

Sixteenth Congress of the Republic)
Of the Philippines)
Second Regular Session



HOUSE OF REPRESENTATIVES

H. NO. **5776**

Introduced by: REP. JOSELLER "YENG" M. GUIAO

EXPLANATORY NOTE

This bill seeks to restructure the loan obligation and condone all interest due on the principal loan secured by Pampanga II Electric Cooperative, Inc. (PELCO II) payable to the Power Sector Assets and Liabilities Management Corporation (PSALM).

In 2003, PELCO II's accounts payable due for its power bills was in the amount of one hundred eleven million five hundred eighthousand eight hundred fifty six pesos and ninety four cents (P111,508,856.94).

For more than eight(8) years until September 2010, PELCO II was unable to pay in full its yearly power bills. As a result, its outstanding balance as of September 2010 with the National Power Corporation (NPC), including interests, ballooned to one billion four hundred thirty one million nine hundred forty six thousand nine hundred twenty seven pesos and thirty seven cents (P 1,431,946,927.37).

The outstanding balance with NPC was restructured with PSALM starting in October 2010.

For the past four (4) years, PELCO II has been continuously paying its payables to PSALM. However, the indebtedness remain onerous at one billion one hundred forty six million one hundred eighty five thousand one hundred sixty three pesos and fifty seven cents (P 1,146,185,163.57), which included interests added to the balance amounting to three hundred thirteen million seven hundred eighty thousand one hundred seventy nine pesos and fifty cents (P 313,780,175.50).

If we total the interest payments to PSALM since October 2010 amounting to one hundred fifteen million nine hundred seventy two thousand five hundred sixty nine pesos and eighty six cents (P115,972,569.86), plus the interests added to the balance amounting to three hundred thirteen million seven hundred eighty thousand one hundred seventy nine pesos and fifty cents (P 313,780,175.50) then apply it to the outstanding balance of one billion one hundred forty six million one hundred eighty five thousand one hundred sixty three pesos and fifty seven cents (P 1,146,185,163.57), we can reduce the indebtedness to a remaining balance of seven hundred sixteen million four hundred thirty two thousand four hundred eighteen pesos and twenty one cents (P 716,432,418.21).

PELCO II 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 Pampangueños.

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

Henceforth, the remaining balance of seven hundred sixteen million four hundred thirty two thousand four hundred eighteen pesos and twenty one cents (P 716,432,418.21) is proposed to be paid free of interest within twenty (20) years with monthly amortization of two million nine hundred eighty five thousand one hundred thirty five pesos and eight cents (P2,985,135.08) or equivalent to yearly payment of thirty five million eight hundred twenty one thousand six hundred twenty pesos and ninety one cents (P 35,821,620.91). All interests due and payable as well as other interests that may accrue therefrom shall be condoned.

Allowing the current situation to persist will severely hamper the operations of PELCO II and will lead to the eventual increase in electricity rates that will be shouldered by its customers. Consequently, the high cost of power in the province will be deter business growth in the area.

Further, it is to be noted that it is through electric cooperatives that total electrification of the country is made possible by enhancing distribution development. It is therefore imperative to restructure the indebtedness of 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 earnestly sought.



JOSELLER "YENG" M. GUIAO
Representative
1ST District, Pampanga

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H. NO. **5776**

Introduced by: REP. JOSELLER "YENG" M. GUIAO

AN ACT PROVIDING FOR THE RESTRUCTURING OF LOAN OBLIGATION AND
CONDONATION OF ALL INTEREST DUE ON THE PRINCIPAL LOAN SECURED
BY PAMPANGA II ELECTRIC COOPERATIVE, INC. (PELCO II) 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 Pampanga II Electric Cooperative, Inc. (PELCO II) Loan Restructuring and Condonation Act. It shall hereinafter be 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 National Electrification Agency (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. PELCO II - refers to Pampanga II Electric Cooperative, Inc.;
- f. Power bill - refers to the statement of account indicating the products, quantities and prices for the products and/or price provided by the seller to the buyer;
- g. PSALM - refers to the Power Sector Assets and Liabilities Management Corporation
- h. NPC - refers to the power supplier National Power Corporation

Section 4. *Condonation of Interests.* The interests due as well as other interests that may accrue on the principal loan secured by Pampanga II Electric Cooperative, Inc. (PELCO II) payable to Power Sector Assets and Liabilities Management Corporation (PSALM) incurred from October 2010, in whatever accumulated amount or sum of interests as there may be is hereby condoned, thereby perpetually relieving PELCO II from payment thereof.

The interest amount paid in the sum of one hundred fifteen million nine hundred seventy two thousand five hundred sixty nine pesos and eighty six cents (P 115,972,569.86) and the amount of interests added to the balance in the sum of three hundred thirteen million seven hundred eighty thousand one hundred seventy nine pesos and fifty cents (P 313,780,175.50), shall instead be applied to, and deducted from the outstanding balance of one billion one hundred forty six million one hundred eighty five thousand one hundred sixty three pesos and fifty seven cents (P 1,146,185,163.57).

Section 5. *Restructuring of loan.* The principal terms and conditions of the remaining balance of the loan in the sum of seven hundred sixteen million four hundred thirty two thousand four hundred eighteen pesos and twenty one cents (P 716,432,418.21) are hereby modified and restructured.

The loan shall be paid free of interest within a period of twenty (20) years with a monthly amortization of two million nine hundred eighty five thousand one hundred thirty five pesos and eight cents (P 2,985,135.08) or equivalent to a yearly payment of thirty five million eight hundred twenty one thousand six hundred twenty pesos and ninety one cents (P 35,821,620.91).

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

Approved.