

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 LA
UNION ELECTRIC
COOPERATIVE, INC. (LUELCO),
AS COVERED BY A LEASE
PURCHASE AGREEMENT (LPA)
DATED 2 DECEMBER 2020

ERC CASE No. 2020- ____ RC

NATIONAL TRANSMISSION
CORPORATION (TransCo) AND
LA UNION ELECTRIC
COOPERATIVE, INC. (LUELCO),
Applicants.

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JOINT APPLICATION

Applicants, NATIONAL TRANSMISSION CORPORATION (TransCo) and LA UNION ELECTRIC COOPERATIVE, INC. (LUELCO), through their respective counsels, and to this Honorable Commission, most respectfully aver that:

1. **TransCo** is a government-owned and controlled corporation (GOCC) 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. **LUELCO** is an electric cooperative (EC) duly organized and existing under the laws of the Republic of the Philippines, with principal office address at Brgy. Sta. Rita East, Aringay, La Union.

3. By virtue of Section 8 of the EPIRA, TransCo assumed the electrical transmission functions of the National Power Corporation (NPC), 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(e) of its *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), electric cooperatives (ECs) and consortia.

5. Pursuant thereto, this Honorable Commission promulgated the *"Guidelines on the Sale and Transfer of the TransCo's Sub-transmission Assets and the Franchising of Qualified Consortiums"* (ERC Guidelines) dated 17 October 2003, as amended by *ERC 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 assets, and establish the approval process prior to the final sale and transfer of sub-transmission assets to qualified DUs.

6. Consistent with the *ERC Guidelines*, TransCo 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 "B"], as further amended via *TransCo Board Resolution No. TC-2004-009* dated 16 March 2004 [Annex "C"].

7. On 16 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 a thorough evaluation conducted by TransCo, it was determined that the San Manuel - NCC 69KV Line is a sub-transmission asset.

Copies of the *Report on the Nature of the Assets, List of STAs for Sale to LUELCO* and the *Single Line Diagram* are attached as Annexes “D”, “E” and “F,” respectively.

9. TransCo has clearly established that LUELCO meets the financial and technical capability criteria under Article IV of the *ERC Guidelines* in acquiring, operating, maintaining, upgrading and expanding the subject sub-transmission asset.

Attached are copies of the *Financial Qualification Evaluation* [Annex “G”] *Technical Qualification Evaluation* [Annex “H”] and *Audited Financial Statements* of LUELCO as of 31 December 2018 and 31 December 2019 [Annex “I”].

10. LUELCO is the only qualified DU that is directly connected to the subject asset, as evidenced by the attached *List of Connected Distribution Utilities* [Annex “J”].

11. On 23 July 2020, the LUELCO Board of Directors issued *Resolution No. 075-2020* [Annex “K”] relative to the desired acquisition.

12. On 2 December 2020, TransCo and LUELCO executed a *Lease Purchase Agreement* [Annex “L”] covering the subject sub-transmission asset amounting to **Seven Million Eight Hundred Fifty-Eight Thousand Four Hundred Forty Pesos, Philippine Currency (PhP7,858,440.00)**, plus the corresponding twelve percent value-added tax (12% VAT) thereon, net of adjustments and deductions, subject to further adjustments for any major capital investments, expansions and additions, plus interest, payable in two hundred forty (240) equal monthly installments. This is consistent with the SKM Valuation [Annex “M”].

13. Finally, herein applicants also respectfully submit the following documents in compliance with the Honorable Commission’s requirements:

- a. Draft of the *Deed of Absolute Sale* [Annex “N”]; and,
- b. *Franchise Description* [Annex “O”].

14. 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*.

15. 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 interests 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 San Manuel - NCC 69KV Line in favor of **LA UNION ELECTRIC COOPERATIVE, INC. (LUELCO)** under the terms provided in the 2 December 2020 *Lease Purchase Agreement*.

Applicants also pray for other just and equitable relief.

Respectfully submitted, Quezon City and Aringay, La Union for Pasig City, 10 December 2020.

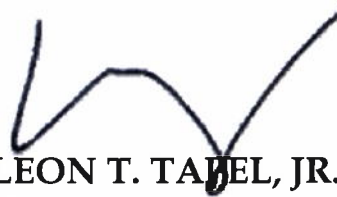
NATIONAL TRANSMISSION CORPORATION
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Roll of Attorneys 44968

IBP 07254 (Lifetime), La Union
MCLE Compliance No. VI-008473, 14 April 2018

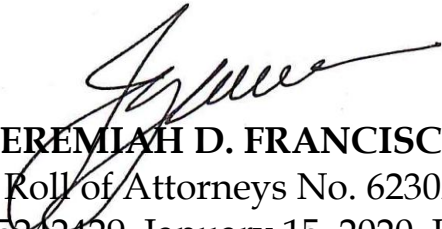


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IBP No. 108534, 08 January 2020, Quezon City
MCLE Compliance No. VI-0020151, 06 March 2019

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LAW OFFICES¹**

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PTR No. 5242429, January 15, 2020, Pasig City
IBP Lifetime Member No. 018969, RSM
MCLE Compliance No. VI Cert. No. 0017800, Feb. 13, 2019

¹ Pursuant to Office of the Court Administrator Circular No. 56-2015, hereunder are the MCLE Compliance Numbers of the undersigned Firm's name partners, to wit:

| Partners | MCLE Compliance No. VI | Date of Issuance |
|------------------------------|-------------------------|------------------|
| Joseph Ferdinand M. Dechavez | Certificate No. 000893 | Sept. 18, 2018 |
| Ditas A. Leros-Amboy | Certificate No. 0022789 | March 29, 2019 |
| Nelson V. Evangelista | Certificate No. 0026811 | May 24, 2019 |

VERIFICATION and CERTIFICATION
of NON-FORUM SHOPPING

I, **ATTY. MELVIN A. MATIBAG**, Filipino, of legal age, married and with principal office address at the National Transmission Corporation (**TransCo**), TransCo Main Building, Quezon Avenue corner BIR Road, Diliman, Quezon City, after having been duly sworn in accordance with law, do hereby depose and state, that:

1. I am **TransCo's** President and Chief Executive Officer who is duly authorized to represent it in this *Joint Application* as per the attached relevant section of **TransCo's Secretary's Certificate** (Annex "P").

2. I have caused the preparation of the instant *Joint Application* and read the contents thereof, and I attest that the allegations herein contained are true and correct based on my personal knowledge and on authentic records.

3. **TransCo** has not commenced any other action or proceeding involving the same issues in the Supreme Court, the Court of Appeals or any court, tribunal, or quasi-judicial agency and, to the best of my knowledge, no such other action or claim is pending therein.

4. Should I hereinafter learn that the same or a similar action or claim has been filed or is pending in the Supreme Court, the Court of Appeals or any court, tribunal, or quasi-judicial agency, I shall report said fact within five (5) days from discovery thereof to this Honorable Commission.


MELVIN A. MATIBAG
Affiant

SUBSCRIBED AND SWORN to before me this DEC 15 2020 day of , 2020 at the National Transmission Corporation, TransCo Main Bldg., Quezon Avenue corner BIR Road, Diliman, Quezon City. Affiant exhibited to me his PASSPORT I.D. No. 500198141A issued at DFA MANILA on NOVEMBER 8, 2018. Said ID bears his picture and signature.


NOTARY PUBLIC

Doc. No. 376 ;
Page No. 69 ;
Book No. I ;
Series of 2020.

SOLEDAD T. DELA VEGA-CABANGIS
Notary Public For Quezon City
Notarial Appointment No. NP-114
Notarial Commission Until December 31, 20 21
Roll of Attorneys No. 45797
PTR Nd. 9399531, Quezon City
IBP Lifetime No. 09105, Bulacan Chapter
National Transmission Corporation
Transco Building, BIR Road Cor. Quezon Ave ,
Diliman, Quezon City.

x-----x

VERIFICATION and CERTIFICATION
of NON-FORUM SHOPPING

I, **DR. RAMON C. POSADAS**, of legal age, Filipino, and with office address at **LUELCO ELECTRIC COOPERATIVE, INC. (LUELCO)**, Brgy. **Sta. Rita East**, Aringay, La Union, after having been duly sworn in accordance with law, do hereby depose and state that:

1. I am the General Manager of **LUELCO** who is duly authorized to represent it in the above-entitled case, as evidenced by the attached **LUELCO Board Resolution (Annex "Q")**.

2. I have caused the preparation of the instant Joint Application and read the contents thereof, and I attest that the allegations herein contained are true and correct based on my personal knowledge and on the authentic records of **LUELCO**

3. **LUELCO** has not commenced any other action or proceeding involving the same issues in the Supreme Court, the Court of Appeals or any court, tribunal, or quasi-judicial agency and, to the best of my knowledge, no such other action or claim is pending therein.

4. Should I hereinafter learn that the same or a similar action or claim has been filed or is pending in the Supreme Court, the Court of Appeals or any court, tribunal, or quasi-judicial agency, I shall report said fact within five (5) days from discovery thereof to this Honorable Commission.



DR. RAMON C. POSADAS
Affiant

SUBSCRIBED AND SWORN to before me this 10th day of December 2020 at ~~ABOOL LA UNION~~. Affiant exhibited to me his SSS I.D. bearing No. 01-0924839-4. Said ID bears his picture and signature.



LEONARD FLORENT BULATAO
NOTARY PUBLIC
UNTIL DECEMBER 31, 2023
PTR NO 7369503 1-2-20
LIFETIME IBP NO. 70782812127/01
RULL NO. 518545/10/06

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