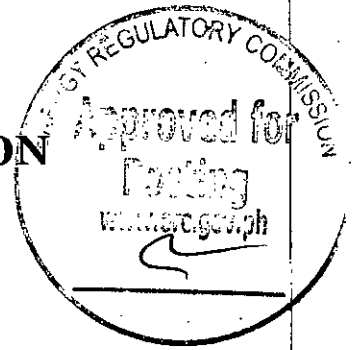


Republic of the Philippines  
**ENERGY REGULATORY COMMISSION**  
San Miguel Avenue, Pasig City



**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 BENGUET ELECTRIC  
COOPERATIVE, INC.  
(BENECO), AS COVERED BY A  
LEASE PURCHASE  
AGREEMENT DATED 19  
DECEMBER 2014**

**ERC CASE NO. 2015-207 RC**

**NATIONAL TRANSMISSION  
CORPORATION (TRANSCO)  
AND BENGUET ELECTRIC  
COOPERATIVE, INC.  
(BENECO),**

**Applicants.**

X-----X

**DOCKETED**  
Date: JUN 17 2016  
By: *[Signature]*

**ORDER**

On December 7, 2015, the National Transmission Corporation (TRANSCO) and the Benguet Electric Cooperative, Inc. (BENECO) filed a joint application for approval of the sale of various sub-transmission lines/assets of TRANSCO to BENECO as covered by Lease Purchase Agreement (LPA) dated 19 December 2014.

In the said application, TRANSCO and BENECO alleged, among others, 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. BENEKO is an electric cooperative (EC) duly organized and existing under the laws of the Republic of the Philippines, with principal office address in Alapang, La Trinidad, Benguet, Philippines.
3. By virtue of Section 8 of the EPIRA, TRANSCO assumed the electrical transmission functions of the National Power Corporation (NPC) 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.
4. 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).
5. Pursuant thereto, the 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.
6. Consistent with the ERC Guidelines, TRANSCO adopted its own Guidelines on the Sale of Sub-transmission Assets ("TRANSCO Guidelines") [Annex "A"] as approved by TRANSCO Board Resolution No. TC-2003-067 dated 28 November 2003 [Annex "A-1"], as further amended by TRANSCO Board Resolution No. TC-2004-009 dated 16 March 2004 [Annex "A-2"].
7. On 16 July 2011, the 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."*
8. In accordance with the aforesaid ERC Guidelines, and based on a thorough evaluation conducted by TRANSCO, it was

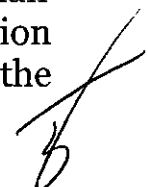
determined that the La Trinidad-Atok 69 kV line and Beckel-BENECO 23 kV line are sub-transmission assets.

Copies of the report regarding the nature of the assets, the List of STAs for sale to BENECO and the Single line diagram are attached to the application as Annexes "B", "C" and "D," respectively.

9. TRANSCO has clearly established that BENECO meets the financial capability criteria under Article IV of the ERC Guidelines in acquiring, operating, maintaining, upgrading and expanding the said STAs.

Attached to the application are copies of the Financial Qualification Evaluation [Annex "E"] and Audited Financial Statements of BENECO as of 31 December 2012 and 31 December 2013 [Annex "F"].

10. TRANSCO has likewise established that BENECO meets the minimum technical qualifications of an EC as set for the under the ERC and TRANSCO Guidelines. Attached to the application is a copy of the Technical Qualification Evaluation of BENECO [Annex "G"].
11. BENECO is the only qualified DU that is directly connected to the subject assets, as evidenced by the List of Connected Distribution Utilities attached to the application as Annex "H".
12. On 02 December 2014, the BENECO Board of Directors issued Resolution No. 136-2014 [attached to the application as Annex "I"] relative to the desired acquisition.
13. On 19 December 2014, they concluded a Lease Purchase Agreement [attached to the application as Annex "J"] covering the subject sub-transmission assets amounting to **TWO MILLION THREE HUNDRED SEVENTY SEVEN THOUSAND ONE HUNDRED FORTY NINE, Philippine Currency (PhP2,377,149.00)**, plus interest, plus twelve percent value-added tax (12% VAT) which BENECO shall pay in twelve (12) equal monthly installments.
14. The subject STAs are valued in reference to the Sinclair Knight Merz (SKM) valuation pursuant to ERC Resolution No. 01, Series of 2009, as amended. An excerpt from the



SKM report for the third regulatory period is attached to the application as Annex "K."

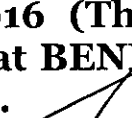
15. Finally, applicants submitted the following documents in compliance with the Commission's requirements:
  - a. Draft of the Deed of Absolute Sale [Annex "L"]; and,
  - b. Franchise Description [Annex "M"].
16. The proposed sale has satisfied all of the requirements and criteria set by the EPIRA and its IRR, as well as the Commission's and TRANSCO's Guidelines on the Sale of Sub-transmission Assets;
17. The approval by the 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.
18. Applicants pray that after due notice and hearing, judgment be rendered approving the sale of TRANSCO's sub-transmission assets in favor of BENEKO under the terms provided in the Lease Purchase Agreement dated 19 December 2014.

On 04 December 2015, the Commission issued an Order and a Notice of Public Hearing setting the case for hearing on 02 March 2016.

On 23 February 2016, TRANSCO filed an "Urgent Motion For Cancellation and Resetting" praying that the hearing scheduled on 02 March 2016 be reset to another date considering that it failed to comply with the jurisdictional requirements of the Commission, particularly the publication of the Notice of Public Hearing twice for two (2) consecutive weeks in two (2) newspapers of general circulation in the Philippines.

Finding the said motion meritorious, the same is hereby GRANTED.

Accordingly, the application is hereby set anew for jurisdictional hearing, expository presentation, pre-trial conference and evidentiary hearing on **21 July 2016 (Thursday) at ten o'clock in the morning (10:00 A.M.) at BENEKO's Principal Office, Alapang, La Trinidad, Benguet.**



TRANSCO and BENEKO are hereby directed to cause the publication of the attached Notice of Public Hearing in two (2) newspapers of general 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, with the date of last publication made not later than ten (10) days before the date of the scheduled initial hearing. It is also directed to inform the consumers within its franchise area, by any other means available and appropriate, of the filing of the instant application, its reasons therefor, and of the scheduled hearing thereon.

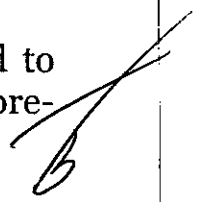
Let copies of the application, this Order and the attached Notice of Public Hearing be furnished the Office of the Solicitor General (OSG), the Commission on Audit (COA), and the Committees on Energy of both Houses of Congress. They are hereby requested, if they so desire, to send their duly authorized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

Likewise, let copies of this Order and the attached Notice of Public Hearing be furnished the Offices of the Governor of the Province of Benguet, as well as the Mayor and the Local Government Legislative Body of Quezon City and the city/municipality within the franchise area of BENEKO for the appropriate posting thereof on their respective bulletin boards.

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

On the date of the initial hearing and pre-trial conference, TRANSCO and BENEKO must submit to the Commission their written Compliance with the jurisdictional requirements attaching therewith, methodically arranged and duly marked, the evidences on the actual posting and publication of the Notice of Public Hearing consisting of certifications issued to that effect, signed by the aforementioned Governor, Mayor, and Local Government Legislative Body, or their duly authorized representatives, bearing the seals of their offices, and the affidavits of the Editors or Business Managers of the newspapers where the said Notice of Public Hearing were published together with the complete issues of the said newspapers, and such other proofs of compliance with the requirements of the Commission.

TRANSCO, BENEKO 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 thereof; 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 TRANSCO and BENEKO 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, TRANSCO and BENEKO must also be prepared to make an expository presentation of their application, aided by whatever communication medium that they 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 application is all about and the reasons and justifications being cited in support thereof.

**SO ORDERED.**


Pasig City, 27 May 2016.

FOR AND BY AUTHORITY  
OF THE COMMISSION:

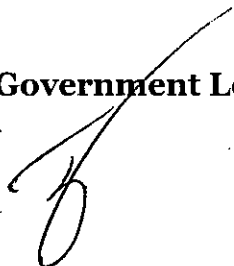
*Jose Vicente B. Salazar*  
for: **JOSE VICENTE B. SALAZAR**  
Chairperson and CEO



**Copy Furnished:**

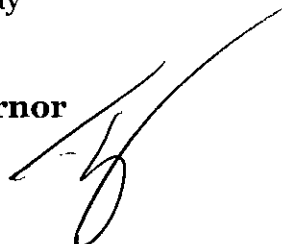
1. **NATIONAL TRANSMISSION CORPORATION (TRANSCO)**  
Attention: ATTYS. NOEL Z. DE LEON, LEON T. TAPPEL, JR.  
NYERSON DEXTER TITO Q. TUALLA and  
SOLEDAD T. DELA VEGA-CABANGIS  
Counsels for TRANSCO  
TRANSCO Main Building, Quezon Avenue  
Corner BIR Road, Diliman, Quezon City
  2. **ATTYS. JANEENE DEPAY-COLINGAN and DELMAR O. CARIÑO**  
Counsel for Co-Applicant BENEKO  
Baranggay Alapang, La Trinidad, Benguet
  3. **BENGUET ELECTRIC COOPERATIVE, INC.**  
Alapang, La Trinidad, Benguet 2601
  4. **Office of the Solicitor General**  
134 Amorsolo Street, Legaspi Village  
City of Makati – 1229
  5. **Commission on Audit**  
Commonwealth Avenue  
Quezon City – 1121
  6. **Senate Committee on Energy**  
GSIS Building, Roxas Boulevard  
Pasay City – 1300
  7. **House of Representatives Committee on Energy**  
Batasan Hills, Quezon City – 1126
  8. **Office of the President of PCCI**  
Philippine Chamber of Commerce and Industry (PCCI)  
3<sup>rd</sup> Floor, ECC Building, Sen. Gil Puyat Avenue  
Makati City
  9. **Office of the City Mayor**  
Quezon City
  10. **Office of the City Mayor**  
Baguio City  
Province of Benguet
  11. **Office of the Municipal Mayor**  
Municipality of Atok  
Province of Benguet
  12. **Office of the Municipal Mayor**  
Municipality of Bakun  
Province of Benguet
  13. **Office of the Municipal Mayor**  
Municipality of Bokod  
Province of Benguet
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14. **Office of the Municipal Mayor**  
Municipality of Buguias  
Province of Benguet
15. **Office of the Municipal Mayor**  
Municipality of Kabayan  
Province of Benguet
16. **Office of the Municipal Mayor**  
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18. **Office of the Municipal Mayor**  
Municipality of Itogon  
Province of Benguet
19. **Office of the Municipal Mayor**  
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Province of Benguet
20. **Office of the Municipal Mayor**  
Municipality of Mankayan  
Province of Benguet
21. **Office of the Municipal Mayor**  
Municipality of Sablan  
Province of Benguet
22. **Office of the Municipal Mayor**  
Municipality of Tuba  
Province of Benguet
23. **Office of the Municipal Mayor**  
Municipality of Tublay  
Province of Benguet
24. **Office of the Local Government Legislative Body**  
Quezon City
25. **Office of the Local Government Legislative Body**  
Baguio City  
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Province of Benguet
38. **Office of the Local Government Legislative Body**  
Municipality of Tublay  
Province of Benguet
39. **Office of the Governor**  
Province of Benguet

A handwritten signature in black ink, consisting of a series of loops and a long horizontal stroke extending to the right, positioned over the text of item 39.