

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

SEVENTEENTH CONGRESS

Second Regular Session

HOUSE BILL NO. **6023**



INTRODUCED BY REPRESENTATIVE XAVIER JESUS D. ROMUALDO

EXPLANATORY NOTE

In 1921, Esteban de la Rama was granted a 50-year franchise to install, operate, and maintain an electric light, heat, and power system in the municipalities of Iloilo, La Paz, Jaro, and Arevalo, Province of Iloilo, under Act No. 2983. That same year, Mr. de la Rama and several others formed and incorporated the Panay Electric Company, Inc. (PECO).

In 1922, the Philippine Legislature passed Act No. 3035 authorizing Mr. de la Rama to transfer his franchise over La Paz, Jaro, and Arevalo to the PECO. In 1929, Act No. 3665, amending Act No. 2983 by transferring to the PECO the franchise to construct, maintain, and operate an electric light, heat, and power system in Iloilo, La Paz, Jaro, Arevalo and adding the municipalities of Santa Barbara and Pavia thereto, was enacted.

In 1968, the Congress, through Republic Act (RA) No. 5360, repealed Act No. 2983 and Act No. 3665, and granted the PECO a new 25-year franchise to construct, maintain, and operate an electric light, heat, and power system in the City of Iloilo, Santa Barbara, and Pavia. During Martial Law, service over Santa Barbara and Pavia were turned over to the Iloilo I Electric Cooperative, Inc. while the PECO continued to provide service to the City of Iloilo.

Prior to the expiration of its franchise under RA No. 5360, the PECO filed before the National Electrification Commission (NEC) an application for extension. In a Decision, dated 19 January 1994, the NEC extended for another 25 years the PECO's franchise to establish, operate, and maintain an electric light, heat, and power system in the City of Iloilo. Thus, PECO's franchise will now expire in 2019.

Considering that the PECO has made appropriate use of its franchise, complied with the provisions thereof, invested significantly in its distribution facilities and equipment, and intends to continue its operations, it is apt for the Congress to renew and update the PECO's franchise to establish, operate, and maintain a distribution system for the conveyance of electric power to end users in the City of Iloilo.

The support of the Members of Congress for the prompt and timely passage of this measure is earnestly sought.

A handwritten signature in black ink, consisting of a stylized 'X' followed by a series of loops and a final flourish.

XAVIER JESUS D. ROMUALDO

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AN ACT

RENEWING THE FRANCHISE OF THE PANAY ELECTRIC COMPANY, INC. GRANTED UNDER REPUBLIC ACT NO. 5360 AND EXTENDED BY THE NATIONAL ELECTRIFICATION COMMISSION TO ESTABLISH, OPERATE, AND MAINTAIN A DISTRIBUTION SYSTEM FOR THE CONVEYANCE OF ELECTRIC POWER TO END USERS IN THE CITY OF ILOILO

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

1 SECTION 1. *Nature and Scope of the Franchise.* – Subject to the provisions of the
2 Constitution and applicable laws, rules, and regulations, there is hereby granted anew
3 to the Panay Electric Company, Inc., hereinafter referred to as the Grantee, its
4 successors or assigns, a franchise to establish, operate, and maintain, for commercial
5 purposes and in the public interest, a distribution system for the conveyance of electric
6 power to end users in the City of Iloilo.

7 SEC. 2. *Manner of Operation of Facilities.* – All electric distribution facilities, lines, and
8 systems for electric services owned, maintained, or operated by the Grantee shall be
9 operated and maintained at all times in the best manner. It shall be the duty of the
10 Grantee, whenever required to do so by the Energy Regulatory Commission (ERC) or
11 its legal successor, Department of Energy or its legal successor, or any other
12 government agency concerned, to modify, improve, and change such facilities or
13 systems in such a manner and to such extent as the progress in science and
14 improvements in the electric power service industry may render reasonable and proper.

1 Whenever practicable and for purposes of maintaining order, safety, and aesthetics
2 along highways, roads, streets, alleys, or easements, the Grantee may allow the use of
3 its poles, facilities, or easements by interested parties upon reasonable compensation.
4 The ERC shall resolve disputes or disagreements between the parties concerned.

5 SEC. 3. *Certificate of Public Convenience and Necessity*. – The Grantee shall secure
6 from the ERC, or any other government agency which has jurisdiction over the
7 operations of the Grantee, the necessary certificate of public convenience and necessity
8 and other appropriate permits and licenses for the construction and operation of its
9 electric distribution system.

10 SEC. 4. *Excavation and Restoration Works*. – For the purpose of erecting and
11 maintaining poles and other supports for wires or other conductors, the Grantee is
12 authorized to make excavations or lay conduits in any of the public places, roads,
13 highways, streets, lanes, alleys, avenues, sidewalks, or bridges of the City of Iloilo,
14 subject to prior approval of the Department of Public Works and Highways (DPWH) or
15 the City Government of Iloilo (CGI); *Provided, however*, That any public place, road,
16 highway, street, lane, alley, avenue, sidewalk, or bridge disturbed, altered, or changed
17 by reason of the erection of poles or other supports or the underground laying of wires,
18 other conductors or conduits, shall be repaired or replaced in workmanlike manner at
19 the expense of the Grantee in accordance with the standards set by the DPWH or the
20 CGI. Should the Grantee after the 10-day notice from the DPWH or the CGI, fail to
21 repair or replace any part of public place, road, highway, street, lane, alley, avenue,
22 sidewalk, or bridge disturbed, altered, or changed, the DPWH or the CGI shall have the
23 right to have the same repaired or replaced in good order and condition and charge the
24 Grantee twice the amount of the costs and expenses for such repair or replacement.

25 SEC. 5. *Power of Eminent Domain*. – Subject to the limitations and procedures
26 prescribed by law, the Grantee is authorized to exercise the power of eminent domain
27 insofar as it may be reasonably necessary for the efficient maintenance and operation
28 of its services. The Grantee is authorized to install and maintain its poles, wires, and
29 other facilities over and across public property, including streets, highways, forest

1 reserves, and other similar property of the Government of the Philippines, its branches,
2 or any of its instrumentalities. The Grantee may acquire such private property as is
3 actually necessary for the realization of the purposes for which this franchise is granted;
4 *Provided*, That proper expropriation proceedings shall have been instituted and just
5 compensation paid.

6 SEC. 6. *Responsibility to the Public.* – The Grantee shall supply electricity in its
7 franchise area in the least costly manner. In the interest of the public good and as far as
8 feasible and whenever required by the ERC, the Grantee shall modify, improve, or
9 change its facilities, poles, lines, systems, and equipment for the purpose of providing
10 efficient and reliable service and reduced electricity costs. The Grantee shall charge
11 reasonable and just power rates for its services to all types of end users within its
12 franchise area.

13 The Grantee shall provide open and non-discriminatory access to its distribution system
14 and services to any end user within its franchise area consistent with Republic Act (RA)
15 No. 9136, otherwise known as the *Electric Power Industry Reform Act of 2001*. The
16 Grantee shall not engage in any activity that will constitute an abuse of market power
17 such as unfair trade practices, monopolistic schemes, and any other activities that will
18 hinder competitiveness in its industry.

19 SEC. 7. *Service Rates.* – The retail rates and charges for the distribution of electric
20 power by the Grantee to end users shall be regulated by and subject to the approval of
21 the ERC or its legal successor.

22 The Grantee shall identify and itemize in the electricity bills it issues to end users the
23 components of its retail rate pursuant to RA No. 9136. The rates charged by the
24 Grantee to end users shall be made public and transparent. The Grantee shall
25 implement the lifeline rate to marginalized end users, as mandated by RA No. 9136.

26 SEC. 8. *Customer Complaints.* – The Grantee shall establish and maintain a customer
27 desk that will handle complaints from end users and ensure adequate protection of their
28 interests. The Grantee shall act with dispatch on all such complaints brought before it.

1 SEC. 9. *Right of the Government during Emergencies.* – A special right is hereby
2 reserved to the President of the Philippines, in times of war, rebellion, public peril,
3 disturbance of peace and order, calamity, disaster, or emergency to temporarily take
4 over and operate the distribution system of the Grantee, to temporarily suspend its
5 operations, or authorize the temporary use and operation thereof by any agency of the
6 government, with the payment of due compensation for the use of said distribution
7 system during the period when this shall be so used.

8 SEC. 10. *Term of the Franchise.* – This franchise shall be valid and operative for a
9 period of 25 years from the effectivity of this Act, unless sooner revoked or cancelled.
10 This franchise shall be deemed revoked in the event that the Grantee fails to operate
11 continuously for two years.

12 SEC. 11. *Sale, Lease, Transfer, Grant of Usufruct, or Assignment of the Franchise.* –
13 The Grantee shall not sell, lease, transfer, grant the usufruct of, nor assign this
14 franchise or the rights and privileges acquired thereunder to any person, firm, company,
15 corporation, or other commercial or legal entity, nor merge with any other corporation or
16 entity, nor shall transfer the controlling interest of the Grantee, whether as a whole or in
17 parts, and whether simultaneously or contemporaneously, to any such person, firm,
18 company, corporation or entity, without the prior approval of the Congress of the
19 Philippines. Any person or entity to which this franchise is sold, transferred, or assigned,
20 shall be subject to the same conditions, terms, restrictions, and limitations of this
21 franchise. The sale, lease, transfer, grant of the usufruct, or assignment of this franchise
22 or the merger of the Grantee with another entity or the transfer of its controlling interest
23 without the prior approval of the Congress shall render the transaction null and void and
24 shall be a ground for the revocation of this franchise.

25 SEC. 12. *Warranty in Favor of the National Government and Local Governments.* – The
26 Grantee shall hold the national, provincial, city, municipal, and barangay governments
27 of the Philippines free from all claims, liabilities, demands, or actions arising out of
28 accidents that cause injury to persons and damage to properties, during the
29 construction, installation, operation, and maintenance of its distribution system.

1 SEC. 13. *Liability for Damages.* – The Grantee shall be liable for any injury to persons
2 and damage to property arising from or caused by reason of any defective construction
3 under this franchise or of any neglect or omission to keep its poles and wires in safe
4 condition.

5 SEC. 14. *Annual Report to the Congress.* – The Grantee shall submit an annual report
6 to the Congress of the Philippines, through the Committee on Legislative Franchises of
7 the House of Representatives and the Committee of Public Services of the Senate, on
8 its compliance with the terms and conditions of the franchise and on its operations on or
9 before the thirtieth of April of every year. Such report shall include an update on the
10 development or expansion of the Grantee's business, the Grantee's audited financial
11 statements, as certified by the Securities and Exchange Commission, and the Grantee's
12 latest general information sheet.

13 Reportorial compliance certifications issued by the House of Representatives and the
14 Senate shall be required before any application or petition by the Grantee is accepted
15 by the ERC.

16 SEC. 15. *Fine.* – The Grantee shall be penalized with a fine of P500.00 for every day
17 that it shall fail to submit its annual report to the Congress of the Philippines. Such fine
18 shall be collected by the ERC, which shall be separate and distinct from the penalties it
19 imposes for non-compliance with its reportorial requirements.

20 SEC. 16. *Compliance with Existing Laws.* – The Grantee shall comply with and be
21 subject to the provisions of Commonwealth Act No. 146, otherwise known as the *Public*
22 *Service Act*, as amended, and RA No. 9136.

23 SEC. 17. *Repealability and Non-Exclusivity.* – This franchise shall be subject to
24 amendment, alteration, or repeal by the Congress of the Philippines when the public
25 interest so requires and shall not be interpreted as an exclusive grant of the privileges
26 provided herein.

1 SEC. 18. *Separability Clause*. – If any of provision of this franchise is declared invalid or
2 unconstitutional, the other provisions not affected thereby shall remain in full force and
3 effect.

4 SEC. 19. *Repealing Clause*. – All laws, decrees, executive orders and issuances, rules
5 and regulations, and other issuances, or parts thereof, that are inconsistent with the
6 provisions of this Act are hereby repealed or modified accordingly.

7 SEC. 20. *Effectivity Clause*. – This Act shall take effect 15 days after its publication in
8 the Official Gazette or in a newspaper of general circulation.

9 Approved,