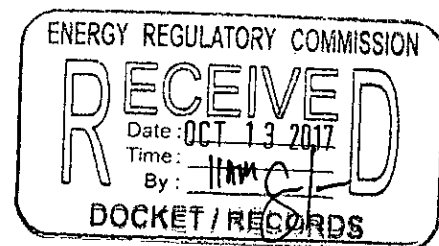
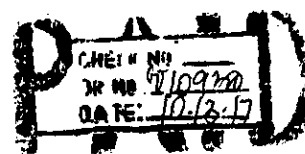


Republic of the Philippines
ENERGY REGULATORY
San Miguel Avenue, Pasig City



IN THE MATTER OF THE APPLICATION FOR THE APPROVAL OF THE SALE OF VARIOUS SUB-TRANSMISSION LINES/ASSETS OF THE NATIONAL TRANSMISSION CORPORATION (TransCo) TO CEBU II ELECTRIC COOPERATIVE, INC. (CEBECO II), AS COVERED BY A CONTRACT TO SELL DATED 01 OCTOBER 2015

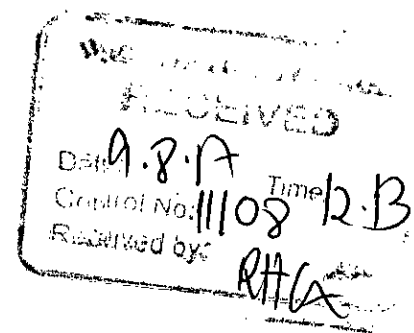


ERC CASE No. 2017- 91 RC

NATIONAL TRANSMISSION CORPORATION (TransCo) AND CEBU II ELECTRIC COOPERATIVE, INC. (CEBECO II),

Applicants.

X-----X



JOINT APPLICATION

Applicants, NATIONAL TRANSMISSION CORPORATION (TransCo) and CEBU II ELECTRIC COOPERATIVE, INC. (CEBECO II), through counsel, and to this Honorable Commission most respectfully aver that:

1. **TransCo** is a government-owned and controlled corporation created and existing by virtue of R.A. No. 9136, otherwise known as the *Electric Power Industry Reform Act of 2001 (EPIRA)*, with principal office address at the TransCoMain Building, Quezon Avenue corner BIR Road, Diliman, Quezon City.

2. **CEBECO II** is an electric cooperative (EC) organized and existing under the laws of the Republic of the Philippines, with principal office address in Malingin, Bogo, Cebu City, Philippines.

3. By virtue of Section 8 of the EPIRA, TransCo assumed the electrical transmission functions of the National Power Corporation, and the responsibility of the latter for the planning, construction and centralized operation and maintenance of high voltage transmission facilities, including grid interconnections and ancillary services.

4. Section 8 of the EPIRA and Rule 6, Section 8(e) of the *EPIRA's Implementing Rules and Regulations (IRR)* also mandate the segregation of the transmission and sub-transmission functions and assets for transparency and disposal, and authorize TransCo to negotiate for, and to transfer such sub-transmission assets (STAs) and facilities to qualified distribution utilities (DUs).

5. Pursuant thereto, this Honorable Commission promulgated the "*Guidelines on the Sale and Transfer of the TransCo's Sub-transmission Assets and the Franchising of Qualified Consortiums*" (*ERC Guidelines*) dated 17 October 2003, as amended by *Resolution No. 3, Series of 2005* dated 17 March 2005 which set forth, among others, the standards to distinguish TransCo's transmission assets from its sub-transmission assets and establish the approval process prior to the final sale and transfer of sub-transmission assets to qualified DUs.

6. Consistent with the ERC Guidelines, TransCo adopted its own *Guidelines on the Sale of Subtransmission Assets (TransCo Guidelines)* (Annex "A") as approved by *TransCo Board Resolution No. TC-2003-067* dated 28 November 2003 (Annex "B"), as further amended by *TransCo Board Resolution No. TC-2004-009* dated 16 March 2004 (Annex "C").

7. On 16 July 2011, this Honorable Commission issued *Resolution No. 15, Series of 2011* entitled "*A Resolution Adopting the Amended Rules for the Approval of the Sale and Transfer of TransCo's Sub-transmission Assets and the Acquisition by Qualified Consortiums.*"

8. In accordance with the aforesaid *ERC Guidelines*, and based on a thorough evaluation conducted by TransCo, it was determined that the **Medellin Load-end Substation** is a sub-transmission asset. Likewise, CEBECO II is the only qualified DU that is connected thereto.

Copies of the *Report* regarding the nature of the asset, *List of STAs for Sale to CEBECO II* and the *Single Line Diagram* are attached as Annexes “D”, “E” and “F,” respectively.

9. On 24 June 2015, the CEBECO II Board of Directors issued *Board Resolution No. 88, Series of 2015* (Annex “G”), for the acquisition of the aforesaid line by CEBECO II, and the authorization of Board President Peter John T. Villamor and/or the CEBECO II General Manager, Engr. Loewl O. Belcina, to sign all documents related to the acquisition.

10. On 15 October 2015, TransCo and CEBECO II concluded a *Contract to Sell* (Annex “H”) covering the Medellin Load-end Substation for the amount of **Seven Million Three Hundred Eighty Four Thousand Nine Hundred Seventy Nine Pesos and Eighty Four Centavos (PhP7,384,979.84)**, based on the rolled-forward values of the SKM Valuation (Annex “I”) for the second regulatory period, and inclusive of the twelve percent value-added tax (12% VAT).

11. TransCo has clearly established that CEBECO II satisfies the financial and technical capability criteria under Article IV of the *ERC Guidelines* in acquiring, operating, maintaining, upgrading and expanding the subject sub-transmission asset.

12. In support of the above allegations, applicants also hereby submit the following relevant documents:

- a. *Financial Qualification Evaluation* of CEBECO II (Annex “J”);
- b. *Technical Qualification Evaluation* of CEBECO II (Annex “K”);
- c. *Audited Financial Statements* of CEBECO II as of 31 December 2014 and 31 December 2015 (Annex “L”);
- d. *Draft Deed of Absolute Sale* (Annex “M”);
- e. *Franchise Description* (Annex “N”); and,
- f. *List of Connected Distribution Utilities and Directly Connected Entities* (Annex “O”).

13. The proposed sale has satisfied all of the requirements and criteria set by the EPIRA and its IRR, as well as the ERC and TransCo’s *Guidelines on the Sale of Subtransmission Assets*.

14. The approval by this Honorable Commission of the instant *Joint Application* shall pave the way for the attainment of a reformed

electricity industry under the EPIRA, which would ultimately best serve the interest of the consuming public.

PRAYER

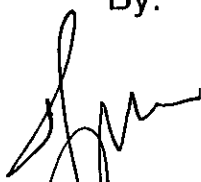
WHEREFORE, it is most respectfully prayed of this Honorable Commission that after due notice and hearing, a **Decision** be rendered **APPROVING** the sale of TransCo's **Medellin Load-end Substation PhP7,384,979.84** in favour of **Cebu II Electric Cooperative, Inc.** under the terms provided in the **Contract to Sell** dated 01 October 2015.

Applicants also pray for other just and equitable relief.

Quezon City and Cebu City, for Pasig City, 27 February 2017.

NATIONAL TRANSMISSION CORPORATION
TransCo Main Building, Quezon Avenue cor. BIR Road
Diliman, 1101 Quezon City
Tel No. 902-1500

By:



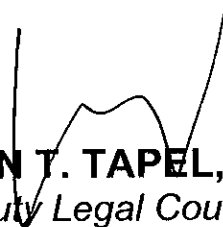
NOEL Z. DE LEON

General Counsel

IBP No. 1059970, 01-05-17, Quezon City

Roll No. 36660, April, 1990

MCLE Compliance V-0012407, 10 December 2015



LEON T. TAPEL, JR.

Deputy Legal Counsel

IBP 0995329, 02-02-15, Pasig City

Roll No. 34555

MCLE Compliance IV-0012123, 30 January 2013



NYERSON DEXTER TITO Q. TUALLA

Manager, Legal Counseling Department

IBP 07135 (Lifetime), Quezon City

Roll No. 52294

MCLE Compliance No. V-0017377, 30 March 2016



SOLEDAD T. DE LA VEGA-CABANGIS

Corporate Attorney III

Roll of Attorneys No. 45797, 05.24.01

IBP No. 825514 (Lifetime), 04.23.10, Bulacan

MCLE Compliance No. V-0004031, effective until 14 April 2019.

**CEBU II ELECTRIC COOPERATIVE, INC. (CEBECO II)
(Co-Applicant)**

By:

A.C. GAVIOLA LAW OFFICE

Rm. 203, 2/F Crown Port View Hotel
3rd Ave., North Reclamation Area, Cebu City
(032)233-2026; acgaviola_lawoffice@gaviolalaw.com

BY:

ALAN C. GAVIOLA

PTR No. 7687775; Cebu City; Jan. 04, 2017
IBP O.R. 1059000; Cebu City; Jan. 03, 2017
Roll No. 30385
MCLE Compliance III, 0019612; Dec. 14, 2010


ALAN BYRNE S. GAVIOLA

PTR No. 7687774; Cebu City; Jan. 04, 2017
IBP O.R. 1059001; Cebu City; Jan. 03, 2017
Roll No. 62695
MCLE Compliance V – 0009261; July 27, 2015

VERIFICATION and CERTIFICATION
of NON-FORUM SHOPPING

I, **ATTY. MELVIN A. MATIBAG**, of legal age, Filipino, and with principal office address at the **National Transmission Corporation (TransCo)**, TransCo Main 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 **TransCo's** President and Chief Executive Officer, who is authorized to represent it in this *Joint Application* as per the attached relevant section of **TRANSCO's Manual of Approvals (Annex "P")**;

2. I have caused the preparation of the instant *Joint Application* and read the contents thereof, and I attest that the allegations herein contained are true and correct based on my personal knowledge and on authentic records;

3. **TransCo** 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. Should I thereafter 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 said fact within five (5) days from discovery thereof to this Honorable Commission.


ATTY. MELVIN A. MATIBAG
Affiant

JUL 04 2017

SUBSCRIBED AND SWORN to before me this ____ day of March, 2017 at TransCo, Quezon City. Affiant who is personally known to me, exhibited to me his I.D No. 12348-5 issued in Quezon City on January 31, 2017 as competent evidence of identity.


NOTARY PUBLIC

NYERSON DEXTER TITO O. TUALLA
Notary Public for Quezon City
Notarial Appointment No. 086
Notarial Commission until December 31, 2017
Roll of Attorneys No. 52204
PTR No. 2181677, Quezon City
IDP Lifetime No. 07136, Quezon City Chapter
National Transmission Corporation
TransCo Building, BIR Road cor. Quezon Ave.,
Diliman, Quezon City 7

Doc. No. 27 ;
Page No. 07 ;
Book No. IV ;
Series of 2017.

VERIFICATION
WITH CERTIFICATION OF NON-FORUM SHOPPING

I, **LOWELL O. BELCIÑA**, of legal age, Filipino and with office address at Malingin, Bogo City, after being duly sworn in accordance with law hereby depose and say:

That I am the General Manager duly authorized by the Board of Directors to file or cause the filing of the foregoing Application;

That by virtue of said resolution, I have caused the preparation of the foregoing application; that I have read and understood all the contents thereof, and hereby state that all allegations therein made are true and correct of my own knowledge and based on authentic records; and

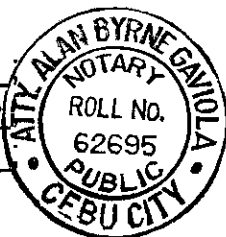
That CEBECO II has not commenced any action or proceedings involving the same issues before the Supreme Court, Court of Appeals, or any other tribunal or agency; that to the best of our knowledge, no such action or proceeding is pending in the Supreme Court, Court of Appeals, or any other tribunal agency; that should hereafter we learn that a similar action or proceedings has been filed or is pending before the Supreme Court, Court of Appeals, or any other Tribunal or agency, we shall undertake to report to the Honorable Commission of said fact within five (5) days from knowledge therefrom.


IN WITNESS WHEREOF, I have hereunto set my hand this ___ day of 18 AUG 2017 2017 in the City of Cebu, Philippines.


LOWELL O. BELCIÑA
Affiant

SUBSCRIBED AND SWORN TO BEFORE ME this ___ day of 18 AUG 2017 2017, at Cebu City, Philippines. Affiant, for purposes of identification, exhibited to me his Tax Identification No. 108-582-518.

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Page No. 20
Book No. III
Series of 2017.




ALAN BYRNE S. GAVIOLA
Notary Public
Notarial Commission No. 42-16
Cebu City - until December 31, 2017
Rm. 203, 2/F Crown Port View Hotel
3rd Ave., NRA, Cebu City
PTR No. 7687774, 1-04-17, Cebu City
IBP No. 1059001, 1-03-17, Cebu City
MCLE V-0009261, 7-21-15
Roll No. 62695