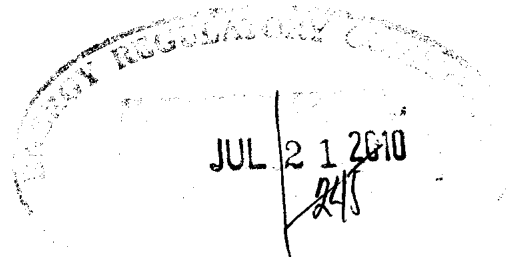


ERC's
copy

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 CAMIGUIN ELECTRIC
COOPERATIVE, INC. (CAMELCO), AS
COVERED BY A LEASE PURCHASE
AGREEMENT (LPA),



ERC CASE No. 2010- 088 RC

NATIONAL TRANSMISSION
CORPORATION (TRANSCO) and
CAMIGUIN ELECTRIC COOPERATIVE, INC.
(CAMELCO),

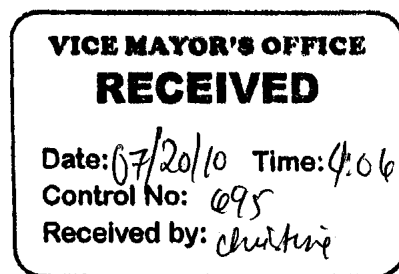
Applicants.

x-----x

JOINT APPLICATION

APPLICANTS, NATIONAL TRANSMISSION CORPORATION ("TRANSCO") and
CAMIGUIN ELECTRIC COOPERATIVE, INC. ("CAMELCO"), through their respective
counsels, to this Honorable Commission, respectfully aver that:

1. TRANSCO is a government-owned and controlled corporation duly
created and existing by virtue of Republic Act 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 where it may be served with notices and other legal processes of this Honorable
Commission;



2. CAMELCO is an electric cooperative duly organized and existing under the laws of the Republic of the Philippines, with principal office address at Mambajao, Camiguin, Philippines. It may be served notices and other legal process through its counsel-of-record, Atty. Zenon S. Suarez at Room 313 Web Jet Bldg., 64, Quezon Avenue, Quezon City;

3. Pursuant to Section 8 of the EPIRA, TRANSCO assumed the electrical transmission functions of the National Power Corporation (NPC) and the latter's authority and responsibility for the planning, construction and centralized operation and maintenance of its high voltage transmission facilities, including grid interconnections and ancillary services;

4. Section 8 of the EPIRA and Section 8(e), Rule 6 of its Implementing Rules and Regulations (IRR) likewise mandate the segregation of the transmission and sub-transmission functions and assets for transparency and disposal, and authorize TRANSCO to negotiate and transfer such sub-transmission assets and facilities to qualified distribution utilities (DUs);

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;

5.1. Consistent with the above-mentioned ERC Guidelines, TRANSCO adopted its own Guidelines on the Sale of Sub-transmission Assets (TransCo Guidelines) which was approved by TRANSCO Board of Directors per TRANSCO Board Resolution No. TC-2003-067 dated 28 November 2003,

as further amended by TRANSCO Board Resolution No. TC-2004-009 dated 17 February 2004;

Copies of the TRANSCO Guidelines and Board Resolutions No. TC-2003-067 and TC-2004-009 are hereto attached as Annexes “A”, “A-1” and “A-2”, respectively.

6. In accordance with the afore-stated ERC Guidelines, TRANSCO evaluated that the Balingasag-Kinoguitan 69kV Line meets the criteria for sub-transmission assets;

Copies of the Report that the asset for sale meets the criteria for sub-transmission assets, the list of sub-transmission assets for sale, and the single-line diagram are hereto attached as Annexes “B”, “C” and “D”, respectively.

7. CAMELCO is the only DU utilizing the subject sub-transmission asset and there are existing directly connected customers thereto (Annex “E”);

8. In addition, TRANSCO evaluated and established that CAMELCO possesses the technical capability to purchase TRANSCO’s subject sub-transmission asset under Article IV of the ERC Guidelines;

8. However, CAMELCO does not meet the financial ratios established by this Honorable Commission but is up-to-date with its financial obligations. In this regard, TRANSCO issued a waiver on CAMELCO’s financial pre-qualification, as evidenced by the attached copy of the excerpts from the Minutes of the 9th management Committee (ManCom) Meeting of the TRANSCO Transition Task Force held on 13 May 2009 (Annex “F”);

9. Moreover, considering CAMELCO's aforesaid up-to-date status, TRANSCO's Sub-transmission Divestment Department (SDD) evaluated that CAMELCO is financially capable of purchasing, operating and maintaining the subject sub-transmission asset;

Copies of the Technical and Financial Qualification Evaluations conducted by TRANSCO as well as the Description of the Franchise Area being served by the subject asset are hereto attached as Annexes "G", "H" and "I", respectively, inclusive of sub-markings.

10. Thereafter, on 28 January 2010, TRANSCO negotiated and concluded a Lease Purchase Agreement (LPA) with CAMELCO (Annex "J") covering the said sub-transmission asset. Copies of CAMELCO's Board Resolutions relative to the sale are hereto attached as Annexes "K"¹ and "L"²;

11. Under the terms of the said LPA, the total purchase price of THIRTY EIGHT MILLION SEVEN HUNDRED THIRTY EIGHT THOUSAND SIX HUNDRED SEVENTY NINE PESOS AND 36/100 (PhP 38,738,679.36), Philippine currency, plus interest, shall be paid by CAMELCO in two hundred forty (240) equal monthly installments;

¹ Resolution No. 18, Series of 2008 dated 03 April 2008 entitled "*Resolution Earnestly Requesting the Transmission Corporation (TransCo) (sic) to Allow the Camiguin Electric Cooperative (CAMELCO), Inc. the Sole Ownership of the 69kV Line from Aplaya, Jasaan to Esperanza, Kinoguitan, Misamis Oriental*".

² Resolution No. 84, Series of 2009 dated 22 October 2009 entitled "*Resolution Authorizing the CAMELCO Board President, Mr. Francisco V. Aguilar, to Sign the Lease Purchase Agreement (LPA) with TransCo for the Sale of the 69kV Line Sub-transmission Asset of TransCo from Balingasag to Kinoguitan, Misamis Oriental*"; .

11.1. The first installment shall become due and payable within one (1) year from the date of the final approval by this Honorable Commission of the subject LPA. Subsequent installments shall automatically become due and payable on the last day of each month, without need of demand, in accordance with the Schedule of Payments hereto attached as Annex "M";

11.2. The subject sub-transmission asset is priced based on the pro-rated value of the 2008 Net Book value rolled forward pursuant to the SKM valuation, a copy of which is hereto attached as Annex "N";

12. Furthermore, Joint Applicants are submitting the following documents as part of the requirements provided in the ERC Guidelines:

- a. Draft Deed of Absolute Sale (Annex "O"); and
- b. Third-Party Appraisal Report (Annex "P")

13. In addition, Joint Applicants respectfully submit hereto the attached Decision dated 22 September 2009 of this Honorable Commission in ERC Case No. 2008-101 MC (Annex "Q") granting, among others, CAMELCO the sole right to purchase and own the 35-kilometer Balingasag-Kinoguitan Lines, without prejudice to the subscription rights of the Misamis Oriental II Electric Cooperative, Inc. (MORESCO II) in the event of a connection to the said sub-transmission asset;

13.1. While MORESCO II appealed the subject Decision with the Court of Appeals by way of a Petition for Review under Rule 43, no temporary restraining order has been issued to prevent herein Joint Applicants from

proceeding with the filing hereof. Section 12 of Rule 43 of the Revised Rules of Court provides that “*(t)he appeal shall not stay the award, judgment, final order or resolution sought to be reviewed unless the Court of Appeals shall direct otherwise upon such terms as it may deem just*”;

14. The proposed sale has satisfied all of the requirements and criteria set by the EPIRA, its IRR, as well as this Honorable Commission’s Guidelines and TRANSCO’s Guidelines on the sale of its sub-transmission assets;

15. The approval by this Honorable Commission of the instant application shall pave the way for the attainment of a reformed electricity industry under the EPIRA, towards a competitive regime/cost of electricity through open access and customer choice of supplier of electricity, 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 hearing, judgment be rendered APPROVING the sale of TRANSCO’s subject sub-transmission asset to CAMELCO under the terms provided in the Lease Purchase Agreement dated 28 January 2010.

Applicants pray for other relief deemed just and equitable under the premises.

Quezon City for Pasig City, ___ May 2010.

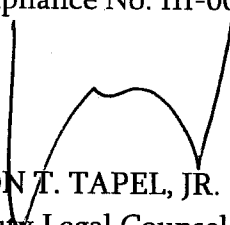
NATIONAL TRANSMISSION CORPORATION
TRANSCO Main Bldg., Quezon Avenue cor. BIR Road
Diliman, 1101 Quezon City
Tel No. (02) 441-1057

By:



NOEL X. DE LEON
General Counsel

IBP No. 774255, 01/12/10, Quezon City
Roll of Attorney No. 36660 dated April 1990
MCLE Compliance No. III-0012070



LEON T. TAPEL, JR.
Deputy Legal Counsel


IBP No. 812539, 01/13/10, PPLM
Roll of Attorney No. 34555 dated May 30, 1987
MCLE Compliance No. III-0004876



JOSE JESUS P. MORENO
OIC-Manager, Legal Counsellin
Manager, RLMSD

IBP No. 803764, 12/23/09, RSM
Roll of Attorney No. 42980 dated May 6, 1998
MCLE Compliance No. II-0001063

jpmoreno@transco.ph
Tel. No. (02) 902-1500 / 9812672

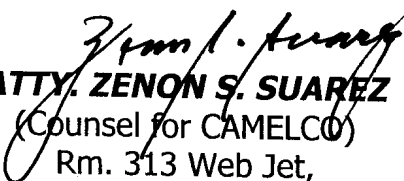


SOLEDAD T. DELA VEGA-CABANGIS
Corporate Attorney III

IBP Lifetime No. 825514, 04/23/10, Bulacan
Roll of Attorney No. 45797 dated May 2001
PTR No. 3511460, 12/17/10, Quezon City
MCLE Compliance No. II-00010363
Tel. No. (02) 902-1500 local 1541

CAMIGUIN ELECTRIC COOPERATIVE, INC. (CAMELCO)

By:


ATTY. ZENON S. SUAREZ
(Counsel for CAMELCO)

Rm. 313 Web Jet,
Bldg. 64, Quezon Ave., Quezon City
Roll of Atty. No. 25041
IBP No. 01592.June 24, 1999. Pasig City
PTR No. 3510066.Jan. 11, 2010, Caloocan City
MCLE Compliance No. III-0002187.Feb. 10,2009
Cel. Nos. 0919-4490846
Tel. Nos. 7120951 loc. 129
Telefax Nos. 4120107


REPUBLIC OF THE PHILIPPINES)
QUEZON CITY) SS.

VERIFICATION AND CERTIFICATION

I, ATTY. MOSLEMEN T. MACARAMBON, of legal age, married, with office address at the National Transmission Corporation, TRANSCO Main Bldg., Quezon Avenue corner BIR Road, Diliman, Quezon City, after having been duly sworn to in accordance with law, do hereby depose and state, that:

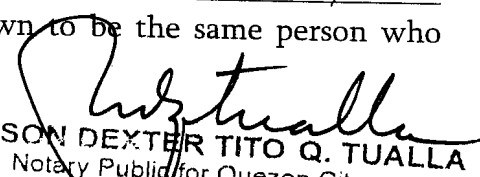
1. I am the President and Chief Executive Officer (CEO) of the National Transmission Corporation ("TRANSCO"), who is authorized to represent it in this Joint Application as per attached TRANSCO Board Resolution No. TC-2006-025 dated 20 September 2006 (Annex "R");
2. I have caused the preparation of the instant Joint Application and attest that the allegations therein contained are true and correct based on my personal knowledge and on authentic records available to applicant TRANSCO;
3. Misamis Oriental II Electric Cooperative, Inc. (MORESCO II) filed a Petition for Review with Prayer for Temporary Restraining Order and Preliminary Injunction with the Court of Appeals under Rule 43 of the Revised Rules of Court docketed as CA GR SP No. 112402 relative to the Decision dated 22 September 2009 and Order dated 01 December 2009 of the Energy Regulatory Commission. The Court of Appeals directed TRANSCO and CAMELCO to file their respective Comments to the Petition.

Quezon City, Philippines, ____ May 2010.


 ATTY. MOSLEMEN T. MACARAMBON
 Affiant

SUBSCRIBED AND SWORN TO before me this JUN 16 2010 day of June 2010, with affiant presenting to me his UTC # 1490134 issued on June 8, 2010 at Manila, known to me and to me known to be the same person who executed the foregoing Joint Application.

Doc. No. 226;
Page No. 46;
Book No. B;
Series of 2010.


 NYERSON DEXTER TITO Q. TUALLA
 Notary Public for Quezon City
 Notarial Appointment No. 272
 Notarial Commission until December 31, 2012
 Roll of Attorneys No. 52294
 PTR No. 323277, Quezon City
 IBP Lifetime No. 07135, Quezon City Chapter
 National Transmission Corporation
 TransCo Building, BIR Road cor. Quezon Ave.,
 Diliman, Quezon City

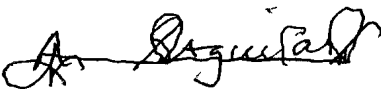
Republic of the Philippines)
Pasig City) S.S.

VERIFICATION and CERTIFICATION

I, **FRANCISCO V. AGUILAR**, Filipino, of legal age, married, and with office address at Camiguin Electric Cooperative, Inc. (CAMELCO), Mambajao, Camiguin, Philippines, after having been duly sworn to in accordance with law, do hereby depose and state that:

1. I am the Board President of CAMELCO, who is authorized to represent it in this Joint Application as per the attached Board Resolution No.84, Series of 2009;
2. I have caused the preparation of the instant Joint Application and read the contents thereof, and I attest that the allegations therein contained are true and correct based on my personal knowledge and on authentic records available to applicant CAMELCO;
3. Misamis Oriental II Electric Cooperative, Inc. (MORESCO II) filed a Petition for Review with Prayer for Temporary Restraining Order and Preliminary Injunction with the Court of Appeals under Rule 43 of the Revised Rules of Court docketed as CA GR SP No. 112402 relative to the Decision dated 22 September 2009 and Order dated 01 December 2009 of the Energy Regulatory Commission. The Court of Appeals directed TRANSCO and CAMELCO to file their respective Comments to the Petition.

Quezon City, Philippines, ___ May 2010.

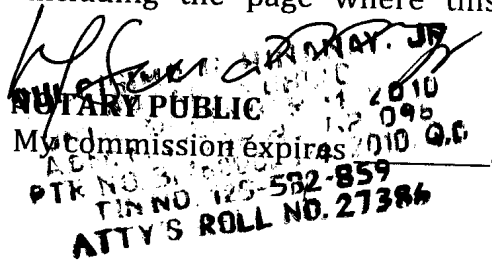

FRANCISCO V. AGUILAR
Affiant

ACKNOWLEDGMENT

Republic of the Philippines)
Quezon City) S.S.

MUN 17 2010

SUBSCRIBED and SWORN to before me this ___ day of May, 2010, with affiant exhibiting to me his _____ issued on _____ at QUEZON CITY, known to me and to me known to be the same person who executed the foregoing Joint Application which consists of ten (10) pages including the page where this Acknowledgment is written.


NOTARY PUBLIC
My Commission Expires 2010 Q.C.
PTR NO. 31800
TIN NO. 125-582-859
ATTY'S ROLL NO. 27386

Doc. No. 207
Page No. 42;
Book No. VI-C
Series of 2010.