

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.**

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

**NOTICE OF PUBLIC HEARING**

**TO ALL INTERESTED PARTIES:**

Notice is hereby given that 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 BENECO under the terms provided in the Lease Purchase Agreement dated 19 December 2014.

The Commission has set the application for initial 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 BENECO's Principal Office, Alapang, La Trinidad, Benguet.**

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 27<sup>th</sup> day of May 2016 at Pasig City.

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