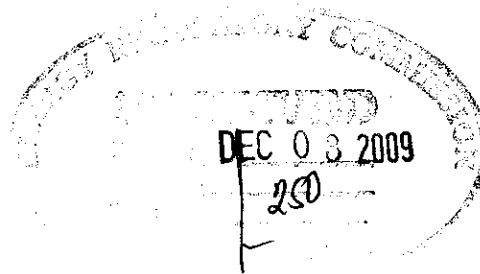


Republic of the Philippines
ENERGY REGULATORY COMMISSION
San Miguel Avenue, Pasig City

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 MANILA ELECTRIC
COMPANY (MERALCO), AS COVERED
BY A CONTRACT TO SELL, WITH
PRAYER FOR PROVISIONAL
AUTHORITY,

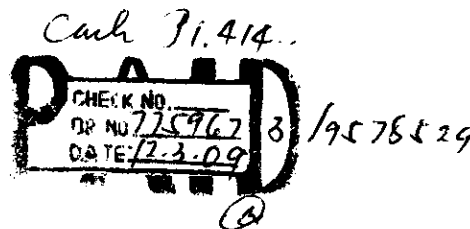


ERC CASE No. 2009 - 174 RC

NATIONAL TRANSMISSION
CORPORATION (TransCo) and
MANILA ELECTRIC COMPANY
(MERALCO),

Applicants.

X ----- X



JOINT APPLICATION

Applicants **NATIONAL TRANSMISSION CORPORATION (TransCo)** and
MANILA ELECTRIC COMPANY (MERALCO), through their respective
counsels, and to this Honorable Commission, respectfully aver that:

1. Applicant TransCo is a government-owned and controlled
corporation created and existing by virtue of Republic Act (RA) 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;

2. Applicant MERALCO is an electric distribution utility (DU), organized and existing under the laws of the Republic of the Philippines with principal office address at Lopez Building, Meralco Center, Ortigas Avenue, Pasig City. It is duly authorized to construct, operate and maintain an electric power distribution system within its franchise as delineated by its legislative franchise (Republic Act No. 9209);

3. By virtue of Section 8 of Republic Act No. 9136, otherwise known as the Electric Power Industry Reform Act (EPIRA), TransCo assumed the electrical transmission functions of the National Power Corporation (NPC) and it was authorized and made to assume the responsibility of NPC 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 – Implementing Rules and Regulations also mandate the segregation of the transmission and sub-transmission functions and assets for transparency and disposal, and authorize TransCo to negotiate, and to transfer such sub-transmission assets and facilities to qualified distribution utilities;

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 October 17, 2003;

Consistent with the ERC Guidelines, TransCo has adopted its own Guidelines on the Sale of Sub-transmission Assets (TransCo Guidelines) as

approved by Board Resolution No. TC-2003-067 dated November 28, 2003, as further amended by Board Resolution No. TC-2004-009 dated February 17, 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 aforesaid ERC Guidelines, TransCo has evaluated that the following assets meet the criteria for sub-transmission assets:

- (a) Makban-Los Baños 69 kV Line;
- (b) Makban-Calamba 69 kV Line Portion;
- (c) Calamba- CSE 13.8 kV Line;
- (d) Los Baños-BSP 13.8 kV Line;
- (e) Los Baños-IRRI/ERDB/PPRDI 13.8 kV Line;
- (f) Calamba S/S Equipment;
- (g) Los Baños S/S Equipment; and
- (h) Makban Sub-station Termination Equipment;

Copies of the Report that the assets for sale meet the criteria for sub-transmission assets, list of sub-transmission assets for sale and the electrical diagram are hereto attached as Annexes "B", "C" and "D," respectively;

7. Applicant MERALCO, as the buyer of the above-subtransmission assets, possesses the technical capability criteria under Article IV of the ERC Guidelines in acquiring the said subtransmission assets. MERALCO is likewise financially capable of operating and maintaining the said subtransmission assets in its franchise area;

Attached hereto are the audited income statement and balance sheet of Applicant Meralco as of 31 December 2008, which are hereto attached as Annexes "E" and "F", respectively;

8. TransCo has evaluated and established MERALCO's technical and financial qualifications to purchase the subject assets which are located within its franchise area;

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 assets are attached as Annexes "G", "H" and "I," respectively;

9. Applicant TransCo has negotiated and concluded a Contract to Sell with MERALCO (Annex "J") covering the said sub-transmission assets. The Board of Directors of MERALCO issued a resolution authorizing its President and COO, Jose P. de Jesus, to negotiate the purchase of the subject assets. Attached as Annex "K" is the Certificate issued by MERALCO's Board Secretary;

10. Under the terms of the said Contract, the total purchase price of **EIGHTY FIVE MILLION EIGHT HUNDRED FORTY THOUSAND SEVEN HUNDRED SIXTY FIVE AND 77/100, Philippine currency (Php85,840,765.77)** shall be paid by MERALCO in cash or in the form of manager's or cashier's check within sixty (60) calendar days from its receipt of the Notice of the ERC's approval of the Contract;

However, in the event that the ERC grants provisional approval of the sale, MERALCO may opt to pay within sixty (60) calendar days from notice of such approval;

11. The subject sub-transmission assets are valued in reference to the Sinclair Knight Merz (SKM) valuation pursuant to ERC Resolution No. 01, series of 2009. An excerpt from the report of SKM showing the value of the subject assets is hereto attached as Annex "L";

12. MERALCO is the only DU utilizing the subject assets and there are existing directly connected customers thereto (Annex "M");

13. Furthermore, Applicants TransCo and MERALCO respectfully submit the following documents as part of the requirements provided in the ERC Guidelines:

- a. Billing Determinants (Annex "N"); and,
- b. Draft Deed of Sale (Annex "O");

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 Sub-transmission Assets;

15. 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;

16. Finally, in support of MERALCO's prayer for provisional authority, attached as Annex "P" is the Judicial Affidavit of Mr. Rolando M. Cagampan, Senior Assistant Vice President and Head of MERALCO's Network Asset Planning Office, showing the benefits that the public would enjoy as a result of the approval of this Joint Application.

PRAYER

WHEREFORE, it is most respectfully prayed to this Honorable Commission that the instant application for the approval of the sale of TransCo's subtransmission assets in favour of MERALCO under the terms provided in the Contract to Sell, be **APPROVED**.

Pending hearing, it is likewise prayed that a provisional authority be issued to the Applicants.

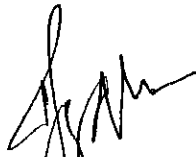
Applicants pray for such other relief as are deemed just and equitable under the premises.

Quezon City and Pasig City for Pasig City, 17 November 2009.

NATIONAL TRANSMISSION CORPORATION (TransCo)

Transco Main Building, Quezon Avenue
corner BIR Road, Diliman, Quezon City
Tel. No. +63 2 90212498

By:



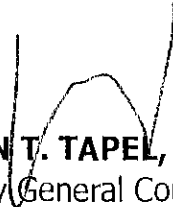
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General Counsel

Roll No. 36660 - 04/90

IBP No. 686084, 01/26/07, Quezon City

MCLE Compliance No. II-0005686



LEON T. TAPEL, JR.

Deputy General Counsel

Roll of Attorney No. 34555/05.30.87

IBP No. 728170/12.06.07/PPLM

MCLE Compliance No. III-0004876



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MCLE Compliance No. II-0000987



SOLEDAD T. DE LA VEGA-CABANGIS

Corporate Attorney III

Roll of Attorney No. 45797/05/01

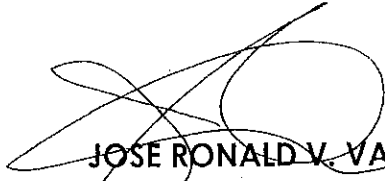
IBP No. 691342/12/04/06/Bulacan

MCLE Compliance No. II-0010363

MANILA ELECTRIC COMPANY (MERALCO)

Lopez Building, Meralco Center, Ortigas Avenue, Pasig City

By:



JOSE RONALD V. VALLES


Counsel for Applicant MERALCO

Roll of Attorneys No. 42281

PTR No. 5100033; 01/05/09; Pasig

IBP No. 76B572; 01/05/09; RSM

MCLE Compliance No. III-0002562; 11 August 2009



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Counsel for Applicant MERALCO

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PTR No. 5100034; 01/05/09; Pasig

IBP No. 768573; 01/05/09; RSM

MCLE Compliance No. III-0002564; 11 August 2009



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Roll of Attorneys No. 48145

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IBP LRN No. 768574; 01/05/09; RSM

MCLE Compliance No. III-0002536; 11 August 2009



PAUL B. SORIÑO

Counsel for Applicant MERALCO

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IBP No. 770441; 01/08/2009; Quezon City

Admitted to the Bar in April 2008

7th Floor, Lopez Building, MERALCO Compound
Ortigas Avenue, Pasig City
Telephone No. 1622-2260

VERIFICATION and CERTIFICATION ON NON-FORUM SHOPPING

I, **ARTHUR N. AGUILAR**, of legal age, married, with office address at the 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 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 September 20, 2006;
2. I have caused the preparation of the instant Application and read the contents thereof, and I attest that the allegations herein contained are true and correct based on my personal knowledge and on authentic records;
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.


ARTHUR N. AGUILAR
Affiant

ACKNOWLEDGMENT

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

SUBSCRIBED and SWORN TO before me this 16th day of NOVEMBER, 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 Joint Application which consists of nine (9) pages including the page where this Acknowledgment is written.


NOTARY PUBLIC
ATTY. ROMMEL L. YAP
NOTARY PUBLIC

Pasig, Pateros, Taguig & San Juan
Issued on January 7, 2008 at Pasig City
until December 31, 2009

Roll No. 43007 / IBP No. 768573: 01/05/2008 / RSM Chapter
PTR No. 5100034; 01/05/2009 / Pasig City
7th Floor, Lopez Bldg., Ortigas Ave., Pasig City

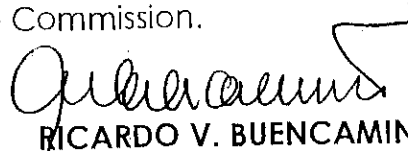
Doc. No. 140 ;
Page No. 29 ;
Book No. VII ;
Series of 2009.

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

VERIFICATION and CERTIFICATION ON NON-FORUM SHOPPING

I, **RICARDO V. BUENCAMINO**, of legal age, married, with office address at Manila Electric Company, Lopez building, Meralco Center, Ortigas Avenue, Pasig City, hereby state under oath that:

1. I am the Executive Vice President and Head of Networks of Manila Electric Company, who is authorized to represent it in this Joint Application as per the attached Secretary's Certificate;
2. I have caused the preparation of the instant Joint Application and read the contents thereof, and I attest that the allegations herein contained are true and correct based on my personal knowledge and on authentic records;
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.


RICARDO V. BUENCAMINO
Affiant

SUBSCRIBED and SWORN to before me this 13th day of November 2009, affiant exhibited to me his SSS ID No. 03-15624854 issued in the Philippines.


NOTARY PUBLIC

My commission expires _____
ATTY. CARMEN GRACE S. RAMOS
NOTARY PUBLIC

Pasig, Palerós, Taguig & San Juan
Issued on June 8, 2009, at Pasig-City
until December 31, 2010
Roll No. 55945 / IBP No. 768578; 01/05/2009/RSM Chapter
PTR No. 5100039; 01/05/2009 / Pasig City
7th Floor, Lopez Bldg., Ortigas Ave., Pasig City

Doc. No. 66 ;
Page No. 15 ;
Book No. I ;
Series of 2009.