

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 ILOCOS SUR ELECTRIC  
COOPERATIVE, INC. (ISECO), AS COVERED BY  
AN AMENDED CONTRACT TO SELL**

ERC CASE No. **2010-**\_\_\_\_\_

**NATIONAL TRANSMISSION CORPORATION  
(TRANSCO) and ILOCOS SUR ELECTRIC  
COOPERATIVE, INC. (ISECO),**

Applicants.

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**JOINT APPLICATION**

**APPLICANTS, NATIONAL TRANSMISSION CORPORATION (“TRANSCO”) and  
ILOCOS SUR ELECTRIC COOPERATIVE, INC. (“ISECO”),** 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. ISECO is an electric cooperative duly organized and existing under the laws of the Republic of the Philippines, with principal office address at Santiago, Ilocos Sur. It may be served notices and other legal processes through its counsel-of-record, Atty. Gloria C. Corrales, at Nueva Segovia St., Vigan City, Ilocos Sur;

3. Pursuant to Section 8 of the EPIRA, TRANSCO assumed the electrical transmission functions of the National Power Corporation (NPC) and the latter's 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) and consortia;

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 Consortia" (ERC Guidelines) dated 17 October 2003;

6. Consistent with the ERC Guidelines, TRANSCO adopted its own Guidelines on the Sale of Sub-transmission Assets (TRANSCO Guidelines) which was approved by the 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 which are hereto attached as Annexes "A", "B" and "C", respectively;

7. In accordance with the afore-stated ERC Guidelines, TRANSCO evaluated that the following assets meet the criteria for sub-transmission assets:

- (a) San Esteban-Candon 69 kV Line;
- (b) New Bantay-Sto. Domingo;
- (c) San Esteban-Narvacan Junction (Old 115 kv Line); and,

(d) San Esteban-Narvacan (Tower 21 Take-off).

Copies of the TRANSCO Report that the assets for sale meet the criteria for sub-transmission assets, the List of sub-transmission assets for sale and the Single-line diagram are hereto attached as Annexes "D", "E" and "F," respectively;

8. ISECO is the only DU utilizing the subject sub-transmission assets and there are no directly connected customers thereto (Annex "G");

9. In addition, TRANSCO evaluated and established that ISECO possesses the technical capability to purchase, operate and maintain TRANSCO's subject sub-transmission assets under Article IV of the ERC Guidelines. Copies of the Technical Qualification Evaluation conducted by TRANSCO, as well as ISECO's Institutional and Technical Accomplishment Reports for the Year 2002 are hereto attached as Annexes "H" and "I," respectively;

10. Moreover, TRANSCO's Sub-transmission Divestment Department evaluated that ISECO is financially capable of purchasing, operating, maintaining and expanding the subject sub-transmission assets. Copies of the Financial Qualification Evaluation conducted by TRANSCO as well as the Description of the Franchise Area being served by the subject assets are hereto attached as Annexes "J" and "K," respectively;

11. ISECO's financial capacity is evidenced further by the Audited Financial Statements of ISECO for the year 2003, hereto attached as Annex "L";

12. Thereafter, on 2 February 2009, TRANSCO negotiated and concluded a Lease Purchase Agreement (LPA) with ISECO (Annex "M") covering the subject sub-

transmission assets. Hereto attached as Annex “N” is a copy of ISECO Board Resolution No. 177, Series of 2006 dated 20 December 2006, relative to the sale;

13. Under the terms of the Amended LPA, the total purchase price is **Twenty Four Million Four Hundred Nine Thousand Three Hundred Twenty Nine and 52/100, Philippine currency (Php24,409,329.52)**, net of adjustments and deductions;

13.1. The subject sub-transmission assets are priced pursuant to SKM valuation, as evidenced by the Third Party Appraisal Report whose copy is hereto attached as Annex “O”;

14. Finally, Joint Applicants are submitting a copy of the Draft Deed of Absolute Sale (Annex “P”) as part of the requirements provided in the ERC Guidelines;

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 Sub-transmission Assets;

16. 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, 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 to this Honorable Commission that after due hearing, judgment be rendered **APPROVING** the sale of **TRANSCO’s sub-transmission assets to Ilocos Sur Electric Cooperative, Inc. (ISECO)**.

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

Quezon City for Pasig City, 23 September 2010.

**NATIONAL TRANSMISSION CORPORATION**

Transco Main Building, Quezon Avenue  
corner BIR Road, Diliman, Quezon City  
Tel. No. +63 2 9021500

By:

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**ILOCOS SUR ELECTRIC COOPERATIVE, INC. (ISECO)**

By:

**ATTY. GLORIA C. CORRALES**

(Counsel for ISECO)

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Tel. Nos. 077-772-0001 Local 245

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**VERIFICATION and CERTIFICATION ON NON-FORUM SHOPPING**

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

(1) I am the President and Chief Executive Officer (CEO) of TRANSCO, who is authorized to represent it in this Joint Application as per the attached TRANSCO Board Resolution No. TC-2006-025 dated 20 September 2006 (Annex "Q") and Section 7.0 of the Manual of Approvals (Annex "R");

(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 TRANSCO;

(3) I have not commenced any other action or proceeding involving the same issues in the Supreme Court, the Court of Appeals or any court, tribunal, or quasi-judicial agency and, to the best of my knowledge, no such other action or claim is pending therein; and,

(4) Should I hereinafter learn that the same or a similar action or claim has been filed or is pending in the Supreme Court, the Court of Appeals or any court, tribunal, or quasi-judicial agency, I shall report the said fact within five (5) days from discovery thereof to this Honorable Commission.

**ATTY. MOSLEMEN T. MACARAMBON**  
Affiant

**ACKNOWLEDGMENT**

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

**SUBSCRIBED** and **SWORN TO** before me this \_\_\_day of\_\_\_\_\_, 2010, with affiant presenting to me his Company Identification Card No. \_\_\_\_\_ issued at \_\_\_\_\_ on \_\_\_\_\_, known to me and to me known to be the same person who executed the foregoing Joint Application which consists of nine (9) pages including the page where this Acknowledgment is written.

**NOTARY PUBLIC**  
My commission expires \_\_\_\_\_.

Doc. No. \_\_\_\_\_;  
Page No. \_\_\_\_\_;  
Book No. \_\_\_\_\_;  
Series of 2010.

x----- x

Republic of the Philippines )  
\_\_\_\_\_ ) S.S.

**VERIFICATION and CERTIFICATION**

I, **ABELARDO Z. DUGAT**, Filipino, of legal age, married, and with office address at Ilocos Sur Electric Cooperative, Inc. (ISECO), Santiago, Ilocos Sur, Philippines, after having been duly sworn in accordance with law, do hereby depose and state that:

(1) I am the President of ISECO, who is authorized to represent it in this Joint Application as per the attached ISECO Board Resolution No. 177, Series of 2006 dated 20 December 2006;

(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 ISECO;

(3) I have not commenced any other action or proceeding involving the same issues in the Supreme Court, the Court of Appeals or any court, tribunal, or quasi-judicial agency and, to the best of my knowledge, no such other action or claim is pending therein; and,

(4) Should I hereinafter learn that the same or a similar action or claim has been filed or is pending in the Supreme Court, the Court of Appeals or any court, tribunal, or quasi-judicial agency, I shall report the said fact within five (5) days from discovery thereof to this Honorable Commission.

Quezon City, Philippines, \_\_\_\_ September 2010.

**ABELARDO Z. DUGAT**

**ACKNOWLEDGMENT**

Republic of the Philippines )  
\_\_\_\_\_ ) S.S.

**SUBSCRIBED and SWORN** to before me this \_\_\_\_ day of September, 2010, with affiant exhibiting to me his Company ID No. \_\_\_\_\_ issued on \_\_\_\_\_ at \_\_\_\_\_, known to me and to me known to be the same person who executed the foregoing Joint Application which consists of nine (9) pages including the page where this Acknowledgment is written.

**NOTARY PUBLIC**

My commission expires \_\_\_\_\_.

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