

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.

X-----X

DOCKETED  
Date: JAN 13 2015  
By: \_\_\_\_\_

## NOTICE OF PUBLIC HEARING

### TO ALL INTERESTED PARTIES:

Notice is hereby given that 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

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.

Finding the said joint application to be sufficient in form and in substance with the required fees having been paid, the same is hereby set 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.**

TRANSCO and ZAMSURECO I are hereby directed to cause the publication of the attached Notice of Public Hearing, at their own expense, twice (2x) for two (2) successive weeks in two (2) newspapers of general circulation in the Philippines, with the date of the last publication to be made not later than ten (10) days before the date of the scheduled initial hearing. They are also directed to inform the consumers within ZAMSURECO I's franchise area, by any other means available and appropriate, of the filing of the instant application, their reasons therefor, and of the scheduled hearing thereon.

Let copies of the joint application, this Order and the attached Notice of Public Hearing be furnished the Office of the Solicitor General (OSG), the Commission on Audit (COA), and the Committees on Energy of both Houses of Congress. They are hereby requested, if they so desire, to send their duly authorized representatives at the scheduled hearing.

Likewise, let copies of this Order and the attached Notice of Public Hearing be furnished the Offices of the Provincial Governors of Zamboanga Del Sur and Misamis Occidental and the Mayors of the City and Municipalities within the franchise area of ZAMSURECO I for the appropriate posting thereof on their respective bulletin boards.

TRANSCO and ZAMSURECO I are hereby directed to furnish all those making requests therefor with copies of the joint application and its attachments, subject to reimbursement of reasonable photocopying costs.

On the date of the initial hearing, TRANSCO and ZAMSURECO I must submit to the Commission their written Compliance with the jurisdictional requirements attaching therewith, methodically arranged and duly marked, the evidence on the actual posting and publication of the Notice of Public Hearing consisting of certifications issued to that effect, signed by the afore-mentioned Governors and Mayors or their duly authorized representatives, bearing the seals of their offices, and the affidavits of the Editors or Business Managers of the newspapers where the said Notice of Public Hearing were published together with the complete issues of the said newspapers, and such other proofs of compliance with the requirements of the Commission.

TRANSCO and ZAMSURECO I and all interested parties are directed to submit, at least five (5) days before the date of initial hearing and pre-trial conference, their respective Pre-trial Briefs containing, among others:

- a) A summary of admitted facts and proposed stipulation of facts;
- b) The issues to be tried or resolved;
- c) The documents or exhibits to be presented, stating the purposes and proposed markings therefore; and
- d) The number and names of the witnesses, with their written testimonies in an individual affidavit form, to be attached to the Pre-trial Brief.

Failure of TRANSCO and ZAMSURECO I to submit the required Pre-trial Brief and Judicial Affidavits of their witnesses within the prescribed period shall be a ground for cancellation of the scheduled hearing and the resetting of which shall be six (6) months from said date of cancellation.

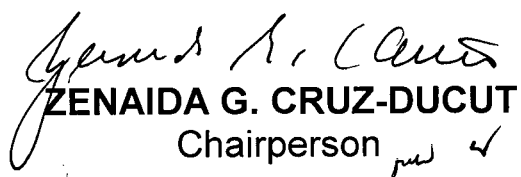
As part of the pre-trial conference, TRANSCO and ZAMSURECO I must also be prepared to make an expository presentation of their joint application, aided by whatever communication medium that they may deem appropriate for the purpose, in order to put in plain words and explain, for the benefit of the consumers of ZAMSURECO I and other concerned

parties, what the joint application is all about and the reasons and justifications being cited in support thereof.

**SO ORDERED.**

Pasig City, January 12, 2015.

FOR AND BY AUTHORITY  
OF THE COMMISSION:

  
**ZENAIDA G. CRUZ-DUCUT**  
Chairperson *per* ✓

  
02/03/15

**Copy Furnished:**

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**(ZAMSURECO I)**  
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3. **The National Transmission Corporation (TRANSCO)**  
**Attention: Atty. Noel Z. De Leon**  
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**Atty. Nyerson Dexter T. Quilala Tualla**  
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5. **Commission on Audit**  
Commonwealth Avenue  
Quezon City, Metro Manila
6. **Senate Committee on Energy**  
GSIS Bldg. Roxas Blvd., Pasay City  
Metro Manila
7. **House Committee on Energy**  
Batasan Hills, Quezon City, Metro Manila
8. **Office of the Governor**  
Province of Zamboanga Del Sur
9. **Office of the Governor**  
Province of Misamis Occidental
10. **Office of the City Mayor**  
Pagadian, Zamboanga Del Sur
11. **Office of the Municipal Mayor**  
Aurora, Zamboanga Del Sur



12. **Office of the Municipal Mayor**  
Dimataling, Zamboanga Del Sur
13. **Office of the Municipal Mayor**  
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R. Magsaysay, Zamboanga Del Sur
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Vincenzon Sagun, Zamboanga Del Sur
34. **Office of the Municipal Mayor**  
Don Victoriano, Misamis Occidental