

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

Sixteenth Congress
First Regular Session

HOUSE BILL NO.: **4533**



Introduced by: **REP. HARLIN CAST. ABAYON**
1st District, Northern Samar

EXPLANATORY NOTE

This bill seeks to provide for the restructuring of loan obligation and condonation of interests and surcharges due as well as other interest that may accrue on the principal loan secured by Northern Samar Electric Cooperative, Inc. (NORSAMELCO) payable to the Power Sector Assets and Liabilities Management Corporation (PSALM).

In 2003, NORSAMELCO incurred accounts payable due for its power bills in the amount of twelve million five hundred twenty-seven thousand five hundred thirty-five pesos (P12,527,535.00).

For the past eleven (11) years, NORSAMELCO has not been able to pay in full its yearly power bills. So, its outstanding balance as of December 2013 with PSALM ballooned to six hundred sixty-seven million three hundred seventy thousand three hundred ninety-six pesos (P 667,370,396.00).

NORSAMELCO was continuously paying its payables but insufficient to cover the indebtedness in full.

Its payments that were initially applied for interests and surcharges since 2003 amounting to one hundred sixty-five million nine hundred four thousand seventy-eight pesos (P165,904,078.00) shall now be applied to the outstanding balance of six hundred sixty-seven million three hundred seventy thousand three hundred ninety-six pesos (P 667,370,396.00). Thus, reduces the indebtedness and left a remaining balance of five hundred one

million four hundred sixty-six thousand three hundred eighteen pesos (P 501,466,318.00).

NORSAMELCO is heavily burdened by its loan transactions with the PSALM thus constantly impeding its mandate to render efficient service and regular supply of electricity to Nortehanons.

As shown above, PSALM should be considerate by applying leniency to NORSAMELCO in its loan obligation by restructuring the loan and condoning the interests and surcharges due as well as other interest that may accrue therefrom.

Henceforth, the remaining balance of five hundred one million four hundred sixty-six thousand three hundred eighteen pesos (P 501,466,318.00) shall be paid free of interest in twenty (20) years with monthly amortization of two million three hundred twenty-one thousand six hundred three pesos (P2,321,603.00) or equivalent to yearly payment of twenty-seven million eight hundred fifty-nine two hundred forty pesos (P27,859,240.00) with two (2) years grace period. All interests and surcharges due and payable as well as other interests that may accrue therefrom shall be condoned.

Further, it is to be noted that through electric cooperatives total electrification of the country is being pursued by enhancing distribution development. It is therefore imperative to restructure ailing electric cooperatives with the view of making them economically and financially viable.

In view of the foregoing, the immediate passage of this bill is imperative.


HARLIN CAST. ABAYON

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**AN ACT PROVIDING FOR THE
RESTRUCTURING OF LOAN OBLIGATION AND CONDONATION OF
INTEREST AND SURCHARGES DUE AS WELL AS OTHER INTEREST
THAT MAY ACCRUE ON THE PRINCIPAL LOAN SECURED BY
NORTHERN SAMAR ELECTRIC COOPERATIVE, INC. (NORSAMELCO)
PAYABLE TO THE POWER SECTOR ASSETS AND LIABILITIES
MANAGEMENT CORPORATION (PSALM)**

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

Section 1. Title. This Act shall be known as the Northern Samar Electric Cooperative (NORSAMELCO) Loan Restructuring and Condonation Act. It shall hereinafter referred to as the Act.

Section 2. Declaration of Policy. It is hereby declared the policy of the State to promote sustainable development in the rural areas through rural electrification; empower and strengthen the NEA to pursue the electrification program and bring electricity, through the electric cooperatives as its implementing arm, to the countryside even in missionary or economically unviable areas; and empower and enable electric cooperatives to cope with the changes brought about by the restructuring of the electric power industry pursuant to Republic Act No. 9136, otherwise known as the "Electric Power Industry Reform Act of 2001."

Section 3. *Definition of Terms.* As used in this Act:

- a. Accumulated – means gathered or collected together in an increasing quantity;
- b. Accrued – means gain, addition or increment;
- c. Condonation – refers to the relief granted by law in the payment of unpaid interest and surcharges;
- d. Loan restructuring – refers to the process where the principal terms and conditions of the original loan are modified in accordance with an agreement setting forth the new schedule of payment;
- e. NORSAMELCO – refers to Northern Samar Electric Cooperative, Inc;
- f. Power bill – refers to the statement of account indicating the products, quantities and prices for the products and/or prices provided by the seller to the buyer;
- g. PSALM – refers to the power supplier Power Sector Assets and Liabilities Management Corporation

Section 4. *Condonation of Interests and Surcharges.* The interests and surcharges due as well as other interests that may accrue on the principal loan secured by Northern Samar Electric Cooperative, Inc. (NORSAMELCO) payable to Power Sector Assets and Liabilities Management Corporation (PSALM) incurred from 2003, in whatever accumulated amount or sum of interest and surcharges as there may be is hereby condoned, thereby perpetually relieving NORSAMELCO from payment thereof.

The amount paid in the sum of one hundred sixty-five million nine hundred four thousand seventy-eight pesos (P165,904,078.00), which was applied in payment of interests and surcharges, shall be applied to, and deducted from the outstanding balance of six hundred sixty-seven million three hundred seventy thousand three hundred ninety-six pesos (P 667,370,396.00) instead.

Section 5. *Restructuring of loan.* The principal terms and conditions of the remaining balance of the loan in the sum of five hundred one million four hundred sixty-six thousand three

hundred eighteen pesos (P 501,466,318.00) are hereby modified and restructured.

The loan shall be paid free of interest in twenty (20) years with monthly amortization of two million three hundred twenty-one thousand six hundred three pesos (P2,321,603.00) or equivalent to yearly payment of twenty-seven million eight hundred fifty-nine two hundred forty pesos (P27,859,240.00) with two (2) years grace period.

During the said grace period, NORSAMELCO shall pay its current power bill to PSALM. On the third year, which shall be the commencement of loan payments, the current power bill shall be in addition to the monthly amortization of two million three hundred twenty-one thousand six hundred three pesos (P2,321,603.00).

Section 6. Effectivity. This Act shall take effect fifteen (15) days after its publication in at least two (2) newspapers of general circulation.

Approved.