

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.

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DOCKETED
Date: **JUN 01 2016**
By: *[Signature]*

NOTICE OF PUBLIC HEARING

TO ALL INTERESTED PARTIES:

Notice is hereby given that 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.

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.

The Commission has set the said Joint Application 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.**

All persons who have an interest in the subject matter of the proceeding may become a party by filing, at least five (5) days prior to the initial hearing and subject to the requirements in the ERC's Rules

of Practice and Procedure, a verified petition with the Commission giving the docket number and title of the proceeding and stating: (1) the petitioner's name and 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.

All other persons who may want their views known to the Commission with respect to the subject matter of the proceeding may file their opposition to the Joint Application or comment thereon at any stage of the proceeding before the Applicants conclude the presentation of their evidence. No particular form of opposition or comment is required, but the document, letter or writing should contain the name and address of such person and a concise statement of the opposition or comment and the grounds relied upon.

All such persons who wish to have a copy of the Joint Application may request the Applicants, prior to the date of the initial hearing, that they be furnished with a copy of the Joint Application. The Applicants are hereby directed to furnish all those making a request with copies of the Joint Application and its attachments, subject to reimbursement of reasonable photocopying costs. Any such person may likewise examine the Joint Application and other pertinent records filed with the Commission during the standard office hours.

WITNESS, the Honorable Chairman **JOSE VICENTE B. SALAZAR** and the Honorable Commissioners **ALFREDO J. NON**, **GLORIA VICTORIA C. YAP-TARUC**, **JOSEFINA PATRICIA A. MAGPALE-ASIRIT**, and **GERONIMO D. STA. ANA**, Energy Regulatory Commission, this 23rd day of May 2016 in Pasig City.


ATTY. NATHAN J. MARASIGAN
Chief of Staff
Office of the Chairman and CEO