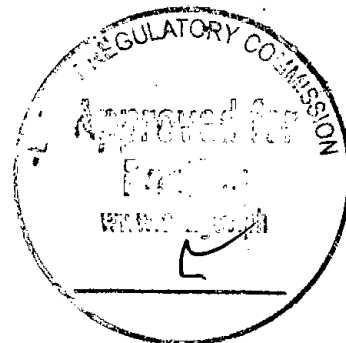


Republic of the Philippines
ENERGY REGULATORY COMMISSION
San Miguel Avenue, Pasig City



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 CONSORTIUM OF DAVAO DEL NORTE ELECTRIC COOPERATIVE, INC. (DANECO) AND DAVAO ORIENTAL ELECTRIC COOPERATIVE, INC. (DORECO), AS COVERED BY A LEASE PURCHASE AGREEMENT (LPA) DATED 23 DECEMBER 2015

ERC CASE NO. 2015-224 RC

NATIONAL TRANSMISSION CORPORATION (TRANSCO) AND THE CONSORTIUM OF DAVAO DEL NORTE ELECTRIC COOPERATIVE, INC. (DANECO) AND DAVAO ORIENTAL ELECTRIC COOPERATIVE, INC. (DORECO),

Applicants.

X-----X

D O C K E T E D
Date: JUN 01 2016
By: *[Signature]*

ORDER

On 29 December 2015, Applicants National Transmission Corporation (TransCo) and the Consortium of Davao Del Norte Electric Cooperative, Inc. (DANECO) and Davao Oriental Electric Cooperative, Inc. (DORECO) (Consortium) filed a Joint Application for the approval of the sale of various Sub-Transmission Lines/ Assets of the TransCo to the Consortium as covered by a Lease Purchase Agreement (LPA) dated 23 December 2015.

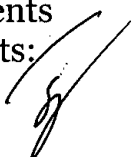
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The Joint Application alleged the following:

1. TransCo is a government-owned and controlled corporation created and existing by virtue of R.A. 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. DORECO is an electric cooperative (EC) organized and existing under the laws of the Republic of the Philippines, with principal office address in National Highway, Madang, Mati City, Davao Oriental, Philippines.
3. DANECO is an electric cooperative (EC) duly organized and existing under the laws of the Republic of the Philippines, with principal office address in Km 100, Montevista, Compostela Province, Philippines.
4. On 06 August 2015, DORECO and DANECO formed a Consortium for the specific purpose of acquiring TransCo's sub-transmission assets subject matter of the instant Joint Application. Attached as Annex "A" is a copy of the Consortium Agreement.
5. By virtue of Section 8 of the EPIRA, TransCo assumed the electrical transmission functions of the National Power Corporation, and the responsibility of the latter for the planning, construction and centralized operation and maintenance of high voltage transmission facilities, including grid interconnections and ancillary services.
6. Section 8 of the EPIRA and Rule 6, Section 8 (e) of the EPIRA's Implementing Rules and Regulations (IRR) also mandate the segregation of the transmission and sub-transmission functions and assets for transparency and disposal, and authorize TransCo to negotiate for, and to transfer such sub-transmission assets (STAs) and facilities to qualified distribution utilities (DUs).
7. 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 17 October 2003, as amended by Resolution No. 3, Series of 2005 dated 17 March 2005 which set forth among others, the standards to distinguish TransCo's transmission assets from its sub-transmission assets and establish the approval process prior to the final sale and transfer of STAs to DUs.



8. Consistent with the ERC Guidelines, TransCo adopted its own Guidelines on the Sale of Sub-transmission Assets (TransCo Guidelines) [Annex "B"] as approved by TransCo Board Resolution No. TC-2003-067 dated 28 November 2003 (Annex "C"), as further amended by TransCo Board Resolution No. TC-2004-009 dated 16 March 2004 (Annex "D").
9. On 16 July 2011, this Honorable Commission issued Resolution No. 15, Series of 2011 entitled "A Resolution Adopting the Amended Rules for the Approval of the Sale and Transfer of TransCo's Sub-transmission Assets and the Acquisition by Qualified Consortiums."
10. In accordance with the aforesaid ERC Guidelines, and based on a thorough evaluation conducted by TransCo, it was determined that the Maco-Pintatagan 69 kV Line and Maco S/S Tap-Maco-Mati 69 kV Line are sub-transmission assets. Copies of the Report regarding the nature of the assets, List of STAs for sale to the Consortium, and the Single Line Diagram are attached as Annexes "E", "F", and "G", respectively.
11. On 23 December 2015, TransCo and the Consortium concluded a Lease Purchase Agreement (Annex "H") for the acquisition of the aforesaid assets amounting to Forty Five Million Thirty Five Thousand Three Hundred Sixty and 93/100 (PhP 45,035,360.93), net of adjustments and deductions, which the Consortium shall pay in two hundred forty (24) equal monthly installments. Said purchase price is based on the 2014 rolled forward valuation by Sinclair Knight Merz (SKM) for the 2nd Regulatory Period (Annex "I").
12. TransCo has clearly established that the Consortium satisfies the financial and technical capability criteria under Article IV of the ERC Guidelines in acquiring, operating, maintaining, upgrading, and expanding the subjects STAs.
13. In support of the above allegations are the following relevant documents:
 - a. Financial Qualification Evaluation of the Consortium (Annex "J");
 - b. Technical Qualification Evaluation of the Consortium (Annex "K");
 - c. Audited Financial Statements of DANECO as of 31 December 2012 and 31 December 2013 (Annex "L"); and
 - d. Audited Financial Statements of DORECO as of 31 December 2014 (Annex "M").
14. Finally Applicants respectfully submit the following documents in compliance with the Honorable Commission's requirements:



- a. Draft Deed of Absolute Sale (Annex "N");
 - b. Franchise Description (Annex "O");
 - c. List of Connected Distribution Utilities and Directly Connected Entities (Annex "P");
 - d. DANECO Board Resolution No. 177, Series of 2015 (Annex "Q");
 - e. DANECO Board Resolution No. 179, Series of 2015 (Annex "R");
 - f. DORECO Board Resolution No. 115, Series of 2015 (Annex "S"); and
 - g. DORECO Board Resolution No. 116, Series of 2015 (Annex "T").
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's 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, which would ultimately best serve the interest of the consuming public.

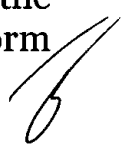
PRAYER

WHEREFORE, it is most respectfully prayed of this Honorable Commission that the instant Joint Application for the approval of the sale of TransCo's sub-transmission assets in favor of the Consortium of DANECO and DORECO under the terms provided in the Lease Purchase Agreement dated 23 December 2015, be APPROVED.

Applicants also pray for other just and equitable relief.

Finding the said Application sufficient in form and substance with the required fees having been paid, the same is hereby set for determination of compliance with the jurisdictional requirements, Expository Presentation, Pre-trial Conference, and presentation of evidence on **24 June 2016 at one o'clock in the afternoon (1:00 P.M.), at the DANECO Tagum Area Office, Bibu Square, Liwayway Village, Tagum City, Davao del Norte.**

Applicants are hereby directed to cause the publication of the attached Notice of Public Hearing, at their own expense, in two (2) newspapers of nationwide circulation in the Philippines at its own expense, twice (2x) within two (2) successive weeks, the dates of publication not being less than seven (7) days apart and the date of the last publication to be made not later than ten (10) days before the date of the scheduled initial hearing. They are also directed to inform



the consumers within the franchise areas of DANECO and DORECO by any other means available and appropriate, of the filing of the Joint Application, its reasons therefor, and of the scheduled hearing thereon.

Let copies of the Joint Application, this Order and the attached Notice of Public Hearing be furnished the Office of the Solicitor General (OSG), the Commission on Audit (COA), and the Committees on Energy of both Houses of Congress. They are hereby requested, if they so desire, to send their duly authorized representatives at the scheduled hearing.

Likewise, let copies of this Order and the attached Notice of Public Hearing be furnished the offices of the Provincial Governors, Municipal and City Mayors, and Local Government (LGU) legislative bodies within DANECO's and DORECO's franchise areas for the appropriate posting thereof on their respective bulletin boards.

Applicants are hereby directed to furnish all those making requests therefor with copies of the Joint Application and its attachments, subject to reimbursement of reasonable photocopying costs.

On the date of the initial hearing, Applicants must submit to the Commission their written Compliance with the jurisdictional requirements attaching therewith, methodically arranged and duly marked, the evidence on the actual posting and publication of the Notice of Public Hearing consisting of certifications issued to that effect, signed by the afore-mentioned Governors, Mayors, and LGU legislative bodies or their duly authorized representatives, bearing the seals of their offices, and the affidavits of the Editor or Business Manager of the newspaper where the said Notice of Public Hearing was published together with the complete issues of the said newspapers, and such other proofs of compliance with the requirements of the Commission.

Applicants and all interested parties are directed to submit, at least five (5) days before the date of initial hearing and Pre-Trial Conference, their respective Pre-trial Briefs containing, among others:

- a. A summary of admitted facts and proposed stipulation of facts;



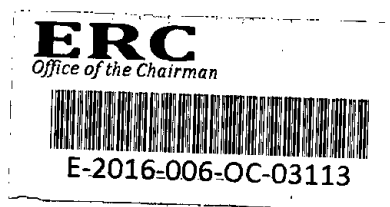
- b. The issues to be tried or resolved;
- c. The documents or exhibits to be presented, stating the purposes and proposed markings therefore; and
- d. The number and names of the witnesses, with their written testimonies in an individual affidavit form, to be attached to the Pre-trial Brief.

Failure of Applicants to submit the required Pre-trial Brief and Judicial Affidavits of their witnesses within the prescribed period shall be a ground for cancellation of the scheduled hearing, and the resetting of which shall be six (6) months from said date of cancellation.

As part of the Pre-trial Conference, Applicants must also be prepared to make an Expository Presentation of their Joint Application, aided by whatever communication medium that it may deem appropriate for the purpose, in order to put in plain words and explain, for the benefit of the consumers and other concerned parties, what the Joint Application is all about and the reasons and justifications being cited in support thereof.

SO ORDERED.

Pasig City, 23 May 2016.



FOR AND BY AUTHORITY
OF THE COMMISSION:

JOSE VICENTE B. SALAZAR
Chairman and CEO

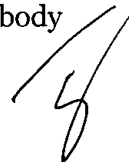
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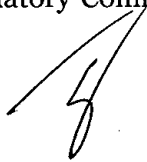
1. National Transmission Corporation (TransCo)
Applicant
TransCo Main Building, Quezon Avenue corner BIR Road, Diliman, Quezon City
2. Atty. Noel Z. de Leon, Atty. Leon T. Tapel, Jr., Atty. Nyerson Dexter Tito Q. Tualla, and Atty. Soledad T. de la Vega-Cabangis
Counsels for Applicant TransCo
TransCo Main Building, Quezon Avenue corner BIR Road, Diliman, Quezon City
3. Davao Del Norte Electric Cooperative, Inc. (DANECO)
Applicant
Km 100, Montevista, Compostela Province
4. Atty. Jeremiah D. Francisco
Dechavez & Evangelista Law Offices
Counsel for Applicant DANECO
Units 1609-1610, Tycoon Center, Pearl Drive, Ortigas Center, Pasig City
5. Davao Oriental Electric Cooperative, Inc. (DORECO)
Applicant
National Highway, Madang, Mati City, Davao Oriental
6. Office of the Solicitor General
134 Amorsolo Street, Legaspi Village, Makati City
7. Commission on Audit
Commonwealth Avenue, Quezon City
8. Senate Committee on Energy
GSIS Bldg. Roxas Blvd., Pasay City
9. House Committee on Energy
Batasan Hills, Quezon City
10. Philippine Chamber of Commerce and Industry (PCCI)
Campus Avenue corner Park Avenue, McKinley Town Center, Fort Bonifacio, Taguig City
11. Offices of the Governor and the LGU legislative body
Davao del Norte
12. Offices of the Governor and the LGU legislative body
Compostela Valley
13. Offices of the Governor and the LGU legislative body
Davao Oriental
14. Offices of the Mayor and the LGU legislative body
Tagum City, Davao del Norte
15. Offices of the Mayor and the LGU legislative body
Island Garden City of Samal, Davao del Norte
16. Offices of the Mayor and the LGU legislative body
Municipality of Asuncion, Davao del Norte



17. Offices of the Mayor and the LGU legislative body
Municipality of Kapalong, Davao del Norte
18. Offices of the Mayor and the LGU legislative body
Municipality of Talaingod, Davao del Norte
19. Offices of the Mayor and the LGU legislative body
Municipality of New Corella, Davao del Norte
20. Offices of the Mayor and the LGU legislative body
Municipality of San Isidro, Davao del Norte
21. Offices of the Mayor and the LGU legislative body
Municipality of Monkayo, Compostela Valley
22. Offices of the Mayor and the LGU legislative body
Municipality of Montevista, Compostela Valley
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Municipality of Nabunturan, Compostela Valley
24. Offices of the Mayor and the LGU legislative body
Municipality of Mawab, Compostela Valley
25. Offices of the Mayor and the LGU legislative body
Municipality of Compostela, Compostela Valley
26. Offices of the Mayor and the LGU legislative body
Municipality of New Bataan, Compostela Valley
27. Offices of the Mayor and the LGU legislative body
Municipality of Maragusan, Compostela Valley
28. Offices of the Mayor and the LGU legislative body
Municipality of Maco, Compostela Valley
29. Offices of the Mayor and the LGU legislative body
Municipality of Mabini, Compostela Valley
30. Offices of the Mayor and the LGU legislative body
Municipality of Panatukan, Compostela Valley
31. Offices of the Mayor and the LGU legislative body
Municipality of Laak, Compostela Valley
32. Offices of the Mayor and the LGU legislative body
Mati City, Davao Oriental
33. Offices of the Mayor and the LGU legislative body
Municipality of San Isidro, Davao Oriental
34. Offices of the Mayor and the LGU legislative body
Municipality of Governor Generoso, Davao Oriental
35. Offices of the Mayor and the LGU legislative body
Municipality of Lupon, Davao Oriental
36. Offices of the Mayor and the LGU legislative body
Municipality of Banaybanay, Davao Oriental



37. Offices of the Mayor and the LGU legislative body
Municipality of Tarragona, Davao Oriental
38. Offices of the Mayor and the LGU legislative body
Municipality of Manay, Davao Oriental
39. Offices of the Mayor and the LGU legislative body
Municipality of Caraga, Davao Oriental
40. Offices of the Mayor and the LGU legislative body
Municipality of Banganga, Davao Oriental
41. Offices of the Mayor and the LGU legislative body
Municipality of Cateel, Davao Oriental
42. Offices of the Mayor and the LGU legislative body
Municipality of Boston, Davao Oriental
43. SCMD, Regulatory Operations Service
Energy Regulatory Commission, 17th Floor, Pacific Center, San Miguel Avenue,
Pasig City

A handwritten signature in black ink, consisting of a stylized, cursive letter 'S' with a long, sweeping tail that extends upwards and to the left.