

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

SEVENTEENTH CONGRESS
Third Regular Session

HOUSE BILL NO. 8327



Introduced by **HON. LUIS RAYMUND "LRAY" F. VILLAFUERTE, JR.**

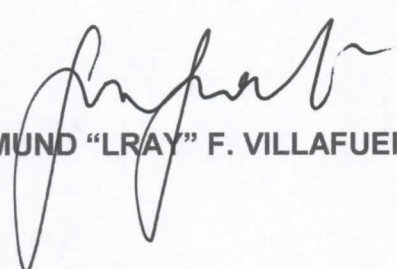
EXPLANATORY NOTE

This bill aims to solve the country's energy woes by allocating the Malampaya Fund, from the Malampaya Natural Gas Project, to help minimize the universal charges for stranded contract costs and reduce electricity rates. The Malampaya Fund was intended to finance energy resource development and exploitation programs, pursuant to Presidential Decree No. 87, or the "Oil Exploration and Development Act of 1972". The National Power Corporation (NPC) has since accrued debts and contract costs in its management of energy distribution utilities. This was transferred to and assumed by the Power Sector Assets and Liabilities Management Corporation (PSALM), which assumed the National Power Corporation's (NPC) obligations per Republic Act No. 9136, or the "Electric Power Industry Reform Act of 2001".

The bill proposes the use of the Net National Government Fund from the Malampaya fund as payment for unpaid obligations of Stranded Contract Costs and Stranded Debts of the NPC. The payment of the stranded debts, which are essentially unpaid financial obligations by the NPC, is expected to help lower current electricity rates as liabilities are lessened. Once fully paid, the Net National Government Share shall accrue back to the Special Fund and be expended again for its intended original use.

Throughout the course, the PSALM is expected to submit reports such as annual projected and actual cash flow statements and shall regularly coordinate with the Department of Energy, Department of Finance, and Department of Budget and Management for transparency.

The approval of this bill is earnestly sought.


LUIS RAYMUND "LRAY" F. VILLAFUERTE, JR.

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SEVENTEENTH CONGRESS
Second Regular Session

HOUSE BILL NO. **8327**

Introduced by HON. LUIS RAYMUND "LRAY" F. VILLAFUERTE, JR.

AN ACT

REDUCING ELECTRICITY RATES BY ALLOCATING THE NET NATIONAL
GOVERNMENT SHARE FROM THE MALAMPAYA NATURAL GAS PROJECT
FOR THE PAYMENT OF THE STRANDED CONTRACT COSTS AND STRANDED
DEBTS OF THE NATIONAL POWER CORPORATION

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

SECTION 1. *Short Title.* – This Act shall be known as the "Murang Kuryente Act".

SECTION 2. *Declaration of Policy.* – It is hereby declared the policy of the State to protect public interest by ensuring the provision of reliable, secure, and affordable supply of electric power to consumers. Towards this end, the State shall implement policies and programs to ensure transparent and reasonable prices of electricity to consumers by minimizing the universal charges for stranded contract costs and stranded debts.

SECTION 3. *Definition of Terms.* – For purposes of this Act, the following terms shall be defined as stated below:

- a. Energy Regulatory Board (ERB) – refers to the independent, quasi-judicial regulatory body created under Executive Order No. 172, "Creating the Energy Regulatory Board";

- b. Energy Regulatory Commission (ERC) – refers to the independent quasi-judicial body created under Republic Act No. 9136 otherwise known as the “Electric Power Industry Reform Act of 2001”;
- c. Department of Budget and Management (DBM) – refers to the government agency created pursuant to Title XVII, Chapter 1, Section 3 of Executive Order No. 292 or the “Administrative Code of 1987”;
- d. Department of Finance (DOF) – refers to the government agency created pursuant to Title II, Chapter 1, Section 1 of Executive Order No. 292 or the “Administrative Code of 1987”;
- e. Department of Energy (DOE) – refers to the government agency created pursuant to Republic Act No. 7638 or the “Department of Energy Act of 1992”, and whose functions were expanded by Republic Act No. 9136 or the “Electric Power Industry Reform Act of 2001”;
- f. Joint Congressional Power Commission (JCPC) – refers to the congressional commission constituted under Section 62 of Republic Act No. 9136 or the “Electric Power Industry Reform Act of 2001”;
- g. Malampaya Fund – refers to the existing and future net government share from the net production proceeds of the Malampaya Natural Gas Project pursuant to Presidential Decree No. 87 or the “Oil Exploration and Development Act of 1972” and Service Contract 38. This government share forms part of a Special Fund used to finance energy resource development and exploitation programs pursuant to Presidential Decree No. 910, “Creating an Energy Development Board, Defining Its Powers and Functions, Providing Funds, Therefor, and For Other Purposes”;
- h. Malampaya Natural Gas Project – refers to Service Contract 38 in offshore Northwest Palawan;
- i. National Power Corporation (NPC) – refers to the government corporation created under Republic Act No. 6395 otherwise known as “An Act Revising the Charter of the National Power Corporation”, as amended, and whose additional mandate is further set in Republic Act No. 9136, otherwise known as the “Electric Power Industry Reform Act of 2001”;
- j. Net Government Share – refers to the sixty percent (60%) share of the national government from the net production proceeds of Service Contract 38 pursuant to Presidential Decree No. 87 or the “Oil Exploration and

Development Act of 1972” after the deductions provided by Presidential Decree No. 910, “Creating an Energy Development Board, Defining Its Powers and Functions, Providing Funds, Therefor, and For Other Purposes”;

- k. Net National Government Share – refers to the share of the national government from the net government share after the deduction from the net government share of the local government share pursuant to Section 290 of Republic Act No. 7160 otherwise known as the “Local Government Code of 1991”;
- l. Power Sector Assets and Liabilities Management Corporation (PSALM) – refers to the government corporation created pursuant to Section 49 of Republic Act No. 9136, otherwise known as the “Electric Power Industry Reform Act of 2001” which assumed all of NPC’s obligations and stranded contract costs;
- m. Stranded Contract Costs of NPC or Distribution Utility – refer to the excess of the contracted cost of electricity under eligible independent power producer contracts over the actual selling price of the contracted energy output of such contracts in the market. Such contract shall have been approved by the ERB as of December 31, 2000; and
- n. Stranded Debts of NPC – refer to any unpaid financial obligations of the NPC which have not been liquidated by the proceeds from the sales and privatization of NPC assets.

SECTION 4. *Use of Malampaya Fund for Payment of Stranded Contract Costs and Stranded Debt.*

– All proceeds of the Net National Government Share from the Malampaya Fund shall be allocated solely for the payment of Stranded Contract Costs and Stranded Debts transferred to and assumed by the PSALM pursuant to Section 49 of Republic Act No. 9136, otherwise known as the “Electric Power Industry Reform Act of 2001”, including all anticipated shortfalls in the course of payment of such liabilities after applying the PSALM’s collections from privatization of the NPC’s assets, independent power producers’ contracts, and proceeds from operations of existing assets: Provided, That upon final resolution in favor of the National Government of any ongoing dispute over the Net National Government Share, the amount shall be allocated solely for the purpose specified in this Act.

The Net National Government Share from the Malampaya Fund shall be remitted to a Special Trust Fund to be administered by the PSALM: Provided, That the amounts herein allocated shall be included in the General Appropriations Act. The DBM shall provide a timely release of the amounts allocated and appropriated to the PSALM in accordance with its debt and independent power producer payment schedule.

When the Stranded Contract Costs, Stranded Debts, and anticipated shortfalls in the course of the payment of such liabilities are fully paid before the termination of the corporate life of the PSALM, the Net National Government Share, shall accrue back to the Special Fund used to finance energy resource development and exploitation programs created under Presidential Decree No. 910, "Creating an Energy Development Board, Defining Its Powers and Functions, Providing Funds, Therefor, and For Other Purposes".

SECTION 5. *Regular Reports.* – The PSALM shall submit an annual projected cash flow statement and actual cash flow statement of the Stranded Contract Costs, Stranded Debts, and anticipated shortfalls as well as its debt payment and independent power producer contract payment schedule to the DOE, ERC, DOF, DBM, and the JCPC: Provided, That the submission of the annual projected cash flow statement shall be on or before June 30 of the preceding year and that of the annual actual cash flow statement shall be on or before June 30 of the succeeding year. The PSALM shall regularly coordinate with the DOE, DOF, and the DBM to ensure consistent record-keeping of remittances to and disbursements from the Malampaya Fund and the Special Trust Fund created under this Act. The PSALM shall make all reports available to the public through its website.

SECTION 6. *Congressional Oversight.* – Upon the effectivity of this Act, the JCPC shall exercise oversight powers over its implementation.

SECTION 7. *Implementing Rules and Regulations.* – Within sixty (60) days from the effectivity of this Act, the DOF, in consultation with DOE, DBM, and the PSALM shall provide the necessary rules and regulations for the proper disposition of the said funds and the effective implementation of this Act.

SECTION 8. *Repealing Clause.* – All laws, decrees, orders, rules, and regulations or other issuances or parts inconsistent with the provisions of this Act are hereby repealed, amended, or modified accordingly.

SECTION 9. *Effectivity Clause.* – This Act shall take effect in fifteen (15) days after publication in the Official Gazette or in one (1) newspaper of general circulation in the Philippines.

Approved,