

HOUSE OF REPRESENTATIVES

Bill No. 789

Introduced by Representative Aurelio "Dong" D. Gonzales, Jr.

Explanatory Note

The discovery of natural gas in the country has raised hopes about a brighter future for all of us. As an alternative to crude oil, natural gas may hold the key to the current energy crisis and our over dependence on petroleum products.

However, this can only happen if we allow the natural gas industry to flourish and be fully developed. It is therefore imperative that we create conditions favorable to the establishment of a downstream Natural Gas Industry that will, among others, accelerate the expansion of natural gas service for the benefit of the populace. Likewise, it is also important that we lay down a regulatory framework that will ensure the quality, regularity, security and reasonableness of charges for the transmission, distribution and supply of natural gas.

It is about time that we develop the downstream natural gas industry and transform it from an emerging industry to one that is mature and competitive. This, ultimately, will redound to the benefit of the country and will help ensure that power will always be available.

For these reasons, I urge the immediate passage of the bill.


AURELIO "DONG" D. GONZALES, JR.
Representative
3rd District, Pampanga

HOUSE OF REPRESENTATIVES

Bill No. 789

Introduced by Representative Aurelio "Dong" D. Gonzales, Jr.

AN ACT

ORDAINING THE DEVELOPMENT OF THE DOWNSTREAM NATURAL GAS
INDUSTRY AND CONSOLIDATING FOR THAT PURPOSE ALL LAWS
RELATING TO THE TRANSMISSION, DISTRIBUTION AND SUPPLY OF
NATURAL GAS AND FOR OTHER PURPOSES

*Be it enacted by the Senate and the House of Representatives of the Philippines
in Congress assembled:*

CHAPTER I

TITLE AND DECLARATION OF POLICY

SEC. 1. Short Title. – This Act shall be known as the “Downstream
Natural Gas Industry Act of 2010”. It shall hereinafter be referred to as the
Act.

SEC. 2. Declaration of Policy. – It is hereby declared the policy of the
State:

(a) To promote the role of Natural Gas as an environment- friendly and
economically efficient source of energy by creating favorable conditions
for establishing a Downstream Natural Gas Industry that will accelerate
the expansion of Natural Gas service for the benefit of all segments of the
nation’s population and all sectors of its economy;

(b) To ensure the safety, quality, reliability, security and affordability of the
Transmission, Distribution and Supply of Natural Gas;

1(c) To ensure transparent and reasonable rates and prices of Natural Gas
Transmission, Distribution and Supply in a regime of free and fair
competition and full public accountability that will promote greater
operational and economic efficiency and the enhanced competitiveness of
Philippine products in the global market;

6(d) To encourage the inflow of private capital in providing the infrastructure
and services necessary to develop new gas supplies and increase the
utilization of Natural Gas;

9(e) To ensure fair and non-discriminatory treatment of public and private
sector entities in the development of the Downstream Natural Gas
Industry;

12(f) To protect the public interest as it is affected by the quality of, and the
rates charged for, the Transmission, Distribution and Supply of Natural
Gas and related services;

15(g) To assure the development of a Downstream Natural Gas Industry
infrastructure that is socially acceptable and compliant with existing
environmental laws;

18(h) To ensure that the Downstream Natural Gas Industry shall be regulated
in a manner that will ensure the quality, reliability, security and
reasonableness of charges for the Transmission, Distribution and Supply
of Natural Gas, encourage private investment in the Downstream Natural
Gas Industry and promote the efficient and competitive operation thereof
;

24(i) To develop the necessary trades, technical expertise and skills to support
the development of the Downstream Natural Gas Industry;

26(j) To facilitate the development of end-uses of Natural Gas that promotes
fuel diversity and compliance with existing environmental laws including,
but not limited to, the use of Natural Gas as a vehicular fuel; and

1(k) To encourage equity participation in Gas Transmission Utilities and Gas
2 Distribution Utilities by the general public.

3 **SEC. 3. Scope.** – This Act shall provide a framework for the development
4 of a Downstream Natural Gas Industry and its transition from an emerging to a
5 mature industry status and competitive Natural Gas market, and define the
6 responsibilities of various government agencies and private entities in
7 furtherance of this national goal.

8 All activities of the DOE and the ERC relevant to the development and
9 regulation of the Downstream Natural Gas Industry shall be in accordance with
10 this Act.

11 **SEC. 4. Definition of Terms.** – As used in this Act, the following terms
12 shall have the following meanings:

13(a) **“Captive Market”** refers to Natural Gas End-users who do not have the
14 choice of a transporter or distributor, or Supplier of Natural Gas or other
15 economically competitive energy substitute, as may be determined by the
16 ERC in accordance with this Act;

17(b) **“Congress”** refers to the Congress of the Philippines;

18(c) **“Contestable Market”** is a market which is not a Captive Market;

19(d) **“Delivery”** refers to the Transportation Transmission or Distribution of
20 Natural Gas and the Supply of Natural Gas, at wholesale or retail;

21(e) **“Department of Energy”** or **“DOE”** refers to the government agency
22 created pursuant to Republic Act No. 7638, as amended;

23(f) **“Department of Environment and Natural Resources”** or **“DENR”**
24 refers to the government agency created pursuant to Executive Orders
25 Nos. 192 and 292, as amended;

26(g) **“Distribution”** refers to the conveyance of Natural Gas by a Gas
27 Distribution Utility through its Gas Distribution System;

1(h) **"Downstream Natural Gas Industry"** refers to the Transmission,
2 Distribution and Supply of Natural Gas and related activities, such as
3 but not limited to processing, storing, regassification, interconnection,
4 measurement and/or metering;

5(i) **"End-user"** refers to any person that receives delivery of Natural Gas for
6 its own use;

7(j) **"Energy Regulatory Commission" or "ERC"** refers to the regulatory
8 agency created pursuant to Republic Act No. 9136 or the Electric Power
9 Industry Reform Act of 2001 whose expanded functions are provided in
10 this Act;

11(k) **"Franchise"** refers to the right, privilege and authority issued by
12 Congress authorizing a person to engage in the Transmission and/or
13 Distribution of Natural Gas within a specific geographical area;;

14(l) **"Franchise Area"** refers to a geographical area assigned or granted
15 under a Franchise;

16(m) **"Gas Distribution Code"** refers to the code to be formulated by the DOE
17 as required by the Act that sets the technical performance standards for
18 operating Gas Distribution Utilities and the minimum financial
19 standards for Gas Distribution Utilities;

20(n) **"Gas Distribution System"** refers to the system of pipelines, storage and
21 related facilities extending from the delivery points where the Gas
22 Distribution System receives the Natural Gas to the point of connection
23 to the premises of the End-User;

24(o) **"Gas Distribution Utility"** refers to any Person that has a Franchise
25 granted by Congress to operate a Gas Distribution System;

26(p) **"Gas Permit"** refers to an authorization issued by the DOE for the
27 construction, operation, expansion and modification of Gas Transmission

1 Systems and Gas Distribution Systems and for the Supply of Natural
2 Gas.

3(q) "**Gas Supply Contract**" refers to a contract for the Supply of Natural
4 Gas between a Supplier and a purchaser;

5(r) "**Gas Transmission Code**" refers to the code to be developed by the
6 DOE as required by the Act that sets the technical performance
7 standards for operating Gas Transmission Systems and the minimum
8 financial standards for Gas Transmission Utilities;

9(s) "**Gas Transmission System**" refers generally to the system of pipelines,
10 storage and related facilities that are used to transport Natural Gas from
11 the interconnection with Gathering Facilities, LNG regassification
12 facilities or other Gas Transmission Systems to the interconnections with
13 Gas Distribution Systems, other Gas Transmission Systems, or End-
14 users;

15(t) "**Gas Transmission Utility**" refers to any Person that has a Franchise
16 to operate a Gas Transmission System and does not include those who
17 operate own-use pipelines, storage and related facilities operated
18 independently of the pipeline or those intending to operate a Gas
19 Transmission System;

20(u) "**Gathering Facilities**" refers to Natural Gas pipelines and related
21 facilities used to gather gas in the field and bring it to a location for
22 processing or for delivery at an interconnection with the Gas
23 Transmission System; the terms "Gather" and "Gathering" shall be
24 construed accordingly;

25(v) "**Joule**" refers to the unit of energy or work done when the point of
26 application of a force of one Newton is displaced a distance of one meter
27 in the direction of the force. It is also equal to one watt-second;

28(w) "**LNG**" refers to Liquefied Natural Gas";

1(x) **"Natural Gas"** refers to hydrocarbons, primarily methane, which, at atmospheric temperature and pressure, are in a gaseous phase. For purposes of this Act, the term "Natural Gas" shall be inclusive of LNG;

4(y) **"Person"** refers to a natural or juridical person, as the case may be, including the national and local government of the Republic of the Philippines, its agencies and instrumentalities, and government-owned and -controlled corporations;

8(z) **"Petroleum Operations"** as defined in PD 87, refers to searching for and obtaining petroleum within the Philippines through drilling and pressure or suction or the like, and all other operations incidental thereto. It includes the transportation, storage, handling and sale (whether for export or for domestic consumption) of petroleum so obtained but does not include any: (1) transportation of petroleum outside the Philippines; (2) processing or refining at a refinery; or (3) any transactions in the products so refined;

16(aa) **"Philippine Energy Plan" or "PEP"** refers to the overall energy program formulated and updated yearly by the DOE and submitted to Congress pursuant to Republic Act No. 7638, as amended;

19(bb) **"Service Contract"** refers to the award granted by the Philippine government to a qualified Person to engage in the exploration, development and utilization of natural resources through joint venture, co-production, production-sharing or other similar arrangement with the State pursuant to Article XII, Section 2, of the Constitution, including, Service Contracts under Presidential Decree No. 87, as amended;

25(cc) **"Supplier"** refers to any Person authorized by the DOE to engage in the Supply of Natural Gas;

27(dd) **"Supply"** means refers to the domestic trading and/or sale of Natural Gas for wholesale or retail;

1(ee) **"Third Party Access"** refers to the system of allowing any qualified
2 Person access to the Gas Transmission Systems and Gas Distribution
3 Systems under the conditions prescribed in Chapter II Sec. 10 hereof;
4(ff) **"Transmission"** refers to the transportation of Natural Gas through a
5 Gas Transmission System;
6(gg) **"Unbundled Service"** refers to the pricing of the energy value of Natural
7 Gas separately from the rates charged for natural gas Transmission or
8 Distribution; and
9(hh) **"Vehicular Natural Gas"** means Natural Gas that is used as a fuel in a
10 self-propelled vehicle.

11 CHAPTER II

12 ORGANIZATION AND OPERATION OF THE 13 DOWNSTREAM NATURAL GAS INDUSTRY

14
15 **SEC. 5. Organization.** – For purposes of this Act, the Downstream
16 Natural Gas Industry shall be divided into three (3) sectors, namely:
17 Transmission, Distribution and Supply of Natural Gas.

18 **SEC. 6. Regulation of Transmission, Distribution and Supply**
19 **Sectors.** – The Transmission, Distribution and Supply of Natural Gas are
20 businesses affected with public interest and the regulation of these businesses
21 as provided for in this Act is hereby deemed necessary in the public interest.

22 **SEC. 7. Franchise Requirement.** –

23 (a) *Transmission and Distribution of Natural Gas declared public utilities.* The
24 Transmission and Distribution of Natural Gas as provided for in this Act
25 are hereby declared to be public utility operations, requiring a Franchise
26 or similar legislative authorization;

27 (b) *Congressional Franchise and similar legislative authorization.* Any person
28 that seeks to operate for commercial purposes a Gas Transmission
29 System or Gas Distribution System shall first be required to hold or

1 obtain a Franchise, any law to the contrary notwithstanding. The
2 Franchise requirement shall apply with respect to all Gas Transmission
3 Systems and Gas Distribution Systems, regardless of the size or pressure
4 of the pipeline. The foregoing, notwithstanding, this Franchise
5 requirement does not apply to operators of facilities for the Transmission
6 and Distribution of Natural Gas for Own-use and related facilities that
7 are operated independently from the pipeline;

8(c) *Prior regulatory approvals.* The grantee of such Franchise shall also be
9 required to secure from the DOE a Gas Permit as provided herein, and to
10 secure from the appropriate government agencies all other regulatory
11 approvals, licenses, permits and authorizations applicable to such grantee
12 under existing laws. The DOE shall not unreasonably withhold or delay the
13 grant of any Gas Permit, and may not reopen any legislative determination in
14 the review and grant of any Franchise.

15 **SEC. 8. *Philippine Ownership Requirement.*** - As required under
16 Article XII, Section 11, of the Constitution of the Republic of the Philippines, no
17 Franchise, certificate, or any other form of authorization of a public utility shall
18 be granted except to citizens of the Philippines or to corporations or
19 associations organized under the laws of the Philippines at least sixty *per*
20 *centum* (60%) of whose capital is owned by such citizens.

21 **SEC. 9. *Gas Transmission Systems of Service Contract Holders.*** -
22 Any Person who is a holder of a Service Contract that authorizes the
23 construction and operation of facilities for the Transmission or Distribution of
24 Natural Gas shall not be required to obtain a Franchise or other legislative
25 authorizations under this Act only to the extent such facilities are: (a) located
26 in the production area and upstream of gas processing or refining facilities and
27 are not used to serve End-users; or (b) used exclusively to provide service to
28 existing customers or such Person under a Gas Supply Contract entered into

1prior to the effectivity of this Act, which Gas Supply Contract shall not be
2affected by the enactment of this Act. In all other cases, Service Contract
3holders shall be subject to the Franchise and other regulatory approval
4requirements set forth in this Act.

5 **SEC. 10. Third Party Access.** - Gas Transmission Systems and Gas
6Distribution Systems excluding those constructed and operated for own use
7shall be available for non-discriminatory access by third party users which may
8include parties to a Service Contract, Suppliers and End-users, with due
9regard to the economic viability of the operation of such facilities. Such
10operators shall negotiate in good faith with third-party users the provision and
11terms of access in accordance with guidelines to be promulgated by the DOE.

12a) *Available Capacity.* Third Party Access obligations shall apply only to the
13available capacity of the Gas Transmission Systems and Gas Distribution
14Systems as determined by subtracting the volume of capacity that is:

- 15 (i) Used by the owner or operator to serve his own customer; and/or
16 (ii) Allocated by the owner or operator to third parties under
17 transportation contracts

18from the design capacity of the Gas Transmission Systems and Gas
19Distribution Systems.

20 Nondiscriminatory third-party access shall be available to users by
21contract with the Gas Transmission or Gas Distribution Utility. If the Gas
22Transmission or Gas Distribution Utility with available capacity refuses service
23to a user or offers discriminatory service, the affected party may request the
24DOE's intervention. The Gas Transmission or Distribution Utility shall be
25required to file proof that capacity was not available when service was denied.

26b) *Deferment of Third Party Access Obligation.* As a condition imposed by a
27Permit, the DOE may determine that implementation of Third Party Access to

1 Gas Transmission Systems and Gas Distribution Systems may be deferred
2 where:

3 (i) It can be demonstrated that such deferment is necessary to enable
4 the efficient planning of the infrastructure and aggregation of the
5 initial demand necessary to justify investments in the Gas
6 Transmission Systems and Gas Distribution Systems ; or

7 (ii) It is in the interest of the End-users served by the Gas
8 Transmission System and Gas Distribution System to ensure
9 stability of supply.

10 In either case, the DOE shall not defer implementation of Third Party Access
11 for a period longer than three (3) years after completion of construction in the
12 case of Gas Transmission Systems and five (5) years after completion or
13 construction in the case of Gas Distribution Systems. Provided, however, that
14 the deferment period can be extended on reasonable grounds.

15 (c) *Approved Access Conditions for Gas Transmission Utilities and Gas*
16 *Distribution Utilities.* Prior to conducting negotiations with third parties, a Gas
17 Transmission Utility and a Gas Distribution Utility shall request the DOE to
18 approve its access conditions. The DOE shall approve access conditions after
19 it has determined that they are consistent with the guidelines which it shall
20 promulgate pursuant to this Act

21 **SEC. 11. Environmental Protection.** – Gas Transmission Utilities, Gas
22 Distribution Utilities and Suppliers shall comply with all environmental laws,
23 rules, regulations and standards promulgated by the DENR and other
24 appropriate governmental agencies.

25 CHAPTER III

26 POWERS AND FUNCTIONS OF THE DOE

27 **SEC. 12. Powers and Functions of the DOE.** In addition to its existing
28 powers and functions, the DOE shall have the overall responsibility of

1supervising and monitoring the development of the Natural Gas Industry and
2regulation of the construction and operation of Natural Gas pipelines and
3related facilities for the Transmission, Distribution and Supply of Natural Gas.
4Towards this end, the DOE shall have the following powers and functions:

5(a) Issue permits for the construction of pipelines and related facilities for the
6 Transmission, Distribution and Supply of Natural Gas;

7(b) Establish standards setting forth the characteristics for classifying pipeline
8 and related facilities either as Gas Transmission Systems, Gas Distribution
9 Systems, or Gathering Facilities. These standards may include both the
10 physical characteristics related to the diameter, size and pressure of
11 pipeline facilities, and the functional characteristics of such facilities;

12(c) Prepare and periodically update a five-year Natural Gas Development Plan
13 and integrate the same into the PEP. The DOE shall consider and integrate
14 the individual or joint development plans prepared and submitted to it by
15 the Downstream Natural Gas industry participants pursuant to this Act.
16 Appropriate mechanisms shall be provided to protect the confidentiality of
17 any information that is commercially sensitive. The DOE shall publish an
18 initial draft of the plan and undertake public consultations thereon prior to
19 its adoption;

20(d) Before the end of April of each year, submit to the Office of the President
21 and Congress an annual report;

22(e) Ensure the safety, reliability, quality and security of supply of Natural Gas.
23 Consistent with the development of the Downstream Natural Gas Industry,
24 the DOE shall, among others:

25 (i) Encourage private sector investments in delivery infrastructure
26 and promote the development of domestic markets for Natural Gas;

27 (ii) In consultation with the Downstream Natural Gas Industry
28 participants and other government agencies, promote a system of

1 incentives to encourage industry participants, including new
2 producers and End-users to provide adequate and reliable supply
3 of Natural Gas; and

4 (iii) Undertake, in coordination with other governmental agencies, as
5 appropriate, an information campaign to educate the public on the
6 benefits of developing the Natural Gas Industry and the potential
7 for utilizing Natural Gas as a source of energy.

8(f) Within one (1) year from the effectivity of this Act, promulgate rules and
9 regulations to promote competition, encourage market development and
10 customer choice and prohibit/penalize abuse of market power, cartelization
11 and any anti-competitive or discriminatory behavior, in order to further the
12 intent of this Act and protect the public interest.

13 Such rules and regulations shall:

14 (i) define the relevant product and geographic markets for purposes of
15 establishing anti-competitive conduct;
16 (ii) provide criteria to determine the relevant market structure; and
17 (iii) establish the periodic reportorial requirements of Natural
18 Gas Industry participants as may be necessary to enforce
19 the provisions of this Section.

20(g) Within six (6) months from the effectivity of this Act, the DOE shall,
21 preparatory to the holding of public consultations with Natural Gas industry
22 participants, issue draft Gas Transmission and Distribution Codes which shall
23 contain, among others, the following:

24 (i) Technical performance standards for Gas Transmission and
25 Distribution Utilities; provided, that in the establishment of the
26 performance standards, the nature and function of the entities
27 shall be considered; and

(ii) Minimum financial capability standards for Gas Transmission and Distribution Utilities: *provided*, that such standards are set to ensure that the Natural Gas Industry participants meet the minimum financial standards to protect the public interest.

In consultation with Natural Gas industry participants, the DOE shall issue final Gas Transmission and Distribution Codes within twelve (12) months from the effectivity of this Act.

(h) By order, revoke, after due notice and hearing, the Gas Permit of any Person that fails to comply with the rules and regulations promulgated pursuant to this Act, the Gas Transmission Code, the Gas Distribution Code, or any requirement of this Act. The DOE shall allow such Person sufficient time to remedy the violation for an orderly disgorgement, when applicable, but in no case shall such remediation period exceed twelve (12) months from the date of issuance of the order.

(i) Encourage private enterprises in the Downstream Natural Gas Industry to broaden the base of their ownership and thereby encourage the widest public ownership thereof;

(j) Formulate, in consultation with the Downstream Natural Gas Industry Participants, rules and regulations as may be necessary to implement the objectives of this Act;

(k) Exercise such other powers as may be necessary or incidental to attain the objectives of this Act; and

(l) Exercise original and exclusive jurisdiction over all cases dealing with issuance of Permits, non-price regulatory measures, fees, fines and penalties imposed by the DOE in the exercise of the above-mentioned powers.

CHAPTER IV

POWERS AND FUNCTIONS OF THE ERC

1 **SEC. 13. Powers and Functions of the ERC.** - In addition to its existing

2 powers and functions, ERC shall assume sole regulatory responsibility for
3 establishing the rates and related terms and conditions of service for the
4 Transmission, Distribution, and Supply of Natural Gas to the extent that each
5 such activity is regulated pursuant to the requirements set forth in this Act.
6 Towards this end, the ERC shall have the following powers and functions;

7(a) In the public interest, establish and enforce a methodology for setting
8 Transmission, Distribution, and Supply rates taking into account all relevant
9 considerations, including the efficiency or inefficiency of the regulated entities.

10 The rates must be such as to allow the recovery of the just and reasonable
11 costs and a reasonable return on rate base (RORB) to enable the entity to
12 operate viably. The ERC may adopt alternative forms or internationally-
13 accepted rate-setting methodology as it may deem appropriate. The rate-setting
14 methodology so adopted and applied must ensure a reasonable price or tariff.
15 The rates prescribed shall be non-discriminatory. The ERC shall determine
16 such form of rate-setting methodology which shall promote efficiency.

17(b) Determine whether take-or-pay charges, minimum bill payments or
18 similar fixed obligations contained in Gas Sales and Purchase
19 Contracts or pipeline Transmission contracts entered into by Gas
20 Transmission and Distribution Utilities and electric power industry
21 participants can be recovered from their tariffs to their own
22 customers;

23(c) Apply administrative procedures that will ensure the Constitutional
24 right to due process.

25 **CHAPTER V**

26 **NATURAL GAS TRANSMISSION SECTOR**

27 **SEC. 14. Gas Permit Requirement** - Any Person that holds a Franchise
28 granted by Congress authorizing it to serve as a Gas Transmission Utility shall,

1before it operates, maintains or constructs Gas Transmission Systems, secure
2from the DOE a Gas Permit issued pursuant to the standards set forth in this
3Act and the rules and regulations promulgated by the DOE. The DOE shall
4issue a public notice of all Gas Permit applications and afford interested parties
5reasonable opportunity to comment upon such applications. The DOE shall
6issue a Gas Permit upon its determination that the construction, control,
7installation, operation and maintenance of the Gas Transmission System would
8be consistent with the policy declarations contained in this Act. Provided,
9however, that if a Gas Permit is sought for new service that would be provided
10within the Franchise area of Gas Transmission Utility, the DOE shall consider
11the economic effects of granting such a Gas Permit upon that Gas
12Transmission Utility and its End-users.

13 **SEC. 15. Terms and Conditions of Permits.** -- In issuing a Gas Permit,
14the DOE shall have the power to impose such reasonable terms and conditions
15as the public interest may require.

16 Among such conditions shall be the requirement that the Permit holder
17complies in full with the Gas Transmission Code promulgated by the DOE
18pursuant to Section 17 hereof.

19 Gas Transmission Utilities shall not be obligated to undertake, nor may
20DOE require, the expansion of an existing Gas Transmission System to serve
21additional customers or the sizing of a Gas Transmission System for the
22purpose of increasing capacity to serve load in excess of the maximum design
23capacity of the pipeline proposed by the Gas Transmission Utility;

24 **SEC. 16. Functions/Obligations of Gas Transmission Utilities.** - A
25Gas Transmission Utility shall have the obligation to provide Transmission
26services and connections to its Gas Transmission System for any End-user
27subject to economic viability. Any Gas Transmission Utility engaged therein

1 shall provide nondiscriminatory access to its Gas Transmission System to any
2 Supplier and eligible End-users under Section 10, Chapter II of this Act.

3 **SEC. 17. Gas Transmission Code Compliance.** – All Gas Transmission
4 Utilities shall be required to ensure and maintain the safety, reliability,
5 adequacy, security, stability and integrity of their Gas Transmission Systems in
6 accordance with the performance standards set forth in Gas Transmission
7 Code to be promulgated by the DOE. Each Gas Transmission Utility shall
8 submit to the DOE a statement of its compliance with the technical
9 specifications prescribed in the Gas Transmission Code and the performance
10 standards prescribed in the rules and regulations implementing this Act. A
11 Gas Transmission Utility that does not comply with a prescribed technical
12 specification or performance standard shall include within such statement of
13 compliance a plan for achieving compliance with said technical specifications
14 and performance standards within three (3) years or such lesser period as may
15 be necessary to prevent safety, reliability, or environmental harm. The DOE
16 shall, within sixty (60) days upon receipt of such plan, evaluate the same and
17 notify the Gas Transmission Utility concerned whether its plan is accepted.
18 Failure to submit a feasible and credible plan and/or failure to implement the
19 same shall serve as grounds for the imposition of appropriate sanctions, fines
20 or penalties.

21 **SEC. 18. Abandonment of Gas Transmission Systems.** – No holder of
22 a Permit for the construction, installation, operation or maintenance of a Gas
23 Transmission System shall abandon or withdraw from service any portion of
24 such Gas Transmission System without obtaining prior authorization from the
25 DOE, which determination shall be made within one hundred eighty (180) days
26 from the filing of the application for abandonment. Such abandonment shall be
27 done in accordance with existing laws.

1 **SEC. 19. Fees.** - The DOE shall have the authority to prescribe and
2 collect fees and charges relating to the issuance and/or review of Permits, and
3 other services related to the supervision and regulation of Gas Transmission
4 Systems.

CHAPTER VI

NATURAL GAS DISTRIBUTION SECTOR

7 **SEC. 20. Gas Permit Requirement** – Any Person that holds a Franchise
8 granted by Congress authorizing it to serve as a Gas Distribution Utility shall,
9 before it operates, maintains or constructs Distribution Systems, secure from
10 the DOE a Gas Permit issued pursuant to the standards set forth in this Act
11 and the rules and regulations promulgated by the DOE. The DOE shall issue a
12 public notice of all Gas Permit applications and afford interested parties
13 reasonable opportunity to comment upon such applications. The DOE shall
14 issue a Gas Permit upon its determination that the construction, control,
15 installation, operation and maintenance of the Gas Distribution System would
16 be consistent with the policy declarations contained in this Act. Provided,
17 however, that if a Gas Permit is sought for new service that would be provided
18 within the Franchise area of Gas Distribution Utility, the DOE shall consider
19 the economic effects of granting such a Gas Permit upon that Gas Distribution
20 Utility and its End-users.

21 **SEC. 21. *Terms and Conditions of Permits.*** – In issuing a Permit, the
22 DOE shall have the power to impose such reasonable terms and conditions as
23 the public interest may require. Among such conditions shall be the
24 requirement that the Permit holder complies in full with the Gas Distribution
25 Code promulgated by the DOE pursuant to Section 23 hereof.

26 SEC. 22. *Functions of Gas Distribution Utilities.*—

27(a) A Gas Distribution Utility shall have the obligation to provide
28 Distribution services and connections to its Gas Distribution System for

1 any End-user within the area covered by its Gas Permit consistent with
2 the Gas Distribution Code. Any Gas Distribution Utility engaged therein
3 shall provide nondiscriminatory access to its Gas Distribution System to
4 eligible End-users under Section 10, Chapter II of this Act;

5(b) Any Gas Distribution Utility shall be entitled to impose and collect
6 Distribution charges and connection fees from such End-users as
7 approved by the ERC;

8(c) A Gas Distribution Utility shall submit to the DOE annually its plan for
9 maintaining and developing its Gas Distribution System in compliance
10 with the obligations imposed by this Act;

11(d) A Gas Distribution Utility shall provide universal service within the area
12 covered by its Gas Permit except as provided herein. A Gas Distribution
13 Utility shall be obliged to develop and maintain an efficient system for
14 the Supply of Natural Gas at the reasonable request of End-users within
15 its Franchise Area including:

16 (i) The installation of pipes where the connection to the End-user is
17 within twenty (20) meters of the Gas Distribution System; or

18 (ii) Increasing the capacity of existing Gas Distribution Systems;
19 *provided, however,* that no new service shall be required if such
20 service would not be economically viable. A determination by a
21 Gas Distribution Utility that it cannot viably serve a portion of its
22 Franchise Area shall be subject to review by the DOE upon filing of
23 a complaint by the requesting End-user.

24 The obligation of the Gas Distribution Utility to provide universal access
25 involves both an obligation to connect End-users within twenty-five (25) meters
26 from the main pipeline and an obligation to supply such End-users, to the
27 extent that the Gas Distribution Utility is the sole gas Supplier. Upon
28 implementation of Third Party Access, the utility shall be relieved of his

1 obligation to supply End-users eligible for retail access as defined in the
2 guidelines to be promulgated by the DOE, but not his obligation to provide
3 connection to his distribution system to such End-users. Whether or not the
4 Gas Distribution Utility is the sole gas supplier in the area, prices charged by
5 the utility for the supply of gas will be negotiated for Contestable Market and
6 regulated by the ERC for the Captive Market.

7 (e) A Gas Distribution Utility shall submit annually to the DOE its plan for
8 maintaining and developing its Gas Distribution System in compliance with the
9 obligations prescribed in this Act.

10 **SEC. 23. Gas Distribution Code Compliance.** All Gas Distribution
11 Utilities shall be required to ensure and maintain the safety, reliability,
12 adequacy, security, stability and integrity of their Gas Distribution Systems in
13 accordance with the performance standards set forth in Gas Distribution Code
14 to be promulgated by the DOE. Each Gas Distribution Utility shall submit to
15 the DOE a statement of its compliance with the technical specifications
16 prescribed in the Gas Distribution Code and the performance standards
17 prescribed in the rules and regulations implementing this Act. A Gas
18 Distribution Utility that does not comply with a prescribed technical
19 specification or performance standard shall include within such statement of
20 compliance a plan for achieving compliance with said technical specifications
21 and performance standards within three (3) years or such lesser period as may
22 be necessary to prevent safety, reliability, or environmental harm. The DOE
23 shall, within sixty (60) days upon receipt of such plan, evaluate the same and
24 notify the Gas Distribution Utility concerned whether its plan is accepted.
25 Failure to submit a feasible and credible plan and/or failure to implement the
26 same shall serve as grounds for the imposition of appropriate sanctions, fines
27 or penalties.

1 **SEC. 24. Abandonment of Gas Distribution Systems.** – No holder of a
2 Permit for the construction, installation, operation or maintenance of a Gas
3 System shall abandon or withdraw from service any portion of such Gas
4 Distribution System without obtaining prior authorization from the DOE,
5 which determination shall be made within one hundred eighty (180) days from
6 the filing of the application for abandonment. Such abandonment shall be done
7 in accordance with existing laws.

8 **SEC. 25. Fees.** – The DOE shall have the authority to prescribe and
9 collect fees and charges relating to the issuance and/or review of Permits, and
10 other services related to the supervision and regulation of Gas Distribution
11 Systems.

CHAPTER VII

SUPPLY SECTOR

14 **SEC. 26. Gas Permit Requirement.** - Any law to the contrary
15 notwithstanding, no Person may engage in any Supply activity unless it has
16 obtained a Permit, as appropriate, from the DOE. For this purpose, the DOE
17 shall promulgate rules and regulations prescribing the qualifications of
18 Suppliers which shall include, among other requirements, a demonstration of
19 their technical capability, financial capability, and creditworthiness. The DOE
20 shall have authority to require Suppliers to furnish a bond or other evidence of
21 the ability of a Supplier to withstand market disturbances or other events that
22 may increase the cost of providing service.

23 SEC. 27. *Condition for Suppliers' Access to Customers of Gas*
24 *Distribution Systems.* – Upon the implementation of Third Party Access as
25 stipulated in the Gas Permit for a particular Gas Distribution System, large
26 end-users in the geographic area served by that Gas Distribution System which
27 meet the criteria set forth in the guidelines promulgated by the DOE pursuant
28 to this Act may enter into Gas Supply Contracts with any Supplier.. The DOE

1 shall determine End-users or classes of End-users that are eligible for direct
2 access by Suppliers, giving consideration to relevant factors including whether
3 such End-users or class of End-users constitute a Contestable Market and the
4 financial consequences of any assets potentially stranded by expanding Supply
5 competition.

6 CHAPTER VIII

7 OWN-USE FACILITIES

8 **SEC. 28. *Own-Use Permits.*** Permits for the Transmission and/or
9 Distribution of Natural Gas for own-use shall be granted for a specific capacity
10 and defined route, and only final users may be the holders of such permits. In
11 issuing a Permit, the DOE shall have the power to attach such reasonable
12 terms and conditions to the Permit as the public interest may require. Among
13 such conditions shall be the requirement that the Permit holder comply in full
14 with the Gas Transmission or Distribution Code promulgated by the DOE, as
15 such may be amended from time to time, and to ongoing regulation by the DOE
16 as provided herein.

17 CHAPTER IX

18 RATES AND CHARGES

19 **SEC. 29. *Regulation of Rates and Charges.*** The ERC shall review and
20 approve the rates, charges and other amounts proposed to be charged by Gas
21 Transmission and Distribution Utilities and Suppliers. Where such rates are
22 applicable to products and services provided to Captive Markets, the
23 ratemaking methodology to be applied by the ERC shall be based on the
24 principle of full recovery of prudent and reasonable costs incurred, including
25 a reasonable return on rate base that is equal to the rate of return on
26 investments of comparable risk, or such other principles that will promote the
27 determination of just and reasonable rates. Rates and charges for products

1 and/or services in Contestable Markets shall be deregulated. Rates and
2 charges shall be calculated on the basis of Unbundled Service.

3 **SEC. 30. *Prohibition of Discriminatory and Unreasonable Rates***

4 ***and Charges.*** - No Gas Transmission Utility, Gas Distribution Utility or
5 Supplier shall, with respect to the Transmission, Distribution, or Supply of
6 Natural Gas (1) make or grant any undue preference or advantage or (2)
7 maintain any unreasonable difference in rates, charges, service, facilities, or
8 in any other respect, between locations , or between classes of service; or
9 types of customers.

10 **SEC. 31. *Prohibition of Cross Subsidies.*** Gas Transmission and
11 Distribution Utilities shall not, directly or indirectly, subsidize the provision of
12 service with rates for other service or for the marketing of gas, or subsidize
13 the marketing of gas with rates for other service.

14 **SEC. 32. *Separate Accounting Systems.*** For purposes of the
15 preceding section, Gas Transmission and Distribution Utilities must separate,
16 if applicable the financial information relevant to the provision of
17 Transmission, storage and Distribution services, as well as the marketing of
18 gas, in such a way as to clearly identify income, costs and operational
19 expenses of each item.

20 **SEC. 33. *Take-or-Pay Obligations.*** For the purpose of determining
21 their eligibility for a passthrough to End-users, take-or-pay provisions in Gas
22 Sales and Purchase Contract shall

- 23 (i) Index the contract price to the price of competing alternative fuels
24 such as heavy fuel oil and/or gas oil based on internationally
25 accepted reference standards;
26 (ii) Include re-opener mechanisms to allow for the adjustment of the
27 price and/or volume commitments under extraordinary

1 circumstances causing severe economic hardship to either party
2 such as price movements in competing alternative fuel market or
3 changes in the gas purchaser's market such as substantial
4 contraction in forecast demand levels;

5 (iii) Provide for a reasonable period for recovery of take-or-pay
6 payments.

7 Potential parties to a Gas Sales and Purchase Contract may, at their
8 option, and prior to the execution of such contract, request that the DOE
9 review their take-or-pay provisions for their consistency with a(i) and a(ii)
10 above;

11 No party to a Gas Sales and Purchase Contract may be compelled to
12 renegotiate any term or condition of a duly executed Gas Sales and Purchase
13 Contract or to incorporate terms or conditions in such contract which are not
14 commercially acceptable to it or its counterparty, it being sufficient that the
15 terms and conditions of the contract as a whole mitigate the potential impact
16 upon End-users of take-or-pay provisions.

17

CHAPTER X

18

RATEMAKING PROCEDURES OF THE ERC

19 **SEC. 34. Filing of Rate Schedules.** - Under such rules and regulations
20 as the ERC may prescribe, the ERC may require reports or documents from
21 Gas Transmission Utilities, Gas Distribution Utilities or Suppliers showing all
22 rates and charges for the Transmission, Distribution, or Supply of Natural Gas
23 and the classifications, practice, and regulations affecting such rates, charges,
24 and classifications and services, provided that the ERC shall, in the
25 implementing rules and regulations of this Act, provide appropriate
26 mechanisms to protect the confidentiality of any information that is
27 commercially or competitively sensitive;

1 **SEC. 35. *Changes in Rate and Charges.*** - Within thirty (30) days of
2 filing for a change in rates, the ERC shall issue an order accepting, rejecting, or
3 setting for hearing such change. The ERC may, upon the filing of an
4 application therefore or at any stage thereafter with or without prior hearing,
5 on the basis of supporting papers duly verified or authenticated, and with such
6 notice to the affected parties and opportunity for such parties to make such
7 submissions as the ERC determines to be appropriate in the circumstances,
8 grant provisional relief fixing interim rates for the Transmission, Distribution or
9 Supply of Natural Gas applicable during the pendency of the hearing on the
10 application, on motion of a party in the case or on its own initiative, without
11 prejudice to a final decision after hearing, should the ERC find that the
12 pleadings, together with such affidavits, documents and other evidences which
13 may be submitted in support of the motion, substantially support the
14 provisional order. The final order fixing the applicable rates shall provide for
15 over- or under-recovery of costs occasioned by the application of ERC-approved
16 interim rates. At any hearing involving rates adjustment, the burden of proof
17 to show that the increased rates are just and reasonable shall be upon the Gas
18 Transmission Utility, Gas Distribution Utility or Supplier.

19

CHAPTER XI

20

PROMOTION OF COMPETITION

21

SEC. 36. *Market Power Abuse and Anti-Competitive Behavior.* - [a]

22

No Gas Transmission Utility, Gas Distribution Utility or Supplier, or
23 affiliate thereof may abuse its market power. Such abuse may include, but
24 shall not be limited to, agreeing with competitors to fix prices, fix output of
25 products or services, or divide markets or customers; tying arrangements;
26 unduly discriminatory or preferential practices; or misrepresentation or false
27 advertising;

1[b] The DOE shall monitor and, after due notice and hearing upon complaint
2or on its own initiative, penalize any such market power abuse or anti-
3competitive or discriminatory act or behavior. Upon finding that a natural gas
4industry participant has engaged in such act or behavior, the DOE shall stop
5and redress the same. Such remedies shall, without limitation, include the
6imposition of price controls, issuance of injunctions, or disgorgement of excess
7profits and imposition of administrative fines and penalties pursuant to this
8Act;

9[c] The DOE shall, within one (1) year from the effective date of this Act,
10promulgate rules and regulations providing for a complaint procedure that,
11without limitation, provides the party alleged to have engaged in anti-
12competitive or abusive activities with notice and an opportunity to be heard.

13 **SEC. 37. *Affiliated Suppliers.*** - In order to prevent Anti-
14Competitive Conduct, Service Contractors, Gas Transmission Utilities and Gas
15Distribution Utilities that own or control Affiliates that are Suppliers shall
16conduct their business as follows:

17(a) No preference will be given to the Affiliated Supplier over other Persons
18 through contracting for available capacity, scheduling, balancing,
19 curtailment priority or Tariffs;

20(b) Marketing information provided to the Affiliated Supplier will be provided
21 to any non-Affiliated Supplier that is a competitor or potential
22 competitor;

23(c) Employees of the Affiliated Supplier shall, to the maximum extent
24 possible, function independently in making business decisions; and

25(d) Books of accounts and records of the Affiliated Supplier shall be
26 maintained separately.

27 **CHAPTER XII**

28 **TAXES**

1(b) Any Person who is found to have engaged in any of the prohibited acts
pursuant to Section x hereof shall suffer the administrative penalty or
fine ranging from ten thousand pesos (P10,000.00) to ten million pesos
(P10,000,000.00), at the discretion of the DOE;

5(c) The members of the Board of Directors of any Person that violates the
provisions of this Act may be fined by an amount not exceeding double
the amount of damages caused by the offender at the discretion of the
DOE. This rule shall apply to the members of the Board who knowingly
or by neglect allow the commission or omission under the law;

10(d) Any party to an administrative proceeding may, at any time, make an
offer to the DOE, conditionally or otherwise, for a consent decree,
voluntary compliance or desistance and other settlement of the case.
The offer and any or all of the ultimate facts upon which the offer is
based shall be considered for settlement purposes only and shall not
constitute an admission by the party making the offer of any violation of
the laws, rules, regulations, orders and resolutions of the DOE, nor as a
waiver to file any warranted criminal actions;

18(c) In addition Congress may, upon recommendation of the DOE, revoke
such Franchise or privilege granted to the party who violated the
provisions of this Act.

CHAPTER XIV

ANTI-PILFERAGE PROVISIONS

SEC. 42. *Pilferage.* - It is hereby declared unlawful for any Person to:

24(a) Tap, make or cause to be made any connection with any Gas
Transmission System or Gas Distribution System without previous
authority or consent of the Gas Transmission Utility or Gas Distribution
Utility concerned;

1(b) Tamper, install or use tampered meters or any other device which
interferes with proper or accurate registry or metering of Natural Gas
flows or otherwise results in its diversion in a manner whereby Natural
Gas is stolen or wasted;

5(c) Damage or destroy any Natural Gas meter, equipment, pipeline or
conduit or any part of a Gas Transmission System or Gas Distribution
System or allow any of them to be so damaged or destroyed as to
interfere with the proper or accurate metering of Natural Gas flows; and

9(d) Knowingly use or receive the direct benefit of Natural Gas delivery service
obtained through any of the acts mentioned in subsections (a), (b), and
(c) above.

12 **SEC. 43. *Theft of Equipment and Materials.*** - It is hereby declared
13 unlawful for any person to:

14(a) Cut, saw, slice separate, split, severe, smelt, or remove any portion of a
15 Gas Transmission System or Gas Distribution System, including pipeline
16 materials and meters, from any installation or place of installation or any
17 other place or site where it may be rightfully or lawfully stored,
18 deposited, kept, stocked, inventoried, situated or located, without the
19 consent of the Gas Transmission Utility or Gas Distribution Utility
20 concerned, whether or not the act is done for profit or gain;

21(b) Take, carry away or remove or transfer, with or without the use of a
22 motor vehicle or other means of conveyance, load, carry, ship or move
23 from one place to another, whether by land, air or sea, any portion of a
24 Gas Transmission System or Gas Distribution System, including pipeline
25 materials or meters, from any installation or place of installation, or any
26 place or site where it may be rightfully or lawfully stored, deposited, kept,
27 stocked, inventoried, situated or located without the consent of the Gas

1 Transmission Utility or Gas Distribution Utility concerned, whether or
2 not the act is done for profit or gain; and

3(c) Store, possess or otherwise keep in his premises, custody or control,
4 without lawful purpose, any portion of a Gas Transmission System or
5 Gas Distribution System, including pipeline materials or meters, without
6 the consent of the Gas Transmission Utility or Gas Distribution Utility
7 concerned, whether or not the act is done for profit or gain.

8 **SEC. 44. Penalties. -**

9(a) Violation of Section 42. The penalty of *prision mayor* or a fine ranging
10 from Ten thousand pesos (P10,000.00) to Twenty thousand pesos
11 (P20,000.00) or both, at the discretion of the court, shall be imposed on
12 any Person found guilty of violating Section 42 hereof.

13(b) Violation of Section 43. The penalty of reclusion temporal or a fine
14 ranging from Fifty thousand pesos (P50, 000.00) to One hundred
15 thousand pesos (P100, 000.00) or both at the discretion of the court,
16 shall be imposed on any person found guilty of violating Section 42
17 hereof.

18(c) Provision common to violations of Sections 42 and 43 hereof. If the
19 violation of Section 42 and Section 43 hereof is committed by, or in
20 connivance with, an officer or employee of the Gas Transmission Utility
21 or Gas Distribution Utility concerned, such officer or employee than the
22 penalty provided herein, and forthwith be dismissed and perpetually
23 disqualified from employment in any public or private utility or service
24 company and from holding any public office.

25If the violation of Section 42 and Section 43 hereof is committed by a
26partnership, firm, corporation, association or any other legal entity, including a
27government-owned or controlled corporation, the penalty shall be imposed on
28the president, manager and each of the officers thereof who shall have

1 knowingly permitted, failed to prevent or was otherwise responsible for the
2 commission of the offense.

3 CHAPTER XV

4 FINAL PROVISIONS

5 **SEC. 45. *Implementing Rules and Regulations.*** - The DOE shall, in
6 consultation with relevant government agencies, the Natural Gas Industry
7 participants, non-government organizations and end-users, promulgate
8 Implementing Rules and Regulations of this Act within six (6) months from its
9 date of effectivity.

10 **SEC. 46. *Separability Clause.*** - If for any reason, any provision of this
11 Act is declared unconstitutional or invalid, the other parts or provisions hereof
12 which are not affected thereby shall continue to be in full force and effect.

13 **SEC. 47. *Non-Retroactivity Applicability and Repealing Clause.*** -The
14 provisions of Republic Act No. 387, otherwise known as the Petroleum Act of
15 1949, as amended, insofar as said provisions relate to the Transmission and
16 Distribution of Natural Gas by pipeline concessionaires or other
17 concessionaires, as such terms are defined in the Petroleum Act of 1949,
18 Section 11(b) thereof obligating the Philippine government to grant pipeline
19 concessions for the Transmission and Distribution of Natural Gas under
20 specified circumstances, are hereby repealed or amended. The provisions of
21 Presidential Decree No. 87, as amended, insofar as the provisions thereof relate
22 to the Transmission and Distribution of Natural Gas by Service Contractors, as
23 such term is defined in Presidential Decree No. 87, as amended, are hereby
24 amended. All other laws, decrees, executive orders, rules and regulations,
25 circulars or other governmental issuances referring to the Transmission,
26 Distribution, or Supply of Natural Gas, or otherwise authorizing any
27 governmental or other entity to issue licenses, permits, certificates or other
28 authorizations for the Transmission, Distribution, or Supply of Natural Gas,

1are hereby repealed or amended accordingly. Further, all other laws, decrees,
2executive orders, rules, regulations, circulars or other governmental issuances
3defining the term "Natural Gas" are hereby amended such that the definition of
4Natural Gas in this Act shall be deemed the definition of "Natural Gas" for
5purposes of the said laws, decrees, executive orders, rules, regulations,
6circulars or other governmental issuances. Notwithstanding the foregoing,
7nothing in this Act shall be deemed to revoke or otherwise modify any existing
8concession granted under the Petroleum Act of 1949, as amended, certificate of
9public convenience or certificate of public convenience and necessity granted
10pursuant to the Public Service Law, as amended, specific congressional
11Franchise for the Transmission, Distribution or Supply of Natural Gas or other
12administrative or regulatory permit or contract, with concession, certificate,
13Franchise, permit or contract shall be allowed to its full term but may not be
14renewed except pursuant to the provisions of this Act.

15 **SEC. 48. Effectivity Clause.** - This Act shall take effect on the fifteenth
16(15th) day following its publication in at least two (2) national newspapers of
17general circulation.

18 Approved,

FIFTEENTH CONGRESS OF THE REPUBLIC)
OF THE PHILIPPINES)
First Regular Session)

HOUSE OF REPRESENTATIVES

H. NO. _____

Introduced by Rep. Aurelio "Dong" D. Gonzales, Jr.

EXPLANATORY NOTE

A great number of minor children and dependents of law enforcement officers killed by insurgents or slain in the line of duty are unable to continue schooling or to complete their secondary education because of the death of the breadwinner of the family.

This Act intends to provide educational benefits for such minor-orphaned children or dependents. Its coverage includes: (a) those who were orphaned prior to the approval of this Act but are still minors upon its approval; (b) beneficiaries who reach the age of majority and are unmarried while enjoying benefits and have not completed their secondary education shall continue to be entitled to the benefits provided herein until they complete secondary education; and (C) those who are minors upon the approval of this Act.

Benefits under this proposed bill shall include tuition fee and a reasonable allowance for books, school supplies, transportation, clothing and food.

As a tribute to our law enforcement officers who are fighting for our country and who are maintaining peace and order at the risk of their lives, early enactment of this bill is earnestly solicited.

REP. AURELIO "DONG" D. GONZALES, JR.
3rd District, Pampanga

FIFTEENTH CONGRESS OF THE REPUBLIC)
OF THE PHILIPPINES)
First Regular Session)

HOUSE OF REPRESENTATIVES

H. NO. ____

Introduced by Rep. Aurelio "Dong" D. Gonzales, Jr.

AN ACT
PROVIDING FOR EDUCATIONAL BENEFITS FOR THE MINOR CHILDREN
OF LAW ENFORCEMENT OFFICERS WHO ARE KILLED BY
INSURGENTS OR SLAIN IN THE LINE OF DUTY, AND FOR OTHER
PURPOSES

*Be it enacted by the Senate and House of Representatives of the Philippines
in Congress assembled:*

SECTION 1. **Educational Benefits for Orphaned Minor Children and Dependents.** – Minor children and dependents of soldiers of the Armed Forces of the Philippines or members of the Philippine National Police and other law enforcement agencies, who were killed by insurgents or slain in the line of duty shall be entitled to educational benefits from the time they are orphaned up to their completion of secondary education.

The benefits shall include tuition fees, reasonable allowance for books, school supplies, transportation, clothing and food.

SECTION 2. **Administration of the Education Benefits System.** – The Chief of Staff of the Armed Forces of the Philippines or the head of the

agency concerned shall designate the officer who shall administer the educational benefits system for the orphaned minor children or dependents covered under this Act.

The Chairman of the National Police Commission shall designate the office in the Commission, which shall administer the educational benefit system for the orphaned minor children or dependents of policemen and promulgate rules and regulations therefore.

SECTION 3. Funds for Educational Benefits. – There is hereby authorized to be appropriated, out of any funds in the National Treasury not otherwise appropriated, the amount of four million pesos (P4,000,000.00) for the educational benefits of orphaned minor children and dependents covered under this Act for the initial year of operation. Thereafter, the amount required for said educational benefits shall be included in the annual appropriations of the concerned agency.

SECTION 4. Coverage. – This Act shall cover children whose father or mother were killed by insurgents or slain in the line of duty prior to the approval of this Act but who are still minors upon the approval of this Act.

Beneficiaries who reach the age of majority and are unmarried while enjoying the benefits of this Act but have not completed their secondary education shall continue to be entitled to the benefits until they complete secondary education.

SECTION 5. **Separability Clause.** – If for any reason any provision of this Act is declared unconstitutional or invalid, such parts not affected thereby shall remain in full force and effect.

SECTION 6. **Repealing Clause.** – All laws, orders, decrees, rules and regulations or part thereof inconsistent with the provisions of this Act are hereby repealed or modified accordingly.

SECTION 7. **Effectivity.** – This Act shall take effect fifteen (15) days after its complete publication in at least two (2) newspapers of general circulation.

Approved,