

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 CEBU II ELECTRIC COOPERATIVE, INC. (CEBECO II), AS COVERED BY A CONTRACT TO SELL DATED 01 OCTOBER 2015

ERC CASE NO. 2017-091 RC

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

D O C K E T E D
Date: MAR 02 2018
By: ✓

Applicants.

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NOTICE OF PUBLIC HEARING

TO ALL INTERESTED PARTIES:

Notice is hereby given that on 13 October 2017, Applicants National Transmission Corporation (TransCo) and Cebu II Electric Cooperative, Inc. (CEBECO II) filed a Joint Application for the approval of the sale of various sub-transmission lines/assets of TransCo to CEBECO II, as covered by a Contract to Sell dated 01 October 2015.

In its Joint Application, TransCo and CEBECO II alleged the following:

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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 TransCoMain Building, Quezon Avenue corner BIR Road, Diliman, Quezon City.
2. **CEBECO II** is an electric distribution utility (DU) organized and existing under the laws of the Republic of the Philippines, with principal office address in Malingin, Bogo, 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 Subtransmission 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 **Medellin Load-end Substation** is a sub-transmission asset. Likewise, CEBECO II is the only qualified DU that is connected thereto.

Copies of the *Report* regarding the nature of the asset, *List of STA/s for Sale to CEBECO II* and the *Single Line Diagram* are attached as Annexes “D”, “E” and “F,” respectively.

9. On 24 June 2015, the CEBECO II Board of Directors issued *Board Resolution No. 88, Series of 2015* (Annex “G”), for the acquisition of the aforesaid line by CEBECO II, and the authorization of Board President Peter John T. Villamor and/or the CEBECO II General Manager, Engr. Loewl O. Belcina, to sign all documents related to the acquisition.
10. On 15 October 2015, TransCo and CEBECO II concluded a *Contract to Sell* (Annex “H”) covering the Medellin Load-end Substation for the amount of **Seven Million Three Hundred Eighty Four Thousand Nine Hundred Seventy Nine Pesos and Eighty Four Centavos (PhP7,384,979.84)**, 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 II 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 submit the following relevant documents:
 - a. *Financial Qualification Evaluation* of CEBECO II (Annex “J”);
 - b. *Technical Qualification Evaluation* of CEBECO II (Annex “K”);
 - c. *Audited Financial Statements* of CEBECO II as of 31 December 2014 and 31 December 2015 (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 Subtransmission 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 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 sale of TransCo's Medellin Load-end Substation amounting to PhP7,384,979.84 in favour of **Cebu II Electric Cooperative, Inc.** under the terms provided in the *Contract to Sell* dated 01 October 2015.

Applicants also pray for other just and equitable relief.

The Commission has set the Application for determination of compliance with the jurisdictional requirements, expository presentation, Pre-trial Conference, and presentation of evidence on **03 May 2018 (Thursday) at two o'clock in the afternoon (2:00 P.M.) at CEBECO II's Main Office in Malingin, Bogo City, Cebu.**

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 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 Application and its attachments, subject to the reimbursement of reasonable photocopying costs. Any such person may likewise examine the Application and other pertinent records filed with the Commission during the standard office hours.

WITNESS, the Honorable Chairperson and CEO **AGNES VST DEVANADERA**, and the Honorable Commissioners **ALFREDO J. NON**, **GLORIA VICTORIA C. YAP-TARUC**, and **GERONIMO D. STA. ANA**, Energy Regulatory Commission, this 15th day of February 2018 in Pasig City.

FOR AND BY AUTHORITY
OF THE COMMISSION:


JOSEFINA PATRICIA A. MAGPALE-ASIRIT
Oversight Commissioner for Legal