

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 THE PACEMCO- SURIGAO 69 kV LINE OF THE NATIONAL TRANSMISSION CORPORATION (TRANSCO) TO SURIGAO DEL NORTE ELECTRIC COOPERATIVE, INC. (SURNECO), AS COVERED BY A LEASE PURCHASE AGREEMENT (LPA) DATED 28 DECEMBER 2012**

**ERC CASE NO. 2014-058 RC**

**NATIONAL TRANSMISSION CORPORATION (TRANSCO) AND SURIGAO DEL NORTE ELECTRIC COOPERATIVE, INC. (SURNECO),**

**D O C K E T E D**  
Date: MAR 17 2016  
By: [Signature]

**Applicants.**

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**NOTICE OF PUBLIC HEARING**

**TO ALL INTERESTED PARTIES:**

On 13 May 2014, the National Transmission Corporation (TRANSCO) and Surigao del Norte Electric Cooperative, Inc. (SURNECO) filed a joint application for the approval of the sale of the Pacemco-Surigao 69 kV Line of TRANSCO to SURNECO, as Covered by a Lease Purchase Agreement (LPA) dated 28 December 2012.

In support of said application, TRANSCO AND SURNECO alleged, among others, the following:

1. That Applicant TRANSCO is a government-owned-and-controlled corporation duly created pursuant to the *Electric Power Industry Reform Act of 2001 (EPIRA)*, with principal office address at the TRANSCO Main Bldg., Quezon Avenue corner BIR Road, Diliman, Quezon City, Philippines. It may be served notices and summons through its undersigned counsel;
2. Applicant SURNECO is an electric distribution utility (DU) duly organized and existing under the laws of the Republic of the Philippines, with principal office address at 1308 Corner Narciso and Espina Streets, Surigao City, Caraga Region, Philippines. It may be served notices and summons through its legal counsel;
3. By virtue of Section 8 of the EPIRA, TRANSCO assumed the electrical transmission functions of the National Power Corporation (NPC) and its authority and responsibility for the planning, construction, and centralized operation and maintenance of the high voltage transmission facilities, including grid interconnections and ancillary services. The EPIRA also mandates the segregation of the transmission and sub-transmission functions and assets for transparency and disposal;
4. Pursuant thereto, the Commission promulgated on 17 October 2003 the *Guidelines to the Sale and Transfer of the TRANSCO's Sub-transmission Assets (STAs) and the Franchising of Qualified Consortiums (ERC Guidelines)*, as amended by TRANSCO Board Resolution No. 03, Series of 2005, dated 17 March 2005, which sets forth, among others, the standards to distinguish TRANSCO's transmission assets from its sub-transmission assets (STAs) and establish the approval process prior to the final sale and transfer of STAs to DUs;
5. Consistent with the ERC Guidelines, TRANSCO issued Board Resolution No. TC-2003-067, dated 28 November 2003 [Annex "B"], and adopted its own *Guidelines on the Sale of Sub-transmission Assets (TRANSCO Guidelines)* [Annex "A"], as amended by TRANSCO Board Resolution No. TC-2004- 009 dated 16 March 2004 [Annex "C"];
6. On 16 July 2011, the ERC 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*

*Subtransmission Assets and the Acquisition by Qualified Consortiums*, the relevant provisions of which read:

Article V, Section 6. TRANSCO/NGCP's Uncollected Deferred Connection Charges and Residual Subtransmission Charge —

For acquiring electric cooperatives (ECs), any uncollected TRANSCO/NGCP's connection and residual charges resulting from the deferred charges as approved by the ERC shall be capitalized or included in the acquisition cost of the subject assets. The amount shall be based on previous year's charges. For sale of subtransmission assets prior to this amendment, wherein the deferred charges were not yet capitalized, TRANSCO may continue to bill and collect the connection and residual charges resulting from the deferred charges as approved by the ERC. (Emphasis ours.)

7. After a thorough evaluation and on the basis of the aforesaid ERC Guidelines, TRANSCO has determined that the PACEMCO-SURIGAO 69 kV LINE is a sub-transmission asset. Attached to the Application are the Report stating that the Asset for Sale is a Sub-transmission Asset, the List of STA/s for Sale, and the Single Line Diagram, respectively marked as Annexes "D", "E", and "F";
8. TRANSCO has likewise established that SURNECO meets the technical and financial criteria to purchase, operate, maintain, upgrade, and expand the PACEMCO-SURIGAO kV LINE, located within the latter's franchise area. Copies of the Technical Qualification Evaluation, Financial Qualification Evaluation, Franchise Description, and Audited Financial Statements of SURNECO as of 31 December 2010 and 31 December 2011 are attached as Annexes "G", "H", "I", and "J", respectively.
9. On 13 December 2012, the SURNECO Board of Directors issued Board Resolution No. 169, Series of 2012 [Annex "K"], which authorized General Manager Danny Z. Escalante and Board President Rolando C. Madelo to execute a Lease Purchase Agreement with TRANSCO for the acquisition of the subject asset;

10. On 28 December 2012, TRANSCO and SURNECO concluded a Lease Purchase Agreement [Annex "L"] covering the subject STA amounting to **Nine Million Twenty-Six Thousand Six Hundred Eighty-Three and 59/100, Philippine currency (PhP 9,026,683.59) plus 12% VAT** net of adjustments and deductions, which SURNECO shall pay in two hundred forty (240) equal monthly installments, as per attached Schedule of Payments [Annex "M"];
11. Said purchase price is fair and reasonable as it represents the disposal value of the subject STAs based on potential revenue. A copy of the Asset Valuation Computation is attached as Annex "N";
12. It bears stressing that SURNECO is the only qualified DU that is connected to the subject asset per Certification dated 18 March 2013 [Annex "O"];
13. TRANSCO and SURNECO also submitted a Draft Deed of Absolute Sale [Annex "P"] to establish that the terms thereof are reasonable, fair, and beneficial to the consumers;
14. The proposed sale is compliant with the EPIRA and its IRR, ERC's and TRANSCO's Guidelines on the Sale of *Sub-transmission Assets*, as well as relevant ERC Orders, Resolutions, and Issuances;
15. The approval by the Commission of the Joint Application shall pave the way towards the attainment of reformation in the electricity industry pursuant to the mandates of the EPIRA and promote competitive pricing which would be beneficial to the consuming public; and
16. The parties pray that the Commission will approve the sale of the PACEMCO-SURIGAO 69 kV LINE of TRANSCO to SURNECO under the terms set forth in their LPA dated 28 December 2012.


The Commission has set the application for determination of compliance with the jurisdictional requirements, expository presentation, pre-trial conference, and presentation of evidence on **12 April 2016 (Tuesday) at nine o'clock in the morning (9:00 A.M.) at the SURNECO Main Office, 1308 Corner Narciso and Espina Streets, Surigao City, CARAGA Region, Philippines.**

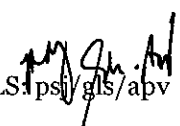
All persons who have an interest in the subject matter of the proceeding may become a party by filing, at least five (5) days prior to the initial hearing and subject to the requirements in the ERC's Rules of Practice and Procedure, a verified petition with the Commission, giving the docket number and 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 application or comment thereon at any stage of the proceeding before the applicant concludes the presentation of its 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 application may request from the applicant that they be furnished with the same, prior to the date of the initial hearing. The applicant is hereby directed to furnish all those making such request with copies of the application and its attachments, subject to the reimbursement of reasonable photocopying costs. Any such person may likewise examine the 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 9<sup>th</sup> day of March 2016 in Pasig City.

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

  
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