

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City, Metro Manila

SIXTEENTH CONGRESS
First Regular Session

House Bill No. **4139**



Introduced by REP. MARK LLANDRO L. MENDOZA

EXPLANATORY NOTE

The aim of this bill is to grant the Ibaan Electric and Engineering Corporation (IEEC) a franchise to construct, operate and maintain an electric light, heat and power system in the Municipality of Ibaan, Province of Batangas, and for other purposes for another twenty-five years (25) from effectivity of this act.

The Ibaan Electric and Engineering Corporation, otherwise known as IEEC, is a corporation organized and existing under the laws of the Philippines with principal address at Metro-Rei Ventures Property, Palindan, Ibaan, Batangas.

IEEC is the exclusive franchise holder issued by the congress of the Philippines to construct, operate and maintain at all times in a superior manner of an electric, heat and power system in the Municipality of Ibaan, Batangas. It is secure from the Energy Regulatory Commission (ERC) and Department of Energy (DOE), or any other government agency concerned which has jurisdiction over the operation, the necessary certificate of public convenience and necessity and other appropriate permits and licenses for the construction and operation of its electric distribution system.

The Corporation supply electricity to its captive market in the least costly manner and will modify, improve or change its facilities, poles, lines systems and equipment for the purpose of providing efficient and reliable service and reduced electricity costs. Consistent with *Republic Act No. 9136*, otherwise known as '*Electric Power Industry Reform*' Act of 2001, the Corporation have the obligation to provide open and non-discriminatory access to its distribution system and services for any end-user within its franchise area and shall not engage in any activity that will constitute an abuse of market power. Distribution system refers to the systems of wires and associated facilities including sub-transmission lines belonging to a franchised distribution utility extending between the delivery point on the national transmission system or generating facility and the metering point/facility of the end-user.

The Corporation may allow the use of free spaces in its poles, facilities or right-of-way by interested parties upon reasonable compensation considering cost incurred to accommodate and administer the use of facilities. In regards with this, the ERC shall decide in case of dispute or disagreement between parties. It shall be lawful for the Corporation, its successors or

assigns, with prior approval of the Department of Public Works and Highways (DPWH) or local government unit concerned for the purpose of erecting and maintaining poles, pipes and other supports for wires or other conductors for the purpose of laying and maintaining facilities, wires, cables, pipes or other conductors to make excavation or lay conduits in any of the public places, highways, streets, lanes, alleys, avenues, sidewalks or bridges of said province, cities and/or municipalities. IEEC is authorized to install and maintain its poles, wires and other facilities over and across public property, including streets, highways, forest reserves and other similar property of the Government of the Philippines, its branches or any of its instrumentalities.

Furthermore, the retail rates and charges for the distribution of electric power are subject to the approval of the ERC or its legal successor. The Corporation will identify and segregate in its electricity bill to the end-users the components of the retail rate pursuant to *Republic Act No. 9136* and provide a consumer desk that will handle consumer complaints and ensure adequate promotion of consumer interests and will offer to Filipino citizens at least thirty per centum (30%) of its outstanding capital stock or a higher percentage that may hereafter be provided by law in any securities exchange in the Philippines within five (5) years from the commencement of its operations.

This serves as an overview of house bill to grant Ibaan Electric and Engineering Corporation (IEEC) to franchise for another twenty-five (25) years effectivity of this act.

A handwritten signature in black ink, featuring a large, stylized loop at the top and several horizontal strokes below it.

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House Bill No. **4139**

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AN ACT

RENEWING THE FRANCHISE GRANTED TO IBAAN ELECTRIC AND ENGINEERING CORPORATION UNDER REPUBLIC ACT NO. 7578 ENTITLED "AN ACT GRANTING IBAAN ELECTRIC AND ENGINEERING CORPORATION A FRANCHISE TO CONSTRUCT, OPERATE AND MAINTAIN AN ELECTRIC LIGHT, HEAT AND POWER SYSTEM IN THE MUNICIPALITY OF IBAAN, PROVINCE OF BATANGAS AND FOR OTHER PURPOSES FOR ANOTHER TWENTY-FIVE YEARS FROM THE EFFECTIVITY OF THIS ACT"

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

1 SECTION 1. *Nature and Scope of Franchise.* - Subject to the provisions of the 1987
2 Philippine Constitution and applicable laws, rules and regulations, the franchise granted to
3 Ibaan Electric and Engineering Corporation under Republic Act No. 7578 entitled "An act
4 granting the Ibaan Electric and Engineering Corporation a franchise to construct, operate and
5 maintain an electric light, heat and power system in the municipality of Ibaan, province of
6 Batangas, and for other purposes" is hereby renewed for another twenty-five years from the
7 effectivity of this Act.

8 As used in this Act, distribution system refers to the systems of wires and associated
9 facilities including sub-transmission lines belonging to a franchised distribution utility extending
10 between the delivery point on the national transmission system or generating facility and the
11 metering point/facility of the end-user.

12 SEC. 2. *Manner of Operation of Facilities.* – All electric distribution facilities, lines and
13 systems for electric services owned, maintained, operated or managed by the grantee, its
14 successors or assigns, shall be operated and maintained at all times in a superior manner, and
15 it shall be the duty of the grantee, its successors or assigns, whenever required to do so by the
16 Energy Regulatory Commission, hereinafter referred to as the ERC, or its legal successor, or
17 the Department of Energy, hereinafter referred to as DOE, or its legal successor, or any other

1 government agency concerned, to modify, improve and change such facilities or systems in
2 such a manner and to such extent as the progress in science and improvements in the electric
3 power services may render reasonable and proper.
4

5 Whenever practicable and for purposes of maintaining order, safety and aesthetics
6 along highways, roads, streets, alleys or right-of-way, the grantee may allow the use of free
7 spaces in its poles, facilities or right-of-way by interested parties upon reasonable
8 compensation to the grantee considering cost incurred to accommodate and administer the use
9 of the grantee's facilities by such parties. The ERC shall decide in case of dispute or
10 disagreement between parties.
11

12 SEC. 3. *Authority of the ERC/DOE.* – The grantee shall secure from the ERC/DOE or
13 any other government agency which has jurisdiction over the operation of the herein grantee,
14 the necessary certificate of public convenience and necessity and other appropriate permits
15 and licenses for the construction and operation of its electric distribution system.

16 SEC. 4. *Excavation and Restoration Works.* – For the purpose of erecting and
17 maintaining poles, pipes and other supports for said wires or other conductors for the purpose
18 of laying and maintaining said facilities, wires, cables, pipes or other conductors, it shall be
19 lawful for the grantee, its successors or assigns, with the prior approval of the Department of
20 Public Works and Highways (DPWH) or the local government unit concerned, as may be
21 appropriate, to make excavations or lay conduits in any of the public places, highways, streets,
22 lanes, alleys, avenues, sidewalks or bridges of said province, cities and/or municipalities:
23 *Provided, however,* That a public place, highway, street, lane, alley, avenue, sidewalk or bridge
24 disturbed, altered or changed by reason of erection of poles or other supports or the
25 underground laying of wires, other conductors or conduits, shall be repaired and replaced in
26 workmanlike manner at the expense of the grantee, its successors or assigns, in accordance
27 with the standards set by DPWH or the local government unit concerned. Should the grantee,
28 its successors assigns, after the ten (10) day notice from the said authority, fail, refuse or
29 neglect to repair or replace any part of public place, road, highway, street, lane, alley, avenue,
30 sidewalk or bridge altered, changed or disturbed by the said grantee, its successors or assigns,
31 then the DPWH or the local government unit concerned shall have the right to have the same
32 repaired and placed in good order and condition at double expense to be charged against the
33 grantee, its successors or assigns.
34

35 SEC. 5. *Responsibility to the Public.* - The grantee shall supply electricity to its captive
36 market in the least costly manner. In the interest of the public good and as far as feasible and

1 whenever required by the ERC, the grantee shall modify, improve or change its facilities, poles,
2 lines systems and equipment for the purpose of providing efficient and reliable service and
3 reduced electricity costs. The grantee shall charge reasonable and just power rates for its
4 services to all types of consumers within its franchised areas in order that business and
5 industries shall be able to compete.

6
7 The grantee shall have the obligation to provide open and non-discriminatory access to
8 its distribution system and services for any end-user within its franchise area consistent with
9 Republic Act No. 9136, otherwise known as 'Electric Power Industry Reform Act of 2001. The
10 grantee shall not engage in any activity that will constitute an abuse of market power such as,
11 but not limited to, unfair trade practices, monopolistic schemes and any other activities that will
12 hinder competitiveness of business and industries.

13
14 SEC 6. *Rates for Services* - The retail rates and charges for the distribution of electric
15 power by the grantee to its end-user shall be regulated by and subject to the approval of the
16 ERC or its legal successor.

17
18 The grantee shall identify and segregate in its electricity bill to the end-users the
19 components of the retail rate pursuant to Republic Act No. 9136, unless otherwise amended.
20 Such rates charged by the grantee to the end-users shall be made public and transparent. The
21 grantee shall implement lifeline rate to marginalized end-users as mandated under Republic Act
22 No. 9136.

23
24 SEC. 7. *Promotion of Consumer Interests* - The herein grantee shall establish a
25 consumer desk that will handle consumer complaints and ensure adequate promotion of
26 consumer interests. The grantee shall act with dispatch on all complaints brought before it.

27 SEC. 8. *Right of the Government*. - A special right is hereby reserved to the President
28 of the Philippines, in times of war, rebellion, public peril, calamity, emergency, disaster or
29 disturbance of peace and order, to temporarily take over and operate the stations or facilities of
30 the grantee, to temporarily suspend the operation of any station or facility in the interest of
31 public safety, security and public welfare, or to authorize the temporary use and operation
32 thereof by any agency of the government, upon due compensation to the grantee, for the use of
33 said stations or facilities during the period when they shall be so operated.

34
35 SEC. 9. *Right of Eminent Domain* - Subject to the limitations and procedures prescribed
36 by law, the grantee is authorized to exercise the right of eminent domain insofar as it may be

1 reasonably necessary for the efficient maintenance and operation of services. The grantee is
2 authorized to install and maintain its poles, wires and other facilities over and across public
3 property, including streets, highways, forest reserves and other similar property of the
4 Government of the Philippines, its branches or any of its instrumentalities. The grantee may
5 acquire such private property as is actually necessary for the realization of the purposes for
6 which this franchise is granted: *Provided*, That proper condemnation proceedings shall have
7 been instituted and just compensation paid.

8
9 SEC. 10. *Term of Franchise* – This franchise shall be in effect for a period of twenty-five
10 (25) years from the date of effectivity of this Act, unless sooner cancelled. This franchise shall
11 be deemed *ipso facto* revoked in the event the grantee fails to operate continuously for two (2)
12 years.

13
14 SEC. 11. *Acceptance and Compliance*. - Acceptance of this franchise shall be given in
15 writing to the Congress of the Philippines, through the Committee on Legislative Franchises of
16 the House of Representatives and the Committee on Public Services of the Senate within sixty
17 (60) days from the effectivity of this Act. Upon giving such acceptance, the grantee shall
18 exercise the privileges granted under this Act. Non-acceptance shall render the franchise void.

19
20 SEC. 12. *Warranty in Favor of the National and Local Governments*. - The grantee shall
21 hold the national, provincial, city and municipal governments of the Philippines free from all
22 claims, accounts, demands or actions arising out of accidents or injuries, whether to property or
23 to persons, caused by the construction, installation, operation and maintenance of the
24 distribution system of the grantee.

25
26 SEC. 13. *Liability to Damages* – The grantee shall be liable for any injury and damage
27 arising from or caused by accident to persons and property by reason of any defective
28 construction under this franchise or of any neglect or omission to keep its pole and wires in safe
29 condition.

30
31 SEC. 14. *Sale, Lease, Transfer, Usufruct, Etc.* - The grantee shall not sell, lease,
32 transfer, grant the usufruct of, or assign this franchise or the rights and privileges acquired there
33 under to any person, firm, company, corporation or other commercial or legal entity, or merge
34 with any other corporation or entity, or shall transfer the controlling interest of the grantee,
35 whether as a whole or in parts and whether simultaneously or contemporaneously, to any such
36 person, firm, company, corporation or entity without the prior approval of the Congress of the
37 Philippines: *Provided*, That Congress shall be informed of any lease, transfer granting the

usufruct of, sale or assignment of franchise or the rights or privileges acquired within sixty (60) days after the completion of said transaction: *Provided also*, That any such transfer, sale or assignment is in accordance with the constitutional limitations: *Provided further*, That failure to report to Congress such change of ownership shall render the franchise *ipso facto* revoked: *Provided finally*, That any person or entity to which this franchise is sold, transferred or assigned, shall be subject to the same conditions, terms, restrictions and limitations of this Act.

SEC. 15. *Dispersal of Ownership*. – In accordance with the constitutional provision to encourage public participation in public utilities, the grantee shall offer to Filipino citizens at least thirty percent (30%) of its outstanding capital stock or a higher percentage that may hereafter be provided by law in any securities exchange in the Philippines within five (5) years from the commencement of its operations: *Provided*, That in cases where public offer of shares is not applicable, establishment of cooperatives and other methods of encouraging public participation by citizens and corporations operating public utilities must be implemented. Non-compliance therewith shall render the franchise *ipso facto* revoked.

SEC. 16. *Reportorial Requirement*. – The grantee shall submit an annual report to the Congress of the Philippines, through the Committee on Legislative Franchises of the House of Representatives and the Committee on Public Services of the Senate, on its compliance with the terms and conditions of the franchise and on its operations on or before April 30 of the succeeding year.

SEC. 17. *Penalty Clause*. – Any grantee who fails to submit the requisite Annual Report to Congress shall be fined Five Hundred Pesos (P500.00) per working day of non-compliance. The fine shall be collected by the ERC from said delinquent franchise grantee separate from the reportorial penalties imposed by ERC. All proceeds from said fines or penalties shall accrue to the monitoring fund of the ERC in line with its supervisory and regulatory functions. The reportorial compliance certificate issued by Congress shall be required before any application for permit or certificate is accepted by ERC.

SEC. 18. *Equality Clause*. – Any advantage, favor, privilege, exemption, or immunity granted under existing franchise, or which may hereafter be granted, upon prior review and approval of Congress, shall become part of this franchise and shall be accorded immediately and unconditionally to the herein grantee: *Provided, however*, That the foregoing shall neither apply to nor affect provisions concerning territory covered by the franchise, the life span of the franchise or the type of service authorized by the franchise. *Provided, further*, That the

1 foregoing shall not apply to the sale, lease, transfer, grant of usufruct or assignment of
2 legislative franchises with prior congressional approval.

3
4 SEC.19. *Applicability Clause.* – The grantee shall comply with and be subject to the
5 provisions of Commonwealth Act No. 146, as amended, otherwise known as the 'Public Service
6 Act' and Republic Act No. 9136, otherwise known as the 'Electric Power Industry Reform Act of
7 2001.

8
9 SEC. 20. *Separability Clause.* – If any of the sections or provisions of this Act is held
10 invalid, all other provisions not affected thereby shall remain valid.

11 SEC. 21. *Repealability and Non-exclusivity Clause.* – This franchise shall be subject to
12 amendment, alteration, or repeal by the Congress of the Philippines when the public interest so
13 requires and shall not be interpreted as an exclusive grant of the privileges herein provided for.

14 SEC. 22. *Publication* - This Act shall be published, through the initiative of the grantee,
15 fifteen(15) days after this Act is signed by the President of the Philippines or has lapsed into
16 law.

17
18 SEC. 23 *Effectivity Clause.* – This Act shall take effect fifteen (15) days from the date of
19 its publication in at least two (2) newspapers of general circulation in the Philippines.

20 Approved,