

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 CEBU I ELECTRIC COOPERATIVE, INC. (CEBECO I), AS COVERED BY A CONTRACT TO SELL DATED 25 SEPTEMBER 2019

ERC CASE NO. 2019-094 RC

NATIONAL TRANSMISSION CORPORATION (TRANSCO) AND CEBU I ELECTRIC COOPERATIVE, INC. (CEBECO I),

Applicant.

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Promulgated:
February 17, 2021

NOTICE OF VIRTUAL HEARING

TO ALL INTERESTED PARTIES:

Notice is hereby given that on 20 December 2019, National Transmission Corporation (TRANSCO) and Cebu I Electric Cooperative, Inc. (CEBECO I) filed an *Application* dated 21 November 2019, seeking the Commission's authority to approve the sale of various sub-transmission lines/assets of TRANSCO to CEBECO I as covered by a Contract to Sell dated 25 September 2019.

In the said *Application*, TRANSCO and CEBECO I alleged the following pertinent provisions:

1. TransCo is a government-owned and controlled corporation (GOCC) 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. CEBECO I is an electric cooperative (EC) duly organized and existing under the laws of the Republic of the Philippines, with principal office address in Bitoon, Dumanjug, Cebu City, Philippines.
3. 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.
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, 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 sub-transmission assets to qualified 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 "B"), as further amended by *TransCo Board Resolution No. TC-2004-009* dated 16 March 2004 (Annex "C").
7. 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.*"
8. In accordance with the aforesaid *ERC Guidelines*, and based on a thorough evaluation conducted by TransCo, it was determined that the Sibonga Load-end Substation is a sub-transmission asset. Likewise, CEBECO I is the only qualified DU that is connected thereto.

Copies of the *Report* regarding the nature of the asset, *List of STA/s for Sale to CEBECO I* and the *Single Line Diagram* are attached as Annexes “D”, “E” and “F,” respectively.

9. On 30 March 2019, the CEBECO I Board of Directors issued *Board Resolution No. 53, Series of 2019 dated 30 March 2019* (Annex “G”), for the acquisition of the aforesaid line by CEBECO I, and the authorization of Board President Marlou M. Rendon and/or the CEBECO I General Manager, Engr. Getulio Z. Crodua, to sign all documents related to the acquisition for and on behalf of CEBECO I.
10. On 25 September 2019, TransCo and CEBECO I concluded a *Contract to Sell* (Annex “H”) covering the Sibonga Load-end Substation for the amount of Three Million Seven Hundred One Thousand Five Hundred Eighty-Two Pesos and Eight Centavos, Philippine currency (PhP3,701,582.08), based on the rolled-forward values of the SKM Valuation (Annex “I”) for the second regulatory period, and inclusive of the twelve percent value-added tax (12% VAT).
11. TransCo has clearly established that CEBECO I satisfies the financial and technical capability criteria under Article IV of the *ERC Guidelines* in acquiring, operating, maintaining, upgrading and expanding the subject sub-transmission asset.
12. In support of the above allegations, applicants also hereby jointly submit the following relevant documents:
 - a. *Financial Qualification Evaluation* of CEBECO I (Annex “J”);
 - b. *Technical Qualification Evaluation* of CEBECO I (Annex “K”);
 - c. *Audited Financial Statements* of CEBECO I as of 31 December 2017 and 31 December 2018 (Annex “L”);
 - d. Draft *Deed of Absolute Sale* (Annex “M”);
 - e. Franchise Description (Annex “N”); and,
 - f. List of Connected DUs and Directly Connected Entities (Annex “O”).
13. 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*.
14. 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 interests of the consuming public.

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PRAYER

WHEREFORE, it is most respectfully prayed of this Honorable Commission that after due notice and hearing, a *Decision* be rendered APPROVING the sale of TransCo's Sibonga Load-end Substation amounting to PhP3,701,582.08 in favor of Cebu I Electric Cooperative, Inc. under the terms provided in the *Contract to Sell* dated 25 September 2019.

Applicants also pray for other just and equitable relief.

The Commission hereby sets the instant *Application* for the determination of compliance with the jurisdictional requirements, expository presentation, Pre-trial Conference, and presentation of evidence on the following dates and online platform for the conduct thereof, pursuant to Resolution No. 09¹, Series of 2020 dated 24 September 2020:

Date	Platform	Activity
13 April 2021 (Tuesday) at nine o'clock in the morning (9:00 A.M.)	Microsoft Teams	Determination of compliance with jurisdictional requirements and expository presentation
20 April 2021 (Tuesday) at nine o'clock in the morning (9:00 A.M.)	Microsoft Teams	Pre-Trial Conference and Presentation of Evidence

RELATIVE THERETO, the Commission hereby directs TRANSCO and CEBECO I to host the virtual hearing at **CEBECO I's Principal Office at Bitoon, Dumanjug, Cebu City**, as the designated venue for the conduct thereof, and ensure that the same is open to the public and the community quarantine guidelines are observed at all times. Moreover, TRANSCO and CEBECO I shall guarantee that, during the conduct of the expository presentation, the participation of the public shall not be impaired.

Any interested stakeholder may submit its comments and/or clarifications at least one (1) calendar day prior to the scheduled virtual hearing, via electronic mail (e-mail) at docket@erc.ph, and records@erc.gov.ph, copy furnish the Legal Service through legal@erc.ph. The Commission shall give priority to the stakeholders who have duly submitted their respective comments and/or

¹ Entitled: "A Resolution Adopting the Guidelines Governing Electronic Applications, Filings and Virtual Hearings Before the Energy Regulatory Commission".

clarifications, to discuss the same and propound questions during the course of the expository presentation.

Moreover, all persons who have an interest in the subject matter of the instant case e-mail at docket@erc.ph, and records@erc.gov.ph, copy furnish the Legal Service through legal@erc.ph, a verified Petition to Intervene at least five (5) calendar days prior to the date of the initial virtual hearing and subject to the requirements under Rule 9 of the 2006 ERC Rules of Practice and Procedure, indicating therein the docket number and title of the case and stating the following:

- 1) The petitioner's name, mailing address, and e-mail address;
- 2) The nature of petitioner's interest in the subject matter of the proceeding and the way and manner in which such interest is affected by the issues involved in the proceeding; and
- 3) A statement of the relief desired.

Likewise, all other persons who may want their views known to the Commission with respect to the subject matter of the case may likewise file through e-mail at docket@erc.ph, and records@erc.gov.ph, copy furnish the Legal Service through legal@erc.ph, their Opposition or Comment thereon at least five (5) calendar days prior to the initial virtual hearing and subject to the requirements under Rule 9 of the 2006 ERC Rules of Practice and Procedure. No particular form of Opposition or Comment is required, but the document, letter, or writing should contain the following:

- 1) The name, mailing address, and e-mail address of such person;
- 2) A concise statement of the Opposition or Comment; and
- 3) The grounds relied upon.

All such persons who wish to have a copy of the *Application* may request from Applicants that they be furnished with the same prior to the date of the initial hearing. Applicants are hereby directed to furnish all those making such request with copies of the *Application* and its attachments, through any of the available modes of service, upon their agreement, subject to the reimbursement of reasonable photocopying costs. Any such person may likewise examine the *Application* and

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other pertinent records filed with the Commission during the standard office hours. In the alternative, those persons who wish to have an electronic copy of the *Application* may request the Commission for the e-mail addresses of the Applicant by sending an e-mail to doCKET@erc.ph, and records@erc.gov.ph, copy furnish the Legal Service through legal@erc.ph. Nonetheless, any person may also access the *Application* as posted by the Commission in its official website at www.erc.gov.ph.

Finally, all interested persons may be allowed to join the scheduled initial virtual hearing by providing the Commission, thru legal.virtualhearings@erc.ph, with their respective e-mail addresses and indicating therein the case number of the instant *Application*. The Commission will send the access link/s to the aforementioned hearing platform within five (5) working days prior to the scheduled hearing.

WITNESS, the Honorable Commissioners **ALEXIS M. LUMBATAN**, **FLORESINDA BALDO-DIGAL** and **MARKO ROMEO L. FUENTES**, Energy Regulatory Commission, this 8th day of February 2021 in Pasig City.




AGNES YST DEVANADERA
Chairperson and CEO


LS: MVM/LSP/MCCG