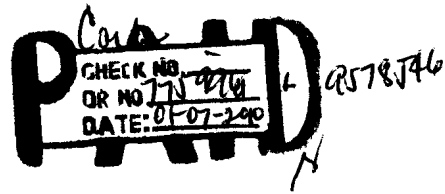


Republic of the Philippines
ENERGY REGULATORY COMMISSION
San Miguel Avenue, Pasig City

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 THE LA UNION ELECTRIC COMPANY, INC., (LUECO), AS COVERED BY A CONTRACT TO SELL.

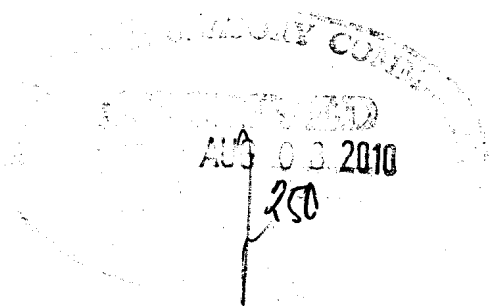


ERC CASE NO. 2010-086 RC

NATIONAL TRANSMISSION CORPORATION (TransCo) and LA UNION ELECTRIC COMPANY, INC., (LUECO),

Applicants.

x-----x



JOINT APPLICATION

Applicants **NATIONAL TRANSMISSION CORPORATION (TransCo)** and **LA UNION ELECTRIC COMPANY, INC., (LUECO)**, through their respective counsels, and to this Honorable Commission most respectfully state that:

(1) Applicant **TransCo** is a government-owned-and-controlled corporation duly created by virtue of Republic Act No. 9136 otherwise known as the "Electric Power Industry Reform Act" (EPIRA), with principal office address at the TransCo Main Building, Quezon Avenue corner BIR Road, Diliman, Quezon City;

(2) Applicant **LUECO** is an electric cooperative duly organized and existing under Philippine laws, with principal office address at San Fernando City, La Union, Philippines;

(3) By virtue of Section 8 of R.A. No. 9136, TransCo assumed the electrical transmission functions of the National Power Corporation (NPC) and its authority and responsibility for the planning, construction and centralized operation and maintenance of the high voltage transmission facilities, including grid interconnections and ancillary services. The EPIRA also mandates the segregation of the transmission and sub-transmission functions and assets for transparency and disposal;

(4) It is likewise provided under Section 8 of the EPIRA and Rule 6, Section 8 (e) of the EPIRA Implementing Rules and Regulations (IRR), that TransCo shall negotiate with, and thereafter transfer, its sub-transmission assets and facilities to qualified Distribution Utilities (DU's) connected to such sub-transmission facilities not later than two (2) years from the effectivity of the EPIRA or the start of the open access, whichever comes earlier;

(5) Pursuant thereto, this Honorable Commission promulgated on 17 October 2003 the "Guidelines to the Sale and Transfer of TransCo's Sub-transmission Assets and the Franchising of Qualified Consortiums," as amended by Resolution No. 3, Series of 2005, (17 March 2005), hereinafter referred to as the "ERC Guidelines", which sets forth, among others, the standards to distinguish TransCo's transmission assets from its sub-

transmission assets and to establish the approval process prior to the final sale and transfer of sub-transmission assets to DU's;

(6) Consistent with the ERC Guidelines, TransCo has adopted its own guidelines on the Sale of Sub-transmission Assets ("TransCo Guidelines") as approved by TransCo Board Resolution No. TC-2203-067 dated 28 November 2003, as further amended by TransCo Board Resolution No. TC-2004-009 dated 16 March 2004;

Copies of the TransCo Guidelines and Board Resolutions No. TC-2003-067 and TC-2004-009 are hereto attached as Annexes "A", "B" and "C," respectively, and made integral parts hereof;

(7) Pending compliance with the conditions precedent[†] for the transfer of assets from NPC to TransCo, the respective Board of Directors (BOD's) of NPC and the Power Sector Assets and Liabilities Management Corporation (PSALM) have authorized TransCo to negotiate, and execute the necessary contract with DU's for the disposal of the sub-transmission assets in accordance with the EPIRA, its IRR and the ERC Guidelines;

The NPC Board Resolution No. 2003-131 dated 18 December 2003 and PSALM Board Resolution No. 04-09 dated 24 February 2004 are hereto attached as Annexes "D" and "E," respectively, and made integral parts hereof;

(8) In accordance with the aforesaid ERC Guidelines, TransCo has evaluated that the **Buang-Poro 69 kV 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 asset for sale, and the single line diagrams are hereto attached as Annexes "F," "G," and "H," respectively, inclusive of sub-markings, and made integral parts hereof;

(9) Applicant LUECO possesses the technical/functional capability under Article IV of the aforesaid Guidelines. It is likewise financially capable of operating and maintaining the said sub-transmission asset in its franchise area;

Hereto attached as Annexes "I" and "J," respectively, are the Audited Financial Statements and Balance Sheet of LUECO for the years 2006 and 2007;

(10) Pursuant also to the ERC and TransCo Guidelines, TransCo has evaluated and established that LUECO indeed meets the technical and financial qualifications to purchase the subject sub-transmission asset located within its franchise area;

Copies of the Technical and Financial Qualification Evaluations conducted by TransCo are hereto attached as Annexes "K" and "L," respectively, inclusive of sub-markings, and made integral parts hereof;

The Description of the Franchise Area being served by the subject asset is likewise attached as Annex "M;"

(11) In view of the above, TransCo and LUECO negotiated and concluded a Contract to Sell dated 20 October 2008 covering the subject sub-transmission asset. LUECO's Board of Directors issued Resolution No. 2009-05-06, Series of 2009 dated 5 May 2009 ratifying the said agreement;

Attached hereto as Annexes "N" and "O" and made integral parts hereof, are the subject Contract to Sell together with its attachments, and the afore-cited Board Resolution;

(12) Under the terms of the Contract to Sell, LUECO shall pay NPC/TransCo, within ten (10) calendar days from receipt of notice of the ERC's approval of the subject Contract, in cash or in the form of a manager's or cashier's check, the total purchase price of **FOUR MILLION SIX HUNDRED EIGHTEEN THOUSAND THREE HUNDRED FORTY THREE AND 11/100 (Php4,618,343.11)**, Philippine currency;

(13) The said purchase price is fair and reasonable as it represents the disposal value of the subject sub-transmission asset based on potential revenue which, pursuant to this Honorable Commission's Guidelines, is deemed to be the Current Sound Value thereof. A copy of the Asset Valuation Computation is hereto attached as Annex "P", inclusive of sub-markings;

(14) Section 4, Article V of the ERC Guidelines provides that prior to the final sale and transfer of such sub-transmission asset by TransCo to a qualified DU or qualified consortium, the parties must seek first the approval of this Honorable Commission. Said provision likewise requires the applicants to submit certain documents in order to facilitate the review and approval of the proposed sale and transfer of the subject sub-transmission asset. In compliance therewith, TRANSCO and LUECO hereby respectfully submit the following documents in support of their joint application:

(a) List of Directly Connected Entities and DU's connected to the subject asset (Annex "Q");

(b) Third Party Appraisal Report (Annex "R"); and,

(c) Draft Deed of Absolute Sale (Annex "S")

(15) 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 the sub-transmission assets;

(16) 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 respectfully prayed of this Honorable Commission to **APPROVE** the sale of TransCo's sub-transmission assets to **La Union Electric Company, Inc. (LUECO)** under the terms laid down in the Contract to Sell dated 20 October 2008.

Other relief deemed just and equitable under the premises are likewise prayed for.

Respectfully submitted, Quezon City for Pasig City, 9 October 2009.

NATIONAL TRANSMISSION CORPORATION (TransCo)
TransCo Main Building, Quezon Avenue corner BIR Road,
Diliman, Quezon City

By:



NOEL Z. DE LEON


General Counsel

Roll No. 36660/04.90

IBP No. 686084/01.26.07, Quezon City

MCLE Compliance No. II-0005686

Tel. Nos. (02) 9021500 local 1503



LEON T. TAPEL, JR.

Deputy General Counsel

Roll No. 34555/05.30.87

IBP No. 719673/05.04.07/PPLM

MCLE Compliance No. III-0004876

Tel. Nos. (02) 9021500 local 1536



ANARICA CASTILLO-REYES

Department Manager-Legal Counseling

Roll No. 43238/05.07.98

IBP No. 696182/01.30.07/Nueva Ecija

MCLE Compliance No. II-0000987

Tel. Nos. (02) 9021500 local 1540



SOLEDAD T. DE LA VEGA-CABANGIS

Corporate Attorney III

Roll of Attorney No. 45797/05.01

IBP No. 691342/12.04.06/Bulacan

MCLE Compliance No. II-0010363

Tel. Nos. (02) 9021500 local 1541


LA UNION ELECTRIC COMPANY, INC. (LUECO)

By:

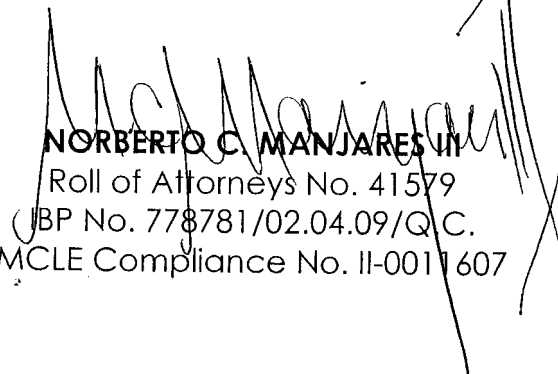
THE LAW FIRM OF MANJARES & MANJARES

Counsel for Applicant LUECO
5 Saint Anne Street,
Provident Villages, Marikina City

By:



NORBERTO F. MANJARES, JR.
Roll of Attorney No. 14937
IBP No. 778782/02.04.09/Q.C.
MCLE Compliance No. II-0011340



NORBERTO C. MANJARES III
Roll of Attorneys No. 41579
IBP No. 778781/02.04.09/Q.C.
MCLE Compliance No. II-0011607

VERIFICATION/CERTIFICATION

REPUBLIC OF THE PHILIPPINES)
QUEZON CITY) SS.

I, **ARTHUR N. AGUILAR**, Filipino, of legal age, with office address at the National Transmission Corporation (TransCo), TransCo Main Building, Power Center, Quezon Avenue corner BIR Road, Diliman, Quezon City, Philippines, after having been duly sworn in accordance with law, do hereby depose and state that:

(1) I am the President and Chief Executive Officer of Applicant National Transmission Corporation (TransCo), who is the duly authorized representative in the above-entitled case pursuant to Sec. 7.0 of the Revised Manual of Approvals duly approved by the Transco Board on 26 June 2003 under Board Resolution No. TC 2003-043. A copy of the said Manual of Approvals is hereto attached as **Annex "T"**;

(2) I have caused the preparation of the foregoing Joint Application;

(3) I have 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;

(4) I have not heretofore commenced any other action or proceeding involving the same issue with the Supreme Court, the Court of Appeals or different Divisions thereof, or any other court, tribunal or agency; and,

(5) Should I subsequently learn of such other similar action(s) or proceeding(s), I hereby undertake to promptly inform this Honorable Commission of such fact within five (5) days therefrom.

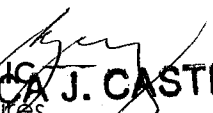

ARTHUR N. AGUILAR
Affiant

ACKNOWLEDGMENT

(REPUBLIC OF THE PHILIPPINES)
(QUEZON CITY) SS.

OCT 15 2009

SUBSCRIBED and SWORN TO before me this ___ day of _____, 2009, with affiant **ARTHUR N. AGUILAR** presenting to me his Community Tax Certificate No. 07274018 issued on 20 January 2009 in Muntinlupa City, known to me and to me known to be the same person who executed the foregoing Application which consists of ten (10) pages, including the page where this Acknowledgment is written.


NOTARY PUBLIC
ATTY. ANARICA J. CASTILLO
My Commission Expires _____
Notary Public
Until December 31, 2009
PTR No. 0070238 / 1-5-09 Cab. City
IBP No. 696182 / 1-30-07 N.E.
Roll No. 43238

Doc. No. 286 ;
Page No. 18 ;
Book No. LV ;
Series of 2009.

VERIFICATION/CERTIFICATION

REPUBLIC OF THE PHILIPPINES)
QUEZON CITY) SS.

I, **RUBEN L. VALERO**, Filipino, of legal age, with office address at Valbros Building, Quezon Avenue, San Fernando City, La Union, Philippines, after having been duly sworn in accordance with law, do hereby depose and state that:

(1) I am the President and Chairman of the Board of Directors (BOD) of Applicant La Union Electric Company, Inc. (LUECO), who is the duly authorized representative in the above-entitled case, as evidenced by the hereto attached document which is marked as **Annex "U"**;

(2) I have caused the preparation of the foregoing Joint Application;

(3) I have 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;

(4) I have not heretofore commenced any other action or proceeding involving the same issue with the Supreme Court, the Court of Appeals or the different Divisions thereof, or any other court, tribunal or agency; and,

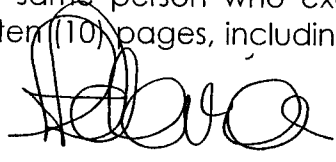
(5) Should I subsequently learn of such other similar action(s) or proceeding(s), I hereby undertake to promptly inform this Honorable Commission of such fact within five (5) days therefrom.


RUBEN L. VALERO
Affiant

ACKNOWLEDGMENT

(REPUBLIC OF THE PHILIPPINES)
(DAVAO CITY) SS.

SUBSCRIBED and SWORN TO before me this 17th day of Nov., 2009, with affiant **RUBEN L. VALERO** presenting to me his Community Tax Certificate No. _____ issued on _____ 2009 in _____, 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 12/31/2009.

Doc. No. 183 ;
Page No. 37 ;
Book No. 14 ;
Series of 2009.

MYRA-DIWATA A. RIVERA-CAROY
NOTARY PUBLIC
MY COMMISSION EXPIRES 12.31.2009
ROLL NO. 48494
IBP LIFETIME ROLL NO. 05266.02.18.2006
PTR NR. 3648493. 01.13.2009
ISSUED AT SAN FERNANDO, LA UNION