2001	164.3
Mar 2009	CPI Q1, 2008	158.1	Mar 2002	CPI Q1, 2002	165.2
June 2009	CPI Q2, 2008	159.8	June 2002	CPI Q2, 2002	166.3
Sept 2009	CPI Q3, 2008	160.8	Sept 2002	CPI Q3, 2002	167.9

Hence, FMTA is equal to 0.02 multiplied by 635.4 divided by 663.7 or 0.01915 Php/kWh.

21. In sum, NGCP proposes to recover the FME Claims during the twelve (12) month billing period starting 26 December 2010 to 25 December 2015. The FME Claims (sum of 2009 and 2010 as expressed in peso/kilowatt-hour equivalent) does not breach the FMTA as shown in the following:

Table 6: FME Claims Against FMTA

FMEvent	In Pesos/kilowatthour equivalent							Average	FMTA	Remarks
	2009	2010	2011	2012	2013	2014	2015			
uzon	0.0000005	0.000012	0.000017	0.000016	0.000015	0.000014	0.000012	0.00001	0.01915	did not breach the FMTA
indanao	0.000011	0.000019	0.000018	0.000017	0.000016	0.000016	0.000015	0.00002		

22. Notwithstanding that the assets being maintained and operated by the NGCP are owned by TRANSCO, who is co-assured with the National Power Corporation’s (NPC) Industrial All Risk (IAR) insurance policy with the Government Service Insurance System (GSIS), the damaged towers are not covered by the said policy.

23. The FME Claims proposed herein were designed and developed in accordance with the provisions of the RTWR, the Reset Issues Paper and the pertinent issuances of this Honorable Commission, and sets forth fair and reasonable transmission rates that will serve the public interest and convenience, and are geared towards the efficient utilization of transmission facilities. The cost to rehabilitate the damaged facilities will ultimately redound to the best interest and benefit of the consuming public in terms of continuous, reliable and efficient power supply as mandated by Republic Act No. 9136.

Allegations in Support of the Application for Provisional Authority

24. The timely implementation of the rate changes will allow the equal or even spread of the increases or decreases in tariffs from the initial implementation of the recovery of the cost. Any delay in the implementation of the above-calculated proposed recoverable rates will result in prolonged unrecovered costs on the part of NGCP.

25. Furthermore, the timely implementation of the recoverable rate will reduce, if not eliminate, the risk of spending legitimate cost on account of the needed restoration, which being an unforeseen event would not have been considered in the relevant Regulatory Reset Application.

26. The occurrence of the aforementioned force majeure events required capital infusion arising from restoration of the above facilities, the recovery of which should be allowed in order not to financially strain herein applicant (transmission system operator), and to allow it to continuously provide the necessary transmission service to the grid customers.

PRAYER

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

1. **Declare** that the incidents of lightning in Luzon for Matnog Repeater Station which destroyed the equipments therein and sabotage, destroying Tower No. 142 in Mindanao as recoverable Force Majeure Events is within the purview of the RTWR;

2. **Approve** the expenditures incurred for the repair/restoration/rehabilitation of the damaged transmission facilities and to declare that the same are reasonable and prudent;

3. **Approve** the proposed pass-through amount representing return on and of capital expenditure associated with the emergency responses and the repair and rehabilitation of facilities damaged due to the said events;

FMEvent - Pesos/kW	2009	2010	2011	2012	2013	2014	2015	Total
Luzon-Matnog RS	0.00023	0.00557	0.00822	0.00761	0.00703	0.00650	0.00600	0.04116
Mindanao Sabotage	0.00513	0.00866	0.00819	0.00775	0.00735	0.00699	0.00664	0.05071

4. **Grant** a provisional authority to implement and bill the FME Pass-Through Amount effective the billing month 26 December 2010 to 25 December 2015 to the Luzon and Mindanao customers, respectively; and

5. **Exclude** the proposed Pass-Through Amount from the side constraint calculation in the years 2010 up to 2015.

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

Quezon City for Pasig City, 09 June 2010.

OFFICE OF THE GENERAL COUNSEL

NGCP Building, Quezon Avenue corner

BIR Rd., Diliman, Quezon City

Tel. No. 921-33-72

By:



LUIS MANUEL U. BUGAYONG

PTR No. 5931266/ 01-18-10/ Pasig

IBP No. 812742/ 04-14-10/ Rizal

MCLE Compliance No. III 0009784/ 03-16-10

Roll of Attorneys No. 38002



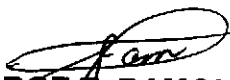
RONALD DYLAN P. CONCEPCION

PTR No. 0686869/ 01-18-10/ Mandaluyong City

IBP Lifetime No. 04995/ RSM Chapter

MCLE Compliance No. III-0009719/ 03-16-10

Roll of Attorneys No. 40065



GEORGE T. RAMOLETE

PTR No. 3237748/ 01-14-10; Quezon City

IBP No. 805951; Baguio City

MCLE Compliance No. III-0008798

Roll of Attorneys No. 50333

Verification and Certification on Non-Forum Shopping

I, **ROQUE F. CORPUZ**, of legal age, married, with office address at the NGCP Building, Quezon Avenue corner BIR Road, Diliman, Quezon City, after having been duly sworn to in accordance with law, do hereby depose and state, that:

1. I am the President and Chief Executive Officer of the National Grid Corporation of the Philippines (NGCP), who is authorized to represent it in this Application per attached Secretary's Certificate dated 15 June 2009;

2. In behalf of NGCP, I have caused the preparation of the instant Application and the allegations therein contained are true and correct based on my personal knowledge and authentic records available to Applicant NGCP;

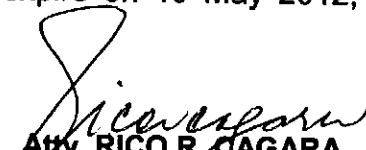
3. NGCP has not commenced any other action or proceeding involving the same issues in the Supreme Court, the Court of Appeals or any court, tribunal, or quasi-judicial agency and, to the best of my knowledge, no such other action or claim is pending therein; and

4. If I should hereinafter learn that the same or a similar action or claim has been filed or is pending in the Supreme Court, the Court of Appeals or any court, tribunal, or quasi-judicial agency, I shall report the said fact within five (5) days from discovery thereof to the Honorable Commission.

9 June 2010, Quezon City, Philippines.


ROQUE F. CORPUZ
Affiant

SUBSCRIBED AND SWORN to before me this 9th day of June 2010, affiant exhibited to me his Driver's License No. A04-70003519, issued by the Land Transportation Office, Quezon City which will expire on 10 May 2012, as proof of his identity.


Atty. RICO R. GAGARA
Notary Public, Appointment No. 045-10
Commission Expires December 31, 2010
PTR No. 3175601; 01/02/2010; Quezon City
IBP Lifetime Roll No. 08600; Bulacan
MCLE Compliance No. III-0001360; 12/10/08
Roll of Attorneys No. 53664

Doc. No. 12 ;
Page No. 4 ;
Book No. 8 ;
Series of 2010.

REPUBLIC OF THE PHILIPPINES)
CITY OF QUEZON) S.S.

SECRETARY'S CERTIFICATE

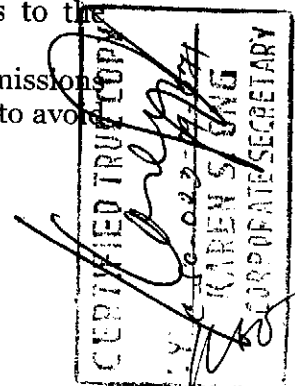
I, **KAREN S. ONG**, of legal age, Filipino, and with office address at Power Center, Quezon Avenue corner BIR Road, Diliman, Quezon City, Metro Manila, after having been duly sworn in accordance with law, hereby certify that:

1. I am the Corporate Secretary of NATIONAL GRID CORPORATION OF THE PHILIPPINES ("NGCP"), a corporation duly organized and existing under the laws of the Republic of the Philippines, with office address at Power Center, Quezon Avenue corner BIR Road, Diliman, Quezon City.

2. At the Meeting of the Board of Directors of the corporation held on 15 June 2009, at which a quorum was present, the following resolutions were approved:

"NOW THEREFORE, BE IT RESOLVED, AS IT IS HEREBY RESOLVED, that the following are hereby approved and adopted:

1. Confirming and ratifying all previous acts of the Office of the General Counsel, and the President and CEO, relative to regulatory applications and proceedings with the Energy Regulatory Commission, and all other civil, criminal, labor, and tax disputes to which NGCP was a party, and which needed immediate and expeditious attention to protect the Corporation's interests;
2. Granting authority to the President and CEO, and/or his duly authorized representative, to sign the verification and certification of non-forum shopping relative to regulatory applications and proceedings with the Energy Regulatory Commission, and all other civil, criminal, labor, and tax disputes;
3. Granting authority for the Office of the General Counsel or any of its lawyers to do the following:
 - a. Represent NGCP in the regulatory applications and proceedings with the Energy Regulatory Commission, and all other civil, criminal, labor, and tax disputes, and to consider:
 - i. The possibility of an amicable settlement or a submission to alternative modes of dispute resolution;
 - ii. Simplification of the issues;
 - iii. The necessity or desirability of amendments to the pleadings;
 - iv. The possibility of obtaining stipulations or admissions of facts and of documents, totally or partially, to avoid unnecessary proof;
 - v. The limitation of the number of witnesses;



- vi. The advisability of a preliminary reference of issues to a commissioner; and
 - vii. Such other matters as may aid in the prompt disposition of the case.
- b. To execute, sign, and obtain any bond that may be required in said case from any bonding or insurance company, and to sign any document necessary to obtain said bond;
 - c. To do and perform, on behalf of NGCP, any act and deed relating to the case, which NGCP may legally do and perform, including any appeals or further legal proceedings; and
4. Granting authority to the President and CEO to execute, sign and/or deliver compromise agreements, and any and all documents to effect the foregoing resolution.”

IN WITNESS WHEREOF, I have hereunto set my hand this 18th day of June 2009 in Quezon City, Metro Manila.

[Handwritten Signature]

KAREN S. ONG
 Affiant

CERTIFIED TRUE COPY
 BY: *[Handwritten Signature]*
KAREN S. ONG
 CORPORATE SECRETARY

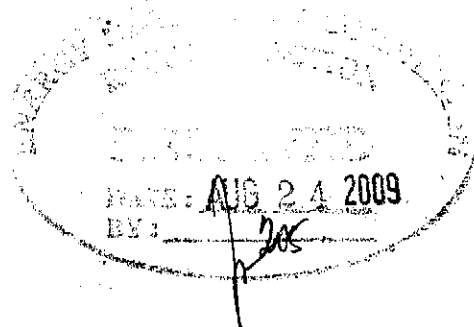
SUBSCRIBED AND SWORN TO before me this 18th day of June 2009 in Quezon City, Metro Manila, affiant exhibiting to me her Passport No. TT0665884 issued on 16 August 2006 in Manila.

Doc. No. 211 ;
 Page No. 44 ;
 Book No. 3 ;
 Series of 2009.

[Handwritten Signature]
Atty. RICO R. CAGARA
 Notary Public
 Appointment No. 154-08
 Commission Expires December 31, 2009
 PTR No. 1119788/1-05-09/Quezon City
 IBP OR No. 757212/1-05-09/Bulacan
 MCLE Compliance No. 111-0001360
 Roll of Attorney's No. 53664

14 August 2009

HON. ZENAIDA G. CRUZ-DUCUT
Chairperson
Energy Regulatory Commission
Pacific Center Building
San Miguel Avenue, Pasig City



Subject: Force Majeure Event Notice Regarding Matnog Repeater Station 13.2KV
AC power line

Dear Chairperson Ducut:

Pursuant to Section 3, Rule 20-G of the ERC Rules of Practice and Procedure, and in compliance with Section 10.2, Article X of the Transmission Wheeling Rate Guidelines, the National Grid Corporation of the Philippines ("NGCP") hereby submits this verified Force Majeure Event Notice.


On the 13th of June 2009, at about 3:30 p.m., a lightning struck at Matnog Repeater Station 13.2KV AC power line, located in Barangay Pangué, Matnog, Sorsogon which caused the 25KVA distribution transformer to malfunction which resulted in the loss of commercial AC power.

On same date, around 3:40 p.m., a lightning struck for the second time in an open space inside the vicinity of AFP compound where the repeater shelter is situated. Immediately after the lightning strike, smoke emitted from the generator set and the 48VDC charger. The automatic voltage regulator of the generator set, output DC terminal and cable of Chloride charger and terminals of AC panel main breaker were burned.

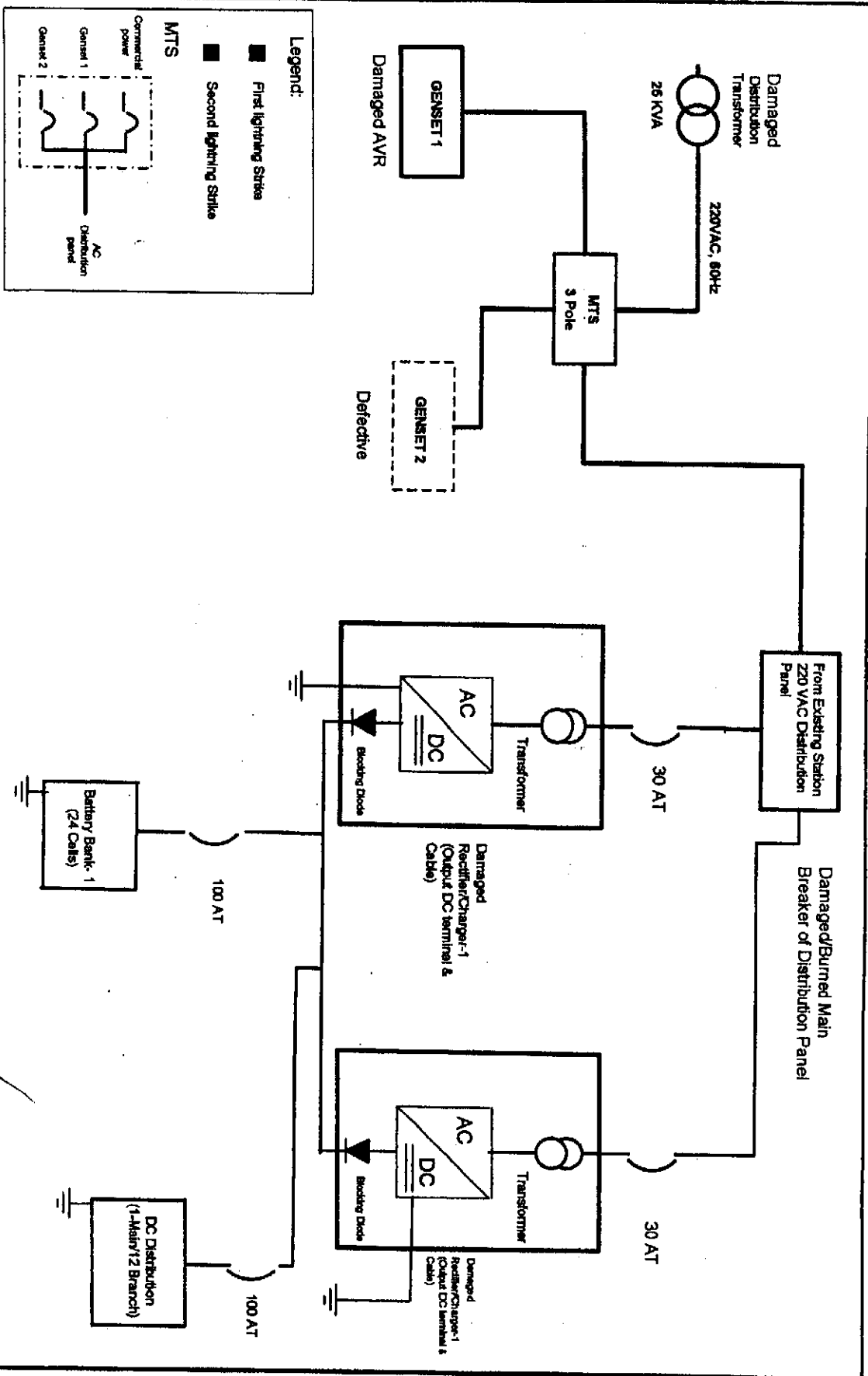
Attached hereto as Annex "A" is the single line diagram of Matnog Repeater Station AC and DC power system for reference as well as the Incident Report attested by the concerned unit marked as Annex "B".

As Regulatory Compliance Officer and the duly authorized representative of the NGCP, I am executing this instant Notice to attest that the allegations therein are true and correct based on authentic records.

Very truly yours,


WINIFREDO SM PANGILINAN
Head, Revenue and Regulatory Affairs &
Regulatory Compliance Officer

Two handwritten initials or signatures, one appearing to be "WSP" and the other a stylized signature.



Legend:

- First lightning Strike
- Second lightning Strike

MTS

Commercial power

General 1

General 2

AC Distribution panel

National Grid Corporation of the Philippines
 SCADA & TELECOM DEPARTMENT
 Integrated Telecom and Auxiliary Systems Division

MATNOC REPEATER STATION AC & DC POWER SUPPLY SYSTEM

Prepared By: A. G. NUNEZ - Engineer - B
 Approved By: R. C. SUEVEDO - Mgr. ITASD

Gerry M. Buhain
OIC/STD

Extension: 4402
Direct Line: 922-09575
Fax No.: 981-4405



**NATIONAL GRID CORPORATION
OF THE PHILIPPINES**

Memorandum: Ref. No. **STD2009-014**

For: R.J.G. SELUDO AVP, LSO	Date: 18 JUNE 2009
Subject: INCIDENT REPORT ON MATNOG R/S	

Please be informed that Mr. A.B. Aringo, O&M Aide C detailed at Matnog R/S reported the failure of 48 VDC charger on **June 8, 2009**. Mr. A.R. Almiranez, Electrician B, and Mr. R.R. Gapuz, Mechanic A of TASS/ITASD proceeded to Matnog R/S to conduct emergency restoration works on the 48VDC charger. Upon arrival of the said personnel at the site, commercial power was normal, 48VDC chargers are not operational and battery bank was discharged. After several testing and troubleshooting of the 48VDC charger, on **June 13, 2009 @ 1500 hrs**, 48 VDC charger was online and the 48 VDC battery bank was being charged. At the same day, heavy thunderstorm was experienced at the site and as per report of the maintenance personnel on site, lightning struck Matnog R/S twice, details are as follows:

June 13, 2009 @ 1530 hrs

First lightning struck Matnog R/S 13.2KV AC power line which caused bug down of 25 KVA distribution transformer that resulted in the loss of commercial AC power.

- By means of a manual transfer switch, maintenance personnel on site transferred AC source from Commercial power to Emergency Generator Set. (See attached single line diagram).
- Emergency generator set supplied the AC power to the equipments.

June 13, 2009 @ 1540 hrs

Lightning struck for the second time, it struck an open space inside the vicinity of AFP compound where the repeater shelter is situated. Immediately after the lightning strike, smoke emitted from the generator set and from the 48VDC charger.

Upon inspection of maintenance personnel on site, it was found out that the automatic voltage regulator of the generator set was burned; output DC terminal and cable of Chloride charger was burned that may have affected/damage both chargers; terminals of AC panel main breaker was burned.

Attached herewith is the single line diagram of Matnog R/S AC and DC power supply system for reference.

Action Plan:

- Personnel have already coordinated with SORECO regarding the damaged distribution transformer.
- A letter has been sent to Mr. P. Borja Jr., Division Manager, ALSOR O&M, requesting assistance for the immediate replacement of the damaged distribution transformer dated June 16, 2009.
- Group of ITASD personnel will proceed to Matnog R/S on June 16, 2009 to restore all damaged equipments thereat.
- A letter addressed to SORECO 1 from Mr. P. Borja has been sent. *(please see attached)*

Estimated Cost of Damage:

•		
•	1 set distribution transformer with lightning arrester (Property of SORECO)	Php 90,000.00
•	2 units Chloride 48 VDC Charger	Php 2,100,000.00
•	1 pc Generator Automatic Voltage Regulator (AVR)	Php 60,000.00
•	80 meters Stranded Wire AWG 2.0	Php 20,000.00
•	1 pc Molded Case Circuit Breaker (100 AT)	Php 5,000.00
		Php 2,275,000.00

Our group is currently investigating the said incident; a detailed report on the damages will be submitted by Monday, June 22, 2009 for insurance claim purposes.

For your information.



G.M. BUHAIN



NATIONAL GRID CORPORATION OF THE PHILIPPINES
District III, Albay-Sorsogon Branch
Peñafrancia, Daraga, Albay

June 16, 2009

MR. R. F. FORTES, CPA
General Manager
Sorsogon Electric Cooperative I (SORECO I)
Gulang-gulang, Irosin, Sorsogon

Dear Mr. Fortes,

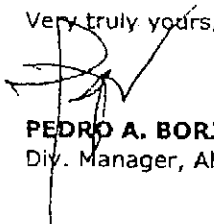
This is in connection with NGCP ITASD Manager, Mr. Arsenio R. Quevedo's request for representation with your office regarding the damages incurred of the repeater station in Matnog due to lightning strike last June 13, 2009.

In this regards, we are requesting your immediate assistance for the replacement of the damaged distribution transformer at said station due to its importance in the system and they are amenable to be billed of any expenses incurred in said replacement activity. At our end, we will just generate credit account for such undertakings.

Anticipating for your usual support and cooperation.

Thank you very much.

Very truly yours,


PEDRO A. BORJA, JR.
Div. Manager, AISor Branch

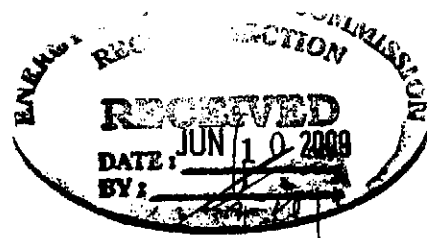
Cf. Mr. Arsenio R. Quevedo - Mgr, ITASD
Mr. Antonio N. Licup, Jr. Mgr, D3, SLOM



NATIONAL GRID CORPORATION
OF THE PHILIPPINES

10 June 2009

ANNEX **B**



HON. ZENAIDA G. CRUZ-DUCUT
Chairperson
Energy Regulatory Commission
Pacific Center Building
San Miguel Avenue, Pasig City

Dear Chairperson Ducut:

**Subject: Force Majeure Event Notice Regarding Sabotage of Tower No. 142
of the Tacurong-Kabacan-Kibawe 69kV Transmission Lines**

Pursuant to Section 3, Rule 20-G of the ERC Rules of Practice and Procedure, and in compliance with Section 10.2, Article X of the Transmission Wheeling Rate Guidelines, the National Grid Corporation of the Philippines ("NGCP") hereby submits this verified Force Majeure Event Notice.

On 16 March 2009, at about 10:00 p.m., Tower No. 142, located in Barangay Malabuayan, Kabacan, North Cotabato along the Tacurong-Kabacan-Kibawe 69kV Transmission Lines, was sabotaged by lawless elements. Improvised explosive devices were detonated at the Tower's legs causing it to topple. Attached hereto as Annex "A" is a picture of Tower No. 142 after the incident.

On same date, at about 11:00 o'clock in the evening, Tower No. 97, located in Barangay Kitulaan, Carmen, Cotabato along the Kabacan-Kibawe 138kV Transmission Lines, was also sabotaged using improvised explosive devices, cutting off two (2) of the Tower's legs.

As Regulatory Compliance Officer and the duly authorized representative of the NGCP, I am executing this instant Notice to attest that the foregoing statements are true and correct based on authentic records.

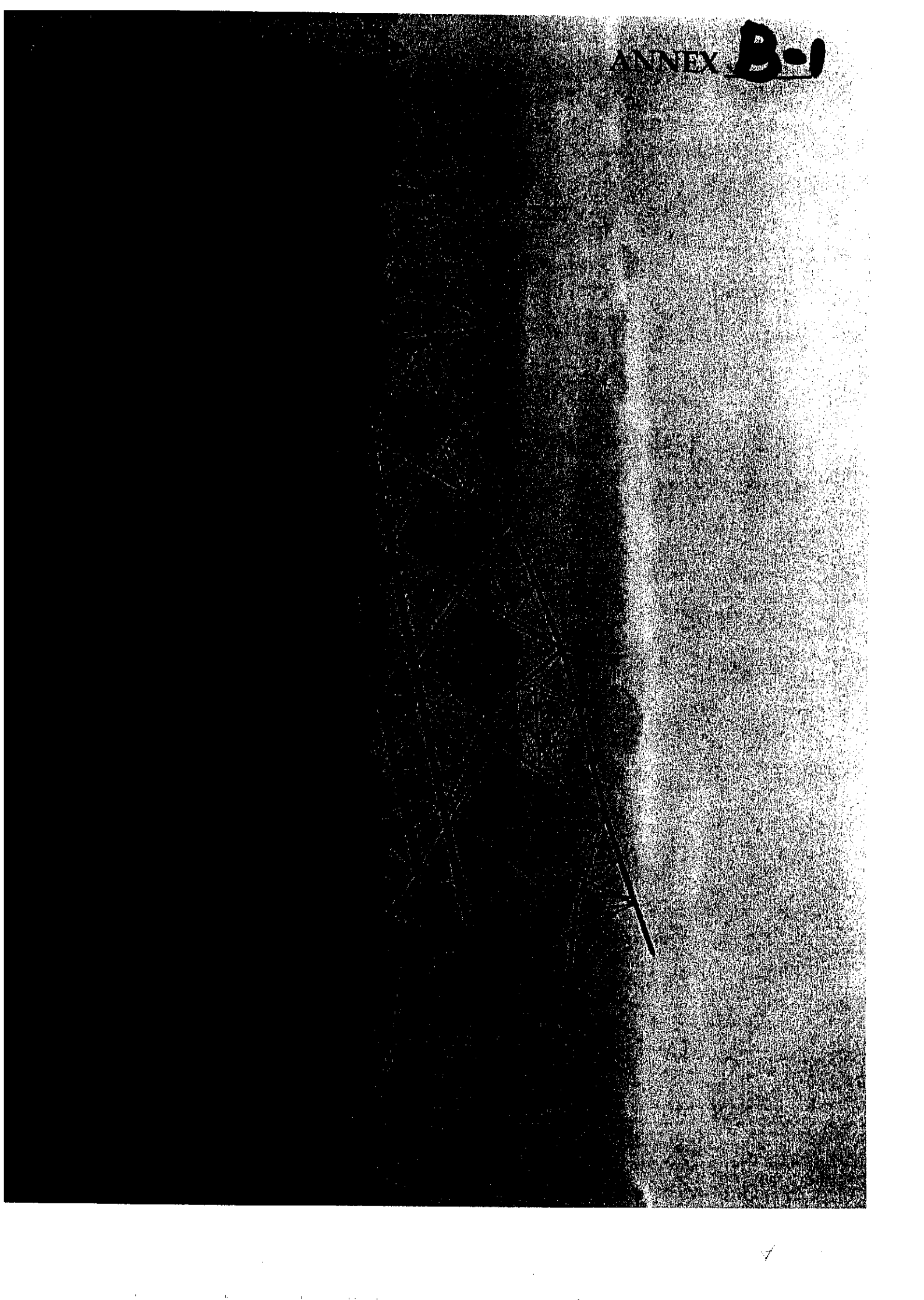
Very truly yours,

WINIFREDO PANGLINAN
Regulatory Compliance Officer

SUBSCRIBED AND SWORN to before me this 10th day of June 2009, in Quezon City, affiant exhibiting to me his Driver's License No. C10-72-0064444 issued at Quezon City, expiry on 6 Oct 2011.

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Book No. 3 ;
Series of 2009.

Atty. RICO E. CAGARA
Notary Public
Appointment No. 154-08
Commission Expires December 31, 2009
PTR No. 1119788/1-05-09/Quezon City
IBP OR No. 757212/1-05-09/Bulacan
MCLE Compliance No. 111-0001360
Roll of Attorney's No. 53664



NATIONAL GRID CORPORATION OF THE PHILIPPINES
COMPUTATION OF FME CLAIM - Annual Revenue Requirement
LUZON GRID

Table 3: Php, unless otherwise stated, Nominal

Luzon Grid	2009	2010	2011	2012	2013	2014	2015
Beginning Balance	-	123,066.11	3,525,110.03	3,365,879.78	3,200,407.04	3,028,437.32	2,849,716.13
CAPEX	132,747.28	3,597,411.74	-	-	-	-	-
Depreciation	9,681.17	195,367.82	159,230.25	165,472.74	171,969.72	178,721.19	187,688.21
Ending Balance	123,066.11	3,525,110.03	3,365,879.78	3,200,407.04	3,028,437.32	2,849,716.13	2,662,027.92
Average RAB	61,533.06	1,824,088.07	3,445,494.91	3,283,143.41	3,114,422.18	2,939,076.73	2,755,872.03
WACC	0.158739	0.158739	0.158739	0.158739	0.158739	0.158739	0.158739
Return on Capital	9,767.70	289,553.92	546,934.42	521,162.90	494,380.26	466,546.10	437,464.37
Return of Capital	9,681.17	195,367.82	159,230.25	165,472.74	171,969.72	178,721.19	187,688.21
O&M	-	-	-	-	-	-	-
Taxes	601.51	14,997.58	21,840.14	21,236.15	20,608.76	19,956.72	19,334.62
ARR	20,050.37	499,919.31	728,004.81	707,871.80	686,958.74	665,224.01	644,487.20
Forecast MW*	85,697.00	89,701.51	92,773.95	95,969.08	99,355.18	102,585.30	105,754.73
P/kW - Pass Through	0.00023	0.00557	0.00785	0.00738	0.00691	0.00648	0.00609
Forecast GWh*	40,974.45	42,421.54	43,957.13	45,714.52	47,535.61	49,204.50	50,898.79
P/kWh	0.0000005	0.000012	0.000017	0.000015	0.000014	0.000014	0.000013

* Actual in 2009

NATIONAL GRID CORPORATION OF THE PHILIPPINES
COMPUTATION OF FME CLAIM - Annual Revenue Requirement
MINDANAO GRID

Table 3: Php, unless otherwise stated, Nominal

Mindanao Grid	2009	2010	2011	2012	2013	2014	2015
Beginning Balance	-	781,748.07	764,397.88	750,178.05	735,417.48	720,094.12	704,185.92
CAPEX	798,410.98	-	-	-	-	-	-
Depreciation	16,662.91	17,350.19	14,219.83	14,760.57	15,323.36	15,908.20	16,684.95
Ending Balance	781,748.07	764,397.88	750,178.05	735,417.48	720,094.12	704,185.92	687,500.97
Average RAB	390,874.03	773,072.97	757,287.97	742,797.77	727,755.80	712,140.02	695,843.44
WACC	0.158739	0.158739	0.158739	0.158739	0.158739	0.158739	0.158739
Return on Capital	62,046.95	122,716.83	120,211.13	117,910.97	115,523.23	113,044.39	110,457.49
Return of Capital	16,662.91	17,350.19	14,219.83	14,760.57	15,323.36	15,908.20	16,684.95
O&M	-	-	-	-	-	-	-
Taxes	2,434.33	4,331.97	4,157.66	4,103.24	4,046.80	3,988.22	3,932.24
ARR	81,144.19	144,398.99	138,588.62	136,774.79	134,893.39	132,940.82	131,074.69
Forecast MW*	15,799.79	16,655.61	17,267.53	17,892.85	18,479.36	19,040.99	19,623.67
P/kW - Pass Through	0.00514	0.00867	0.00803	0.00764	0.00730	0.00698	0.00668
Forecast GWh*	7,386.72	7,542.45	7,802.22	8,057.49	8,310.59	8,574.93	8,855.65
P/kWh	0.000011	0.000019	0.000018	0.000017	0.000016	0.000016	0.000015

*Actual in 2009