

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 SUBTRANSMISSION
LINES/ASSETS OF THE NATIONAL
TRANSMISSION CORPORATION
(TRANSCO) TO ZAMBOANGA DEL
SUR I ELECTRIC COOPERATIVE,
INC. (ZAMSURECO I), AS
COVERED BY A LEASE
PURCHASE AGREEMENT**

ERC CASE NO. 2014-145 RC

**NATIONAL TRANSMISSION
CORPORATION (TRANSCO) AND
ZAMSURECO I ELECTRIC
COOPERATIVE, INC.
(ZAMSURECO I),**

Applicants.

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DOCKETED
Date: JAN 13 2015
By: mm

ORDER

On September 29, 2014, the National Transmission Corporation (TRANSCO) and Zamboanga Del Sur I Electric Cooperative, Inc. (ZAMSURECO I) filed a joint application for the approval of the sale of TRANSCO's various subtransmission lines/assets to ZAMSURECO I as covered by a Lease Purchase Agreement (LPA).

In the said application, TRANSCO and ZAMSURECO I alleged, among others, that:

1. TRANSCO is a government owned and controlled corporation (GOCC) duly created by virtue of 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;

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. ZAMSURECO I is a distribution utility (DU) duly organized and existing under the laws of the Republic of the Philippines, with principal office address at J.S. Alano St., San Francisco District, Pagadian City, Philippines;
3. By virtue of Section 8 of Republic Act No. 9136 (R.A. No. 9136), also known as the Electric Power Industry Reform Act (EPIRA), TRANSCO assumed the electrical transmission functions and the authority and responsibility of planning, construction and centralized operation and maintenance of the high voltage transmission facilities, including grid interconnections and ancillary services of the National Power Corporation (NPC);
4. Section 8 of the EPIRA and Rule 6, Section 8 (e) of its Implementing Rules and Regulations (IRR) likewise provided that TRANSCO shall negotiate with, and thereafter transfer, its sub-transmission assets (STAs) and facilities to qualified DUs connected to the subtransmission facilities not later than two (2) years from the effectivity of the EPIRA or the start of the open access, whichever comes earlier;
5. Pursuant to the above-stated, the Commission promulgated on October 17, 2003 the "Guidelines to the Sale and Transfer of the TRANSCO's Subtransmission Assets and the Franchising of Qualified Consortiums", as amended by Resolution No. 3, Series of 2005, dated March 17, 2005, which set forth, among others, the standards to distinguish TRANSCO's transmission assets from its STAs and established the approval process prior to the final sale and transfer of STAs to DUs;
6. Consistent with the Commission's Guidelines, TRANSCO adopted its own Guidelines on the Sale of Sub-transmission Assets, as approved by its Board Resolution No. TC-2003-067, dated November 28, 2003, as further amended by Board Resolution No. TC-2004-009, dated March 16, 2004. Copies of TRANSCO's Guidelines and Resolutions are attached in the joint application and were made as an integral part thereof;

7. On July 16, 2011, the 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." Article 5, Section 6 of the aforesaid Resolution provides:

"Section 6. x . x. x.

For acquiring electric cooperatives (ECs), any uncollected TRANSCO/NGCP's connection and residual charges resulting from the deferred charges as approved by the ERC shall be capitalized or included in the acquisition cost of the subject assets.
x. x. x."

8. On March 4, 2013, the Commission issued Resolution No. 4, Series of 2013, amending Resolution No. 26, Series of 2011. Under the said Resolution, TRANSCO was given a period of until December 31, 2015 within which to dispose of its Residual Sub-transmission Assets (RSTAs). The National Grid Corporation of the Philippines (NGCP) was likewise, directed to execute a Memorandum of Agreement (MOA) with the concerned DUs in regard to the amortization of uncollected Connection Charges (CC) and Residual Sub-transmission Charges (RSTC);
9. In accordance with the aforesaid Commission's Guidelines, TRANSCO determined that the following assets meet the criteria for subtransmission assets:
 - a. Aurora-Molave 69 kV line;
 - b. Aurora-Pagadian 69 kV line; and
 - c. Pagadian-San Miguel (Dinas) 69 kV line.

Copies of the single line diagram, lists of STAs for sale and the reports stating that the aforesaid assets have met the criteria set forth in the Commissions Guidelines are attached in the joint application as annexes;

10. ZAMSURECO I has met the technical and financial criteria to purchase, operate, maintain, upgrade and expand the subject assets. Copies of the Technical and Financial Qualification Evaluations and description of the franchise

area being served by the subject assets and the Audited Financial Statements (AFS) of ZAMSURECO I as of December 31, 2007, December 31, 2008, December 31, 2011 and December 31, 2012, are attached in the joint application as annexes;

11. On September 5, 2010, ZAMSURECO I's Board of Directors issued Board Resolution No. 074, Series of 2010, entitled "A Resolution Approving the Acquisition of the Subtransmission Assets Offered for Sale by the National Transmission Corporation (TRANSCO) to ZAMSURECO I and Authorizing General Manager, Mr. Jose Raul A. Saniel and Board President, Mrs. Cheryl L. Boloron-Dayondon to Negotiate and to Enter into a Lease Purchase Agreement (LPA) in Connection with the Acquisition of TRANSCO's 69 kV Subtransmission Assets". A copy of the aforesaid resolution is attached as an annex in the joint application;
12. On January 21, 2011, TRANSCO and ZAMSURECO I concluded the negotiation of the LPA covering the subject STAs amounting to Fifty-Eight Million One Hundred Four Thousand Seven Hundred Thirty and 21/100 Pesos (PhP58,104,730.21), net of adjustments and deductions, that will be paid by ZAMSURECO I in two hundred forty (240) equal monthly installments. A copy of the LPA is attached in the joint application as annexes;
13. They, also, attached the following documents, as annexes, in support of the joint application:
 - a. Asset Valuation Computation;
 - b. Bureau of Internal Revenue (BIR) Revenue Memorandum Circular No. 66-2013;
 - c. BIR Revenue Regulation No. 04-2007;
 - d. Draft Deed of Absolute Sale;
 - e. Letter of the General Manager (GM) of Zamboanga Del Norte Electric Cooperative, Inc. (ZANECO);
 - f. ZAMSURECO I's Board Resolutions No. 057, Series of 2014, and No. 046, Series of 2013;
 - g. List of Connected DUs in the subject STAs;

h. Third Party Appraisal Report; and

i. Schedule of Payments; and

14. They pray that, after due notice and hearing, judgment be rendered approving the sale of the subject subtransmission assets as set forth in their LPA.

The Commission has set the instant application for jurisdictional hearing, expository presentation, pre-trial conference and evidentiary hearing on **February 12, 2015 (Thursday) at two o' clock in the afternoon (2:00 P.M.) at the ZAMSURECO I's Principal Office, Gov. Vicente M. Cerilles St., Pagadian City, Zamboanga Del Sur.**

All persons who have an interest in the subject matter of the proceeding may become a party by filing, at least five (5) days prior to the initial hearing and subject to the requirements in the ERC's Rules of Practice and Procedure, a verified petition with the Commission giving the docket number and the title of the proceeding and stating: (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.

All other persons who may want their views known to the Commission with respect to the subject matter of the proceeding may file their opposition to the joint application or comment thereon at any stage of the proceeding before the applicants conclude the presentation of their evidence. No particular form of opposition or comment is required, but the document, letter or writing should contain the name and address of such person and a concise statement of the opposition or comment and the grounds relied upon.

All such persons who may wish to have a copy of the joint application may request the applicants, prior to the date of the initial hearing, that they be furnished with copy of the joint application. The applicants are hereby directed to furnish all those making such request with copies of the joint application and its attachments, subject to reimbursement of reasonable photocopying costs. Likewise, any such person may examine the joint application and other pertinent records filed with the Commission during the usual office hours.

WITNESS, the Honorable Chairperson, **ZENAIDA G. CRUZ-DUCUT**, and the Honorable Commissioners, **ALFREDO J. NON**, **GLORIA VICTORIA C. YAP-TARUC**, and **JOSEFINA PATRICIA A. MAGPALE-ASIRIT**, Energy Regulatory Commission, this 12th day of January 2015 at Pasig City.


ATTY. FRANCIS SATURNINO C. JUAN
Executive Director III


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