

Republic of the Philippines
ENERGY REGULATORY
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 I ELECTRIC
COOPERATIVE, INC. (CEBECO
I), AS COVERED BY A
CONTRACT TO SELL DATED 25
SEPTEMBER 2019

ERC CASE No. 2019- ____ RC

NATIONAL TRANSMISSION
CORPORATION (TransCo) AND
CEBU I ELECTRIC
COOPERATIVE, INC. (CEBECO
I),

Applicants.

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JOINT APPLICATION

Applicants, NATIONAL TRANSMISSION CORPORATION (TransCo) and CEBU I ELECTRIC COOPERATIVE, INC. (CEBECO I), through their respective counsel, 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. **CEBECO I** is an electric cooperative (EC) duly organized and existing under the laws of the Republic of the Philippines, with principal office address in Bitoon, Dumanjug, Cebu City, 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(e) 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, 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 *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 by *TransCo Board Resolution No. TC-2003-067* dated 28 November 2003 (Annex "B"), as further amended by *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 **Sibonga Load-end Substation** is a sub-transmission asset. Likewise, CEBECO I is the only qualified DU that is connected thereto.

Copies of the *Report* regarding the nature of the asset, *List of STAs for Sale to CEBECO I* and the *Single Line Diagram* are attached as Annexes "D", "E" and "F," respectively.

9. On 30 March 2019, the CEBECO I Board of Directors issued *Board Resolution No. 53, Series of 2019 dated 30 March 2019* (Annex “G”), for the acquisition of the aforesaid line by CEBECO I, and the authorization of Board President Marlou M. Rendon and/or the CEBECO I General Manager, Engr. Getulio Z. Crodua, to sign all documents related to the acquisition for and on behalf of CEBECO I.

10. On 25 September 2019, TransCo and CEBECO I concluded a *Contract to Sell* (Annex “H”) covering the Sibonga Load-end Substation for the amount of **Three Million Seven Hundred One Thousand Five Hundred Eighty Two Pesos and Eight Centavos, Philippine currency (PhP3,701,582.08)**, based on the rolled-forward values of the SKM Valuation (Annex “I”) for the second regulatory period, and inclusive of the twelve percent value-added tax (12% VAT).

11. TransCo has clearly established that CEBECO I satisfies 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.

12. In support of the above allegations, applicants also hereby jointly submit the following relevant documents:

- a. *Financial Qualification Evaluation* of CEBECO I (Annex “J”);
- b. *Technical Qualification Evaluation* of CEBECO I (Annex “K”);
- c. *Audited Financial Statements* of CEBECO I as of 31 December 2017 and 31 December 2018 (Annex “L”);
- d. *Draft Deed of Absolute Sale* (Annex “M”);
- e. *Franchise Description* (Annex “N”); and,
- f. *List of Connected DUs and Directly Connected Entities* (Annex “O”).

13. 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 Sub-transmission Assets*.

14. 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 sale of TransCo's Sibonga Load-end Substation amounting to PhP3,701,582.08 in favor of **Cebu I Electric Cooperative, Inc.** under the terms provided in the *Contract to Sell* dated 25 September 2019.

Applicants also pray for other just and equitable relief.

Quezon City and Cebu City, for Pasig City, 21 November 2019.

NATIONAL TRANSMISSION CORPORATION

New TRANSCO Bldg., Quezon Avenue cor.
BIR Road, Diliman, Quezon City
Tel. No. (02) 902-15-00

By:

NOEL Z. DE LEON

General Counsel

IBP No. AR15772438; 01/07/19/ Quezon City
Roll of Attorney No. 36660 dated April 1990
MCLE Compliance No. VI-002339; May 8, 2019

LEON T. TAPEL, JR.

Deputy Legal Counsel

IBP No. 083780; 04/17/19/ PPLM
Roll of Attorney No. 34555 dated May 30, 1987
MCLE Compliance No. VI-0024894; April 17, 2019

DONNA L. CALOZA-ALERIA

Manager, Corporate Legal Services Department

IBP Lifetime No. 07254, La Union
Roll of Attorney No. 44968
MCLE Compliance No. VI-0008473, April 14, 2018

ANNE ROSE R. DE GUIA

Corporate Attorney, Corporate Legal Services Department

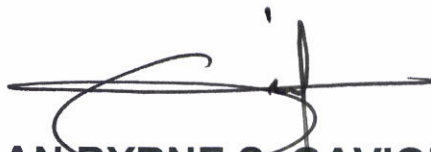
IBP No. 064496; 01/08/2019/ Bulacan
Roll of Attorney No. 64369 dated May 2009
MCLE Compliance No. VI-0025194; April 8, 2019

CEBU I ELECTRIC COOPERATIVE, INC. (CEBECO I)
(Co-Applicant)

By:

A.C. GAVIOLA LAW OFFICE
Rm. 203, 2/F Crown Port View Hotel
3rd Ave., North Reclamation Area, Cebu City
acgaviola_lawoffice@gaviolalaw.com

ALAN C. GAVIOLA
PTR No. 236611; Province of Cebu; Jan. 10, 2019
IBP O.R. 068855; Cebu City; Jan. 18, 2019
Roll No. 30385
MCLE Compliance III, 0019612; Dec. 14, 2010



ALAN BYRNE S. GAVIOLA
PTR No. 236610; Province of Cebu; Jan. 10, 2019
IBP O.R. 068856; Cebu City; Jan. 18, 2019
Roll No. 62695
MCLE Compliance VI, 0027706; Apr. 14, 2022