

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 WITHIN THE  
FRANCHISE AREA OF BOHOL  
LIGHT COMPANY, INC. (BLCI) AS  
COVERED BY A CONTRACT TO  
SELL

ERC CASE NO. 2009-062 MC

NATIONAL TRANSMISSION  
CORPORATION (TRANSCO)  
AND BOHOL LIGHT COMPANY,  
INC. (BLCI),

Applicants.

x-----x

D O C K E T E D

Date: MAR 03 2010

By: *[Signature]*

**DECISION**

Before this Commission for resolution is the application filed by the National Transmission Corporation (TRANSCO) and the Bohol Light and Company, Inc. (BLCI) on July 20, 2009 for approval of the sale of various subtransmission lines/assets within the franchise area of BLCI, as covered by a Contract to Sell.

Having found said joint application sufficient in form and in substance with the required fees having been paid, an Order and a Notice of Public Hearing, both dated October 5, 2009, were issued setting the case for initial hearing on November 18, 2009.

*[Handwritten signatures]*

TRANSCO was directed to cause the publication of the Notice of Public Hearing, at its own expense, once (1x) in a newspaper of general circulation in the Philippines, at least ten (10) days before the date of the scheduled initial hearing. They were also directed to inform the consumers within the franchise area of BLCI, by any other means available and appropriate, of the filing of the instant application, their reasons therefore and of the scheduled hearing thereon.

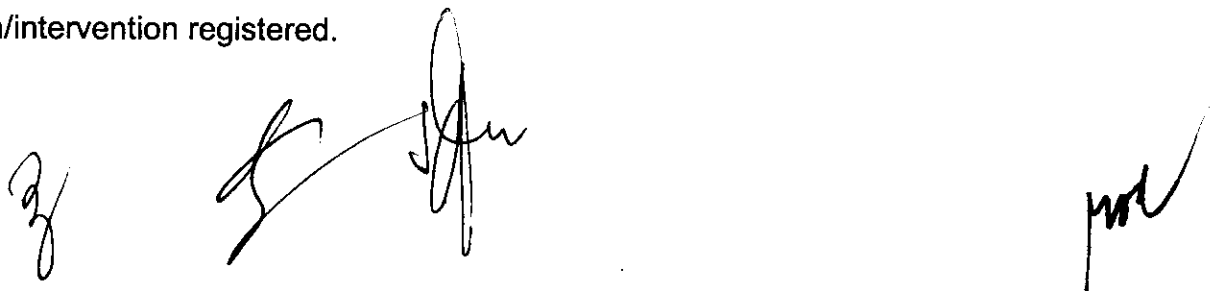
The Office of the Solicitor General (OSG), the Commission on Audit (COA) and the Committees on Energy of both Houses of Congress were furnished with copies of the Order and the Notice of Public Hearing and were requested to have their respective duly authorized representatives present at the aforesaid initial hearing.

Likewise, the Offices of the Mayors of Quezon City and Tagbilaran City within the franchise area of BLCI were furnished with copies of the Order and the Notice of Public Hearing for the appropriate posting thereof on their respective bulletin boards.

On November 11 and 12, 2009, respectively, TRANSCO and BLCI filed the "Submission of Additional Jurisdictional Requirements & Judicial Affidavit of Witness" and "Pre-Trial Brief".

On November 16, 2009, TRANSCO filed its "Compliance".

During the November 18, 2009 initial hearing of this case, only TRANSCO and BLCI appeared. No oppositor/intervenor appeared nor was there any opposition/intervention registered.

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At the said hearing, TRANSCO and BLCI presented their proofs of compliance with the Commission's publication and posting of notice requirements which were duly marked as Exhibits "A" to "K", inclusive. Thereafter, they conducted an expository presentation.

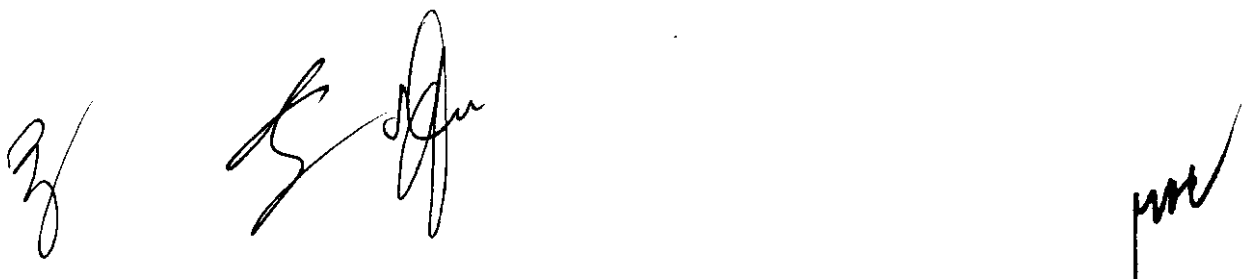
TRANSCO and BLCI then presented the following witnesses who testified in support of the application: a) Mr. Noel S. Ymasa, TRANSCO's Corporate Staff Officer for Subtransmission Divestment Department; and b) Engr. Ray C. Grapa, BLCI's Operations Manager. In the course of the direct examinations, the witnesses identified various documents in support of the application which were duly marked as exhibits.

The direct examinations having been terminated, the Commission propounded clarificatory questions on the said witnesses and directed BLCI to submit various documents.

On December 7, 2009, TRANSCO and BLCI filed their "Motion for Extension of Time to File Formal Offer of Documentary Evidence", which was granted by the Commission in its Order dated December 8, 2009.

On December 9, 2009, BLCI filed its "Ex-Parte Compliance (Re: Rate Impact)".

On December 21, 2009, TRANSCO and BLCI filed their "Formal Offer of Documentary Evidence" which is hereby admitted for being relevant and material to the final resolution of the case.

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## DISCUSSION AND EVALUATION

### A. SUBTRANSMISSION ASSET FOR SALE TO BLCI

The subtransmission asset for sale to BLCI involves the **Bohol Diesel Power Plant – Provincial Public Utilities Department (BDPP – PPUD) 13.8kV Single Circuit Line** on wood poles with circuit length of 1.20 km.

### B. CLASSIFICATION OF SUBTRANSMISSION ASSET FOR DISPOSAL

The documents submitted by TRANSCO, particularly, the single line diagram serving the franchise area of BLCI, showed that the subject asset met the technical and functional criteria that classify the transmission and subtransmission assets pursuant to Section 4, Rule 6 of the Implementing Rules and Regulations (IRR) of Republic Act No. 9136 and Section 2, Article III of the “Guidelines to the Sale and Transfer of the TransCo’s Subtransmission Assets and Franchising of Qualified Consortiums”.

### C. DETERMINATION OF CONSORTIUM OR JURIDICAL ENTITY

The single line diagram of TRANSCO disclosed that BLCI is the only distribution utility directly connected to the subject subtransmission assets and thus, there is no need to form a consortium.

### D. ASSESSMENT OF BLCI’S QUALIFICATION AS BUYER OF THE SUBTRANSMISSION ASSET

#### 1. TECHNICAL CAPABILITY

- a. It has experience in the operation and maintenance of similar subtransmission assets operating at the same voltage level.



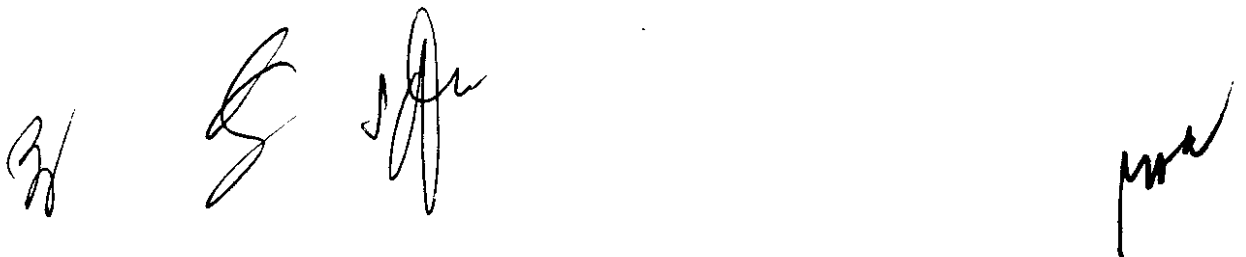
- b. It has sufficient inventory of materials that can be used for immediate replacement during emergency repair and maintenance of the line.
- c. The details of the reliability indices it submitted disclosed that it has 0.43 Interruption Frequency Rate (IFR) and 0.34 hours of Cumulative Interruption Time (CIT) equivalent to a combined weighted average reliability performance of 4.64%. Thus, its reliability performance is less than the weighted average ceiling of 80% as set in the Guidelines.
- d. Records of the Commission disclosed that it has submitted its Statement of Compliance to the Philippine Grid Code (PGC) and Philippine Distribution Code (PDC) which makes it compliant with the qualification criteria that "a prospective buyer should have submitted to the Commission its Statement of Compliance to the PGC and PDC".

Based on the said submission, it can be gleaned that BLCI is technically qualified to buy the subtransmission assets of TRANSCO.

## 2. FINANCIAL CAPABILITY

A thorough examination of the Audited Financial Statements (AFS) of BLCI and other documents submitted disclosed that:

- a. It is current in all its financial obligations related to outstanding debt to all listed creditors.
- b. Its current ratio is 1.04:1 and its quick ratio is 1.01:1 (*ratios should not be less than 0.70:1 for the current ratio and 0.50:1 for the quick ratio*).
- c. It has a debt ratio of 67.50% which is lower than the maximum limit of 80% set in the Guidelines.
- d. Its average collection period based on its submitted AFS is 50.27 days or below the criterion set in the *Guidelines* which should not be more than ninety (90) days.
- e. Its net profit margin and return on assets as computed disclosed positive values and is therefore, compliant with the criterion set in the Guidelines.



Based on the foregoing, BLCI is financially qualified to buy the subtransmission asset of TRANSCO pursuant to Article IV, Section 1 of the Guidelines.

#### **E. SUBTRANSMISSION ASSET VALUATION**

TRANSCO and BLCI submitted a Contract to Sell with an agreed price amounting to One Million One Hundred Sixty-Eight Thousand Three Hundred Ninety-Nine Pesos (PhP1,168,399.00).

It is significant to note that the aforesaid agreed price represents the latest Optimized Depreciated Replacement Cost (ODRC) of the asset based on the Sinclair Knight Merz (SKM) valuation and salvage value of the asset having reached its economic life of thirty (30) years.

#### **F. CONNECTION CHARGES**

Based on the terms and conditions of the Contract to Sell, TRANSCO will cease billing BLCI the corresponding connection and residual charges once ownership is transferred to the latter.

Notwithstanding the transfer of ownership of the subtransmission assets, TRANSCO shall continue charging BLCI with the corresponding connection and residual subtransmission charges which should have been billed and recovered on the applicable service year but was deferred due to delay incurred in the imposition of the charges.

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After a thorough evaluation of the documents and the testimonies of the witnesses presented herein, the Commission finds that:

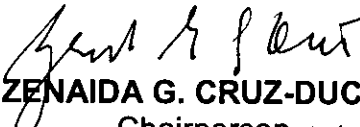
- a) The subject asset for sale is a subtransmission asset;
- b) BLCI is qualified to take over the responsibility of operating, maintaining, upgrading and expanding said subtransmission asset; and
- c) The amount specified in the Contract to Sell is in reference to the SKM valuation and the same is found to be just and reasonable.

**WHEREFORE**, the foregoing premises considered, the application for the approval of the sale of various subtransmission lines/assets within the franchise area of Bohol Light Company, Inc. (BLCI) filed by the National Transmission Corporation (TRANSCO) is hereby **APPROVED**.

Upon the consummation of the sale, let a copy of the corresponding Deed of Absolute Sale between TRANSCO and BLCI be furnished the Commission, for record purposes.

**SO ORDERED.**

Pasig City, February 15, 2010.

  
**ZENAIDA G. CRUZ-DUCUT** 3-2-10  
Chairperson *quartz*

  
**RAUF A. TAN**  
Commissioner

  
**ALEJANDRO Z. BARIN**  
Commissioner

  
**MARIA TERESA A.R. CASTAÑEDA**  
Commissioner

  
**JOSE C. REYES**  
Commissioner

**Copy Furnished:**

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