

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

SEVENTEENTH CONGRESS
First Regular Session

HOUSE BILL NO. 5684



Introduced by: Rep. Salvio B. Fortuno

EXPLANATORY NOTE

This bill seeks to grant the Iriga Electric Company, Inc., a corporation duly organized and existing under the laws of the Republic of the Philippines, a franchise to establish, operate, lease, own, manage and maintain for commercial purposes and in the public interest, distribution system for the conveyance of electric power to the end-users anywhere in the City of Iriga and the six towns comprising the Fifth Congressional District of Camarines Sur (Rinconada District for brevity).

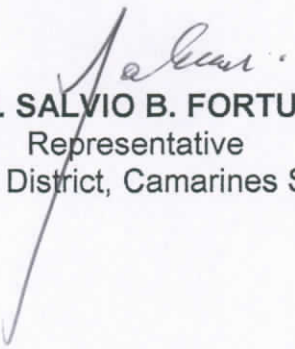
Electricity is one of the greatest wonders ever invented that we cannot even dream of living in the absence of electricity in this modern era. There is no walk of life in which it is not used these days from time we wake up each day up to the time we sleep and wake up again another day. Anything we need is practically functioning with the use of electricity. The grave importance of electricity becomes noticeable in the Rinconada District where rotating brownouts occur frequently, where the major cause is near bankruptcy of the Camarines Sur III Electric Cooperative.

The economic growth and development of the Rinconada District depend on the stability of power supply as no investor will ever infuse the much needed capital without steady supply of electricity. Whatever economic growth Rinconada District has achieved for the past years will be stunted or even pushed back if the consumers and the business sector will not be given free choice where to get steady and dependable source of electricity.

The Iriga Electric Company, Inc. aims to set up modern, dependable and efficient power distribution system that will provide the residences, business establishments and educational institutions with alternative source of energy supplier in the spirit of free trade competition that will pose a challenge to existing electricity supplier to make the services efficient for the benefit of the consumers. This will also attract the infusion of capital that

will generate more job opportunities and will further propel the growth and development of the Rinconada District.

The foregoing reasons warrant the approval of this bill.


HON. SALVIO B. FORTUNO
Representative
Fifth District, Camarines Sur

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Introduced by: Rep. Salvio B. Fortuno

AN ACT

GRANTING THE IRIGA ELECTRIC COMPANY, INC., A FRANCHISE TO CONSTRUCT, INSTALL, ESTABLISH, OPERATE, OWN, MANAGE AND MAINTAIN A DISTRIBUTION SYSTEM FOR THE CONVEYANCE OF ELECTRIC POWER TO THE END-USERS IN THE ENTIRE FIFTH CONGRESSIONAL DISTRICT OF CAMARINES SUR.

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

SECTION 1. Nature and Scope of Franchise. – Subject to the provisions of the 1987 Philippine Constitution and applicable laws, rules and regulations, there is hereby granted to the Iriga Electric Company, Inc., hereunder referred to as the grantee, its successors or assigns, a franchise to construct, install, establish, operate and maintain for commercial purposes and in the public interest, a distribution system for the conveyance of electric power to the end-users in the entire 5th Congressional District of Camarines Sur.

As used in this Act, distribution system refers to the system 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.

SECTION 2. Manner of Operation of Facilities.—All electric distribution facilities, lines and systems for electric services owned, maintained, operated or managed by the grantee, its successors or assigns, shall be operated and maintained at all times in a superior manner, and it shall be the duty of the grantee, its successors or assigns, whenever required to do so by the Energy Regulatory Commission, hereinafter referred to as the ERC, or its legal successor, or the Department of Energy, hereinafter referred to as DOE, or its legal successor, or any other government agency concerned, to modify, improve and change such facilities or systems in such a manner and to such extent as the

progress in science and improvements in the electric power services may render reasonable and proper.

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

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

SECTION 4. *Excavation and Restoration Works.* —For the purpose of erecting and maintaining poles, pipes and other supports for said wires or other conductors for the purpose of laying and maintaining said facilities, wires, cables, pipes or other conductors, it shall be lawful for the grantee, its successors or assigns, with the prior approval of the Department of Public Works and Highways (DPWH) or the local government unit concerned, as may be appropriate, to make excavations or lay conduits in any of the public places, highways, roads, streets, lanes, alleys, avenues, sidewalks or bridge of said city and/or municipalities: *Provided, however,* That a public place, highway, road, street, lane, alley, avenue, sidewalk or bridge disturbed, altered or changed by reason of erection of poles or other supports or the underground laying of wires, other conductors or conduits, shall be repaired and replaced in workman like manner at the expense of the grantee, its successors or assigns, in accordance with the standards set by DPWH or the LGU concerned. Should the grantee, its successors or assigns, after the ten (10)-day notice from the said authority, fail, refuse or neglect to repair or replace any part of public place, highway, road, street, lane, alley, avenue, sidewalk or bridge disturbed, altered or changed by the said grantee, its successors or assigns, then the DPWH or the LGU concerned shall have the right to have the same repaired and placed in good order and condition at double expense to be charged against the grantee, its successors or assigns.

SECTION 5. *Responsibility to the Public.* — The grantee shall supply electricity to its captive market in the least costly manner. In the interest of the public good and as far as feasible and whenever required by the ERC, the grantee shall modify, improve or change its facilities, poles, lines systems and equipment for the purpose of providing efficient and reliable service and reduced electricity costs. The grantee shall charge reasonable and just power rates for its services to all types of consumers within its franchised areas in order that business and industries shall be able to compete.

The grantee shall have the obligation to provide and non-discriminatory access to its distribution system and services for any end-user within its franchise area consistent with republic Act No. 9136, otherwise known as "Electric Power Industry Reform Act of

2001". The grantee shall not engage in any activity that will constitute an abuse of market power such as, but not limited to, unfair trade practices, monopolistic schemes and any other activities that will hinder competitiveness of business and industries.

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

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

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

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

SECTION 9. *Right of Eminent Domain.* – Subject to the limitations and procedures prescribed by law, the grantee is authorized to exercise the right of eminent domain insofar as it may be reasonably necessary for the efficient maintenance and operation of services. The grantee 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. The grantee may acquire private property as is actually necessary for the realization of the purposes for which this franchise is granted: *Provided*, That proper condemnation proceedings shall have been instituted and just compensation paid.

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

SECTION 11. *Acceptance and Compliance.*– Acceptance of this franchise shall be given in writing 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 within sixty (60) days from the effectivity of this Act. Upon giving such acceptance, the grantee shall exercise the privileges granted under this Act. Non-acceptance shall render the franchise void.

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

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

SECTION 14. *Sale, Lease, Transfer, Usufruct, Etc.* – The grantee shall not sell, lease, transfer, grant the usufruct of, or assign this franchise or the rights and privileges acquired thereunder to any person, firm, company, corporation or other commercial or legal entity, or merge with any other corporation or entity, or shall transfer the controlling interest of the grantee, whether as a whole or in parts and whether simultaneously or contemporaneously, to any such person, firm, company, corporation or entity without the prior approval of the Congress of the 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.

SECTION 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 percentum (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.

SECTION 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.

SECTION 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.

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

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

SECTION 20. *Separability Clause.*— If any of the sections or provisions of this Act is held invalid, all other provisions not affected thereby shall remain valid.

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

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

SECTION 23. *Effectivity Clause.*— This Act shall take effect fifteen (15) days after its publication in the Official Gazette or in a newspaper of general circulation.

Approved,