

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 THE MACTAN LOAD-END SUBSTATION OF THE NATIONAL TRANSMISSION CORPORATION (TransCo) TO MACTAN ELECTRIC COMPANY, INC. (MECO), AS COVERED BY A CONTRACT TO SELL DATED 23 DECEMBER 2015,

ERC CASE NO. 2016-206 RC

**NATIONAL TRANSMISSION CORPORATION (TransCo)
AND MACTAN ELECTRIC COMPANY, INC. (MECO),
Applicants.**

DOCKETED
Date: MAR 01 2017
By: M

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NOTICE OF PUBLIC HEARING

TO ALL INTERESTED PARTIES:

Notice is hereby given that on 28 December 2016, National Transmission Corporation (TransCo) and Mactan Electric Company, Inc. (MECO) filed a *Joint Application* dated 13 December 2016 (Joint Application) seeking the Commission's approval of the sale of the Mactan Load-End Substation.

TransCo and MECO alleged the following in their *Joint 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 cor. BIR Rd., Diliman, Quezon City. It may be served with pleadings, notices, orders and other documents through its undersigned counsel.

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2. MECO is a private distribution utility (DU), organized and existing under the laws of the Republic of the Philippines with principal office address in Sangi Rd., Pajo, Lapu-lapu, Cebu City, Philippines. 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 (c) 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 and facilities to qualified distribution utility/ies (DUs) and 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 TransCo's Sub-transmission Assets and the Acquisition by Qualified Consortiums.*"
8. In accordance with the ERC Guidelines, and based on its thorough evaluation, TransCo has determined that the Mactan Load-end Substation is a sub-transmission asset. Copies of the Report on the nature of the asset, List of asset/s for sale to MECO and the Electrical diagram are attached as Annexes "B", "C" and "D," respectively.
9. MECO possesses the technical and financial qualifications to acquire, operate, maintain, expand and upgrade the subject asset, as evidenced by its Audited Income Statement as of 31 December 2013 [Annex "E"], as well as the Technical [Annex "F"] and Financial Qualification Evaluations [Annex "G"] conducted by TransCo.
10. On 05 November 2015, the MECO Board of Directors passed a *Board Resolution* approving the proposed acquisition by MECO of TransCo's Mactan Load-end Substation, as well as the designation of the MECO Board *Chairperson* (Eusebio Tanco), MECO *President* (Dennis Villareal) and MECO *Treasurer* (Douglas Lu Ym) as authorized representative/s of MECO in the execution of the *Contract to Sell*. The same is evidenced by the *Secretary's Certificate* dated 16 February 2016 [Annex "H"], duly signed by M. Alfredo Alex S. Cruz (*Secretary*) and Ms. Ma. Luz L. Caminero (*Assistant Secretary*).

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11. On 23 December 2015, TransCo and MECO concluded a *Contract to Sell* [Annex "I"] covering the Mactan Load-end Sub-station amounting to **EIGHT MILLION FIVE HUNDRED THIRTY THOUSAND SEVEN HUNDRED TWENTY ONE AND 86/100, Philippine currency (PhP8,530,721.86)**, inclusive of the 12% value-added tax, net of adjustments and deductions, subject to further adjustments for any major capital improvements.
12. Said amount is based on the Sinclair Knight Merz (SKM) 2008 rolled forward valuation [Annex "J"] pursuant to *ERC Resolution No. 01, Series of 2009*, as amended.
13. MECO is the only distribution utility connected to, and utilizing the Mactan Load-end Substation and there are no existing directly connected customers thereto, as shown in the attached Annex "K".
14. TransCo and MECO also respectfully submit the *Description of the Franchise Area Being Served* [Annex "L"] and *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.

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* pertaining to the sale of TransCo's Mactan Load-end Substation in favor of Mactan Electric Company, Inc. under the terms provided in the *Contract to Sell* dated **23 December 2015**.

Applicants also pray for other just and equitable reliefs.

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 **30 March 2017 (Thursday) at ten o'clock in the morning (10:00 A.M.)**, at MECO's principal office at **Sangi Road, Pajo, Lapu-lapu, Cebu 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 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.

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 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 Chairman **JOSE VICENTE B. SALAZAR**, and the Honorable Commissioners **ALFREDO J. NON**, **GLORIA VICTORIA C. YAP-TARUC**, **JOSEFINA PATRICIA A. MAGPALE-ASIRIT**, and **GERONIMO D. STA. ANA**, Energy Regulatory Commission, this 17th day of February 2017 in Pasig City.


ATTY. NATHAN J. MARASIGAN
Chief of Staff
Office of the Chairman and CEO