

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 MANILA ELECTRIC  
COMPANY (MERALCO), AS  
COVERED BY A CONTRACT  
TO SELL DATED 23  
DECEMBER 2015,**

**ERC CASE No. 2016-199 RC**

**NATIONAL TRANSMISSION  
CORPORATION (TRANSCO)  
AND MANILA ELECTRIC  
COMPANY (MERALCO),  
Applicants.**

**DOCKETED**  
Date: JUN 22 2016  
By: *[Signature]*

X-----X

**NOTICE OF PUBLIC HEARING**

**TO ALL INTERESTED PARTIES:**

Notice is hereby given that on 15 December 2016, the National Transmission Corporation (TRANSCO) and Manila Electric Company (MERALCO) filed an *Application* dated 04 October 2016, seeking the approval of the sale of various sub-transmission lines/assets of TRANSCO to MERALCO as covered by the Contract To Sell dated 23 December 2015.

TRANSCO and MERALCO alleged the following in their *Application*:

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. It may be served with pleadings, notices, orders and other documents through its undersigned counsel.

2. MERALCO is an electric distribution utility (DU), organized and existing under the laws of the Republic of the Philippines with principal office address at the Lopez Building, Ortigas Avenue, Barangay Ugong, Pasig City. It is duly authorized to construct, operate and maintain an electric power distribution system within its franchise area as delineated by its legislative franchise (R.A. No. 9209). It may be served with pleadings, notices, orders and other documents through its undersigned counsel.
3. By virtue of Section 8 of the EPIRA, TransCo assumed the electrical transmission functions of the National Power Corporation (NPC) and it was authorized and made to assume the responsibility of NPC 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-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 utility/ies/Philippine Economic Zone Authority (PEZA)-authorized entities.
5. Pursuant thereto, this Honorable Commission promulgated the "*Guidelines to the Sale and Transfer of the TransCo's Sub-transmission Assets and the Franchising of Qualified Consortiums*" (ERC Guidelines) dated 17 October 2003.
6. Consistent with the ERC Guidelines, TransCo has adopted its own Guidelines on the Sale of Sub-transmission Assets (TransCo Guidelines) [Annex "A"], as approved via 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 06 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 its thorough evaluation, TransCo has determined that the following assets are sub-transmission assets:

- (a) Bolbok-Mahabang Parang-Concepcion 13.8 kV Line;
- (b) Dasmariñas S/S Equipment; and,
- (c) Biñan 115kV Switchyard.

Copies of the Report on the nature of the assets, List of sub-transmission assets for sale and the Electrical Diagram are attached as Annexes “B”, “C” and “D,” respectively.

9. MERALCO, as the buyer of the subject sub-transmission assets possesses the technical and financial qualifications to acquire, operate, maintain, expand and upgrade the said STAs within its franchise area.

Copies of the Audited Income Statements and Balance Sheet of MERALCO as of 31 December 2014 are attached as Annexes “E” and “F”, respectively.

Also, copies of the Technical and Financial Qualification Evaluations conducted by TransCo as well as the Description of the Franchise Area being served by the subject assets are attached as Annexes “G”, “H” and “I,” respectively.

10. TransCo has negotiated and concluded a Contract to Sell with MERALCO dated 23 December 2015 [Annex “J”] covering the said sub-transmission assets.
11. Under the terms of the said Contract, the total purchase price of **TWO HUNDRED FOUR MILLION ONE HUNDRED SIXTY TWO THOUSAND ONE HUNDRED NINETEEN AND 75/100, Philippine Currency (Php204,162,119.75)** shall be paid by MERALCO in cash or in the form of manager’s or cashier’s check within sixty (60) calendar days from its receipt of the Notice of the ERC’s final approval of the contract, plus value-added tax (VAT), documentary stamp tax and other transaction taxes, fees or duties incurred in connection with the execution, delivery and annotation of the said contract.
12. The subject sub-transmission assets are valued in reference to the Sinclair Knight Merz (SKM) valuation [Annex “K”] pursuant to ERC Resolution No. 01, Series of 2009, as amended.
13. MERALCO is the only DU utilizing the subject assets and there are existing directly connected customers thereto [Annex “L”].
14. Furthermore, TransCo and MERALCO respectfully submit the Draft Deed of Absolute Sale (Annex “M”) as part of the requirements provided in the ERC Guidelines.
15. 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 Sub-transmission Assets.

16. 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.
17. Finally, in support of the prayer for the approval of this *Joint Application*, attached as Annex "N" is the *Judicial Affidavit* of Engr. **ROBERTO D. ISIP, JR.** (Manager, Network Asset Planning Office of MERALCO), to emphasize the benefits that the public would enjoy as a result of the approval of the instant *Joint Application*.

**PRAYER**

**WHEREFORE**, it is most respectfully prayed to this Honorable Commission that the instant *Joint Application* for the approval of the sale of TransCo's sub-transmission assets in favor of the Manila Electric Company, under the terms provided in the *Contract to Sell* dated **23 December 2015**, be **APPROVED**.

Applicants also pray for other just and equitable reliefs.

The Commission has set the *Application* for determination of compliance with the jurisdictional requirements, expository presentation, Pre-trial Conference, and presentation of evidence on **10 August 2018 (Friday) at ten o'clock in the morning (10:00 A.M.)**, at the **ERC Hearing Room, 15<sup>th</sup> Floor, Pacific Center Building, San Miguel Avenue, Pasig City**.

All persons who have an interest in the subject matter of the instant case may become a party by filing with the Commission a verified Petition to Intervene at least five (5) days prior to the initial hearing and subject to the requirements under Rule 9 of the 2006 ERC Rules of Practice and Procedure, indicating therein the docket number and title of the case and stating the following:

- i. The petitioner's name and address;
- ii. The nature of petitioner's interest in the subject matter of the proceeding and the way and manner in which such interest is affected by the issues involved in the proceeding; and
- iii. A statement of the relief desired.

All other persons who may want their views known to the Commission with respect to the subject matter of the case may file their Opposition or Comment thereon at any stage of the proceeding before Applicant rests their case, subject to the requirements under Rule 9 of the 2006 ERC Rules of Practice and Procedure. No particular form of Opposition or Comment is required, but the document, letter, or writing should contain the following:

- 1) The name and address of such person;
- 2) A concise statement of the Opposition or Comment; and
- 3) The grounds relied upon.

All such persons who wish to have a copy of the *Application* may request from Applicants that they be furnished with the same, prior to the date of the initial hearing. Applicants are hereby directed to furnish all those making such request with copies of the *Application* and its attachments, subject to the reimbursement of reasonable photocopying costs. Any such person may likewise examine the *Application* and other pertinent records filed with the Commission during the standard office hours.

**WITNESS**, the Honorable Chairperson and CEO, **AGNES VST DEVANADERA** and the Honorable Commissioners **ALFREDO J. NON**, **GLORIA VICTORIA C. YAP-TARUC**, and **GERONIMO D. STA. ANA**, Energy Regulatory Commission, this 14th day of June 2018 in Pasig City.

  
**JOSEFINA PATRICIA A. MAGPALE-ASIRIT**  
*Oversight Commissioner for Legal*

  
CRC/LSP/APV npf.2016-199 RC TRANSCO-MERALCO SUBTRANS