

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 CEBU II ELECTRIC
COOPERATIVE, INC.
(CEBECO II), AS COVERED BY
A CONTRACT TO SELL DATED
19 DECEMBER 2014**

ERC CASE NO. 2015-174 RC

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

Applicants.

X-----X

D O C K E T E D
Date: APR 10 2018
By: [Signature]

NOTICE OF PUBLIC HEARING

TO ALL INTERESTED PARTIES:

Notice is hereby given that on 05 October 2015, the applicants National Transmission Corporation (TRANSCO) and Cebu II Electric Cooperative, Inc. (CEBECO II) filed a *Joint Application* for the approval of the sale of various sub-transmission assets covered by a contract to sell dated 19 December 2014.

Applicants TRANSCO and CEBECO II alleged the following in their *Joint Application*:

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Applicants, National Transmission Corporation (TRANSCO) and Cebu II Electric Cooperative (CEBECO II), through their respective counsels, and to this Honorable Commission 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. CEBECO II is an electric cooperative (EC) duly organized and existing under the laws of the Republic of the Philippines, with principal office address in Malingin, Bogo City, Cebu, 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 € 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, the Honorable Commission promulgated the *"Guidelines on the Sale and Transfer of the TRANSCO's Subtransmission Assets and the Franchising of Qualified Consortium"* (ERC Guideline) 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 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 Subtransmission 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 entitles *"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 Lugo Load-end Substation Equipment, 5 MVA is a sub-transmission asset.

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 "B", "C" and "D," respectively.

9. TRANSCO has clearly established that CEBECO II meets the financial capability criteria under Article IV of the ERC Guidelines in acquiring, operating, maintaining, upgrading and expanding the said STA.

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

10. TRANSCO has likewise established that CEBECO II meets the minimum technical qualification of an EC as set forth under the ERC and TRANSCO Guidelines. Attached is a copy of CEBECO II's Technical Qualification Evaluation [Annex "G"].
11. CEBECO II is the only qualified EC that is directly connected to the Lugo Load-end Substation Equipment, 5 MVA, as evidenced by the attached List of Connected Distribution Utilities and Directly Connected Entities [Annex "H"].
12. On 25 October 2014, the CEBECO II Board of Directors issued Resolution No. 111, Series of 2014 [Annex "I"] relative to the desired acquisition.
13. On 19 December 2014, TRANSCO and CEBECO II concluded a Contract to Sell [Annex "J"] covering the subject sub-transmission asset amounting to FIVE MILLION THREE HUNDRED NINETY SIX THOUSAND FOUR HUNDRED TWENTY FIVE and EIGHTY SIX CENTAVOS, Philippine Currency (PhP5,396,425.86), plus interest, plus twelve percent value-added tax (12% VAT) thereon which is equivalent to SIX HUNDRED FORTY SEVEN THOUSAND FIVE HUNDRED SEVENTY ONE PERSOS and TEN CENTAVOS (PhP647,571.10) which CEBECO II shall pay in cash or through manager's check.
14. The subject STA is valued in reference to the Sinclair Knight Merz (SKM) valuation pursuant to ERC Resolution No. 01, Series of 2009, as amended. An excerpt from the SKM report for the third regulatory period is attached as Annex "K".
15. Finally, applicants also respectfully submit the following documents in compliance with the Honorable Commission's requirements:

- a. Draft of the Deed of Absolute Sale [Annex "L"]; and,
 - b. Franchise Description [Annex "M"].
16. 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.
 17. 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 the instant application for the approval of the sale of TRANSCO's sub-transmission assets in favour of Cebu II Electric Cooperative, Inc. under the terms provided in the *Contract to Sell* dated 19 December 2014, be APPROVED.

Applicants also pray for other just and equitable relief.

The Commission has set the *Joint Application* for determination of compliance with the jurisdictional requirements, expository presentation, Pre-trial Conference, and presentation of evidence on **02 May 2018 at two o'clock in the afternoon (2:00 P.M.)**, at **CEBECO II's Main Office, Malingin, Bogo City, Cebu**.

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:

- 1) The petitioner's name and address;
- 2) 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
- 3) A statement of the relief desired.

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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 Applicants rest 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:

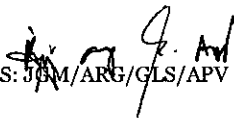
- 1) The name and address of such person;
- 2) A concise statement of the Opposition or Comment; and
- 3) The grounds relied upon.

All such persons who wish to have a copy of the *Joint 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 *Joint Application* and its attachments, subject to the reimbursement of reasonable photocopying costs. Any such person may likewise examine the *Joint 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 23rd day of March 2018 in Pasig City.

FOR AND BY AUTHORITY
OF THE COMMISSION:


JOSEFINA PATRICIA A. MAGPALE-ASIRIT
Oversight Commissioner for Legal


LS: JMM/ARG/GLS/APV