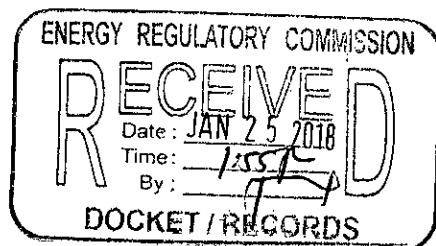


REPUBLIC OF THE PHILIPPINES  
ENERGY REGULATORY COMMISSION  
SAN MIGUEL AVENUE, PASIG CITY

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 ISABELA II ELECTRIC COOPERATIVE, INC. (ISELCO II), AS COVERED BY AN AMENDED LEASE PURCHASE AGREEMENT (LPA) DATED 20 MAY 2015

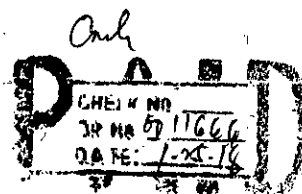


ERC CASE No. 2018- ~~005~~ RC

NATIONAL TRANSMISSION CORPORATION (TransCo) AND ISABELA II ELECTRIC COOPERATIVE, INC. (ISELCO II),

*Applicants.*

X-----X

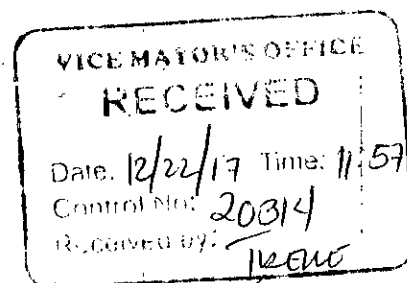


**JOINT APPLICATION**

Applicants, **NATIONAL TRANSMISSION CORPORATION** (TransCo) and **ISABELA II ELECTRIC COOPERATIVE, INC. (ISELCO II)**, through their respective counsels, 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 TransCo Main Building, Quezon Avenue corner BIR Road, Diliman, Quezon City.

2. **ISELCO II** is an electric cooperative (EC) duly organized and existing under the laws of the Republic of the Philippines, with principal office address at the Government Center, Alibagu, Ilagan, Isabela, Philippines.



x-----x

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 its 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 Subtransmission Assets and the Franchising of Qualified Consortiums”* (ERC Guidelines) dated 17 October 2003, as amended by *ERC 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 STAs to DUs.

6. Consistent with the ERC Guidelines, TransCo adopted its own Guidelines on the Sale of Sub-transmission Assets (*“TransCo Guidelines”*) [Annex **“A”**] as approved by *TransCo Board Resolution No. TC-2003-067* dated 28 November 2003 [Annex **“A-1”**], as further amended by *TransCo Board Resolution No. TC-2004-009* dated 16 March 2004 [Annex **“A-2”**].

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 Subtransmission 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 following are sub-transmission assets:

- a. Tap Gamu-Roxas 69 kV line;
- b. Tuguegarao-Cabagan 69 kV line;
- c. Naguilian-Gamu-Ilagan 69 kV line; and,
- d. Ilagan substation.

x-----x

Copies of the *Report on the Nature of the Assets, List of STAs for Sale to ISELCO II* and the *Single Line Diagram* are attached as Annexes "B", "C" and "D," respectively.

9. TransCo has clearly established that ISELCO II meets the financial and technical capability criteria under Article IV of the *ERC Guidelines* in acquiring, operating, maintaining, upgrading and expanding the said STAs.

Attached are copies of the *Financial Qualification Evaluation* [Annex "E"] *Technical Qualification Evaluation* [Annex "F"] and *Audited Financial Statements of ISELCO II* as of 31 December 2012 and 31 December 2013 [Annex "G"].

10. ISELCO II is the only qualified EC that is directly connected to the subject assets, as evidenced by the attached *List of Connected Distribution Utilities* [Annex "H"].

11. On 15 February 2013, the ISELCO II Board of Directors issued *Resolution No. 2013-016* [Annex "I"] relative to the desired acquisition.

12. On 29 March 2011, TransCo and ISELCO II concluded a *Lease Purchase Agreement* [Annex "J"] covering the subject sub-transmission assets amounting to Ninety Eight Million Six Hundred Forty Six Thousand Seven Hundred Fifty Two and Seventy Five Centavos, Philippine Currency (PhP98,646,752.75), plus interest thereon, which ISELCO II shall pay in two hundred forty (240) equal monthly installments.

13. On 20 May 2015, TransCo and ISELCO II executed an *Amended Lease Purchase Agreement* [Annex "J-1"] in order to reflect the following changes:

- a. A reduction of the cost of the Tap Gamu-Roxas 69 kV line, from that of Twelve Million Eight Hundred Thirteen Thousand Five Hundred Twenty Three Pesos and 11/100, Philippine currency (PhP12,813,523.11) to that of Nine Million One Hundred Thirty Four Thousand One Hundred Ninety Four and 73/100, Philippine currency (PhP9,134,194.73) owing to the NGCP-verified decrease of the line segment from that of 31.83 kilometers to that of 18.58 kilometers;
- b. An increase in the cost of the Naguillian-Gamu-Ilagan 69 kV line segment, from the amount of Three Million Five Hundred Fifty Seven Thousand Nine Hundred

x-----x

Seventy One and 22/100, Philippine currency (PhP3,557,971.22), to that of Five Million Five Hundred Thousand Nine Hundred Twenty Four Pesos and 59/100, Philippine currency (PhP5,500,924.59) owing to the NGCP-verified increase of the line segment from that of 9.69 kilometers to that of 14.85 kilometers; and,

- c. The imposition of a twelve percent value-added tax (12% VAT) on the cost of sub-transmission assets and on the interest thereon, pursuant to the Bureau of Internal Revenue's *Memorandum Circular No. 66-2013* dated 30 September 2013, and *Revenue Regulation No. 04-2007* dated 07 February 2007, respectively.

14. With the above changes, the subject sub-transmission assets were valued at Ninety Three Million Seventy Thousand Five Hundred Twenty Nine and 25/100, Philippine currency (PhP93,070,529.25), net of adjustments and deductions, as per the Sinclair Knight Merz (SKM) valuation (Annex "K") pursuant to *ERC Resolution No. 01, Series of 2009, as Amended*.

15. However, the Honorable Commission issued a *Decision* dated 23 March 2015 under ERC Case No. 2014-086 MC, entitled "*In the Matter of the Petition for Approval of the Reclassification of the National Transmission Corporation (TransCo)'s 69 kV Gamu-Naguilian Sub-transmission Asset to Full Transmission Asset*," the dispositive portion of which reads, as follows:

**WHEREFORE**, the foregoing premises considered, the application filed by the Green Future Innovations, Inc. (GFII) for the approval of the reclassification of the 69 kV Gamu-Naguilian sub-transmission asset to full transmission asset is hereby **APPROVED**. Further, the Commission, *motu proprio*, resolves to reclassify the other sub-transmission assets; the Santiago-Cauayan 69 kV line, the Cauayan-Reina Mercedes 69 kV line and the Naguilian-Reina Mercedes 69 kV are hereby reclassified as transmission assets.

**SO ORDERED."**

16. With the reclassification of the Gamu-Naguilian line segment, only the portion from Upi to Ilagan of the Naguilian-Gamu-Ilagan 69kV line originally included in the *Amended Lease Purchase Agreement* retains its classification as a sub-transmission asset.

x-----x

17. Thus, from the original length of 14.85 km. for the Naguillian-Gamu-Ilagan 69kV line valued at Php9,029,977.86, the portion corresponding to the segment from Upi to Ilagan Substation has now been reduced to 5.903 km. with the present value of Three Million Five Hundred Eighty Nine Thousand Four Hundred Ninety Two and 21/100, Philippine currency (PhP 3,589,492.21).

18. By way of adherence to the above-cited *Decision*, TransCo and ISELCO II executed on 20 October 2017 a *Second Amendment to the Lease Purchase Agreement* (Annex "L")

19. The contract price is now pegged at Eighty Seven Million Six Hundred Thirty Thousand Forty Three and 60/100, Philippine currency (PhP87,630,043.60), plus 12% VAT for the following sub-transmission assets:

- a. Tap Gamu-Roxas 69 kV line;
- b. Tuguegarao-Cabagan 69 kV line;
- c. Upi-Ilagan 69kV line, and,
- c. Ilagan substation.

20. Finally, herein applicants also respectfully submit the following documents in compliance with the Honorable Commission's requirements:

- a. Draft of the *Deed of Absolute Sale* [Annex "M"]; and,
- b. *Franchise Description* [Annex "N"].

21. 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 Guidelines on the Sale of Subtransmission Assets*.

22. 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 instant *Joint Application* for the approval of the sale of TransCo's sub-transmission assets in favor of **Isabela II Electric Cooperative, Inc.** under the terms provided in the *Second Amendment of the Lease Purchase Agreement* dated 20 May 2015.

x-----x

Applicants also pray for other just and equitable relief.

Quezon City and \_\_\_\_\_, for Pasig City, 24  
November 2017.

**NATIONAL TRANSMISSION CORPORATION**  
TransCo Main Building, Quezon Avenue corner BIR Road,  
Diliman, Quezon City

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 011437, July 7, 2017, PPLM

Roll No. 34555

MCLE Compliance V-0007564, 03-14-15



**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

x-----x

**ISABELA II ELECTRIC COOPERATIVE, INC.**  
**(ISELCO II)**  
Government Center, Alibagu, City of Ilagan, Isabela

By: 

**ANTONIO V. LADERA IV**

*Counsel for ISELCO II*

Roll No. 56598

IBP No. 020799/01-08-2018/Isabela

PTR No. 1866410/01-03-2018/Isabela

MCLE Compliance No. V-0022062; 15 June 2016

Valid until 14 April 2019

x-----x

**VERIFICATION and CERTIFICATION**  
**of NON-FORUM SHOPPING**

I, **ATTY. MELVIN A. MATIBAG**, Filipino, of legal age, 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 duly authorized to represent it in this *Joint Application* as per the attached relevant section of TransCo's *Manual of Approvals* (Annex "O");

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 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 said fact within five (5) days from discovery thereof to this Honorable Commission.

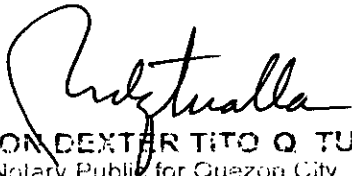
  
**MELVIN A. MATIBAG**  
Affiant

DEC 01 2017

**SUBSCRIBED AND SWORN** to before me this \_\_\_ day of \_\_\_\_\_, 2017 at the National Transmission Corporation, TransCo Main Bldg., Quezon Avenue corner BIR Road, Diliman, Quezon City. Affiant who is personally known to me, exhibited to me his TRANSCO I.D. No. 123485 issued at Quezon City on \_\_\_\_\_ as competent evidence of identity. Said ID bears his picture and signature.

**NOTARY PUBLIC**

Doc. No. 403 ;  
Page No. 101 ;  
Book No. IV ;  
Series of 2017.

  
**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  
IBP Lifetime No. 07135, Quezon City Chapter  
National Transmission Corporation  
TransCo Building, BIR Road cor. Quezon Ave.,  
Diliman, Quezon City



**VERIFICATION and CERTIFICATION**  
**of NON-FORUM SHOPPING**

I, **WALFRIDO G. BINAG**, of legal age, Filipino, and with office address at **ISABELA II ELECTRIC COOPERATIVE, INC. (ISELCO II)**, Government Center, Alibagu, Ilagan, Isabela, Philippines, after having been duly sworn in accordance with law, do hereby depose and state that:

1. I am the Board President of **ISELCO II** who is duly authorized to represent it in the above-entitled case, as evidenced by the attached **ISELCO II** Board Resolution (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 of **ISELCO II**.

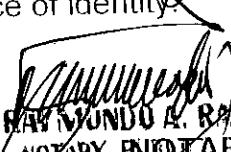
3. **ISELCO II** has not commenced any other action or proceeding involving the same issues in the Supreme Court, the Court of Appeals or any court, tribunal, or quasi-judicial agency and, to the best of my knowledge, no such other action or claim is pending therein; and,

4. Should I 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 said fact within five (5) days from discovery thereof to this Honorable Commission.

  
WALFRIDO G. BINAG  
Affiant

SUBSCRIBED AND SWORN to before me this 11 day DEC, 2017,  
at CITY OF ILAGAN, ISABELA City. Affiant who is personally known to me, exhibited to me her  
valid I.D. No. B11-95-001669 issued at Ilagan, Isabela on  
September 2015, as competent evidence of identity.

Doc. No. AGD  
Page No. 18  
Book No. \_\_\_\_\_  
Series of 2017.

  
NOTARY PUBLIC  
PTR No. 7763310, 01/03/17  
MCLE COMPLIANCE NO. V-0009470  
IBF LIFETIME NO. 013408  
ROL NO. 37493  
NOT-ELSE-01-DG, MAHARLIKA HWY-WAY  
ALIBAGU, CITY OF ILAGAN, ISABELA