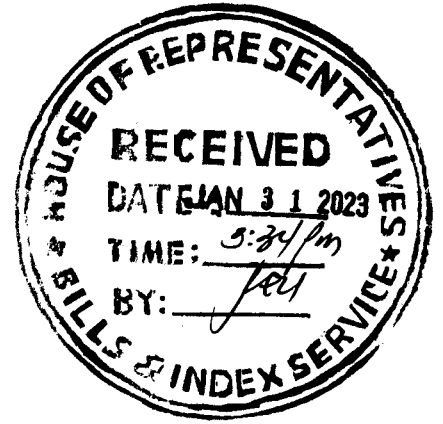




Republic of the Philippines  
House of Representatives  
Quezon City, Metro Manila

Nineteenth Congress  
First Regular Session

HOUSE BILL NO. 7001



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Introduced by Representative Jefferson F. Khonghun

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**AN ACT PROVIDING FOR THE CONDONATION OF ALL  
OUTSTANDING OBLIGATIONS, INTEREST PAYMENTS, VALUE  
ADDED TAXES, AND OTHER CHARGES ON POWER BILLS OF THE  
PUBLIC UTILITIES DEPARTMENT – OLONGAPO CITY WITH THE  
NATIONAL POWER CORPORATION AND THE POWER SECTOR  
ASSETS AND LIABILITIES MANAGEMENT CORPORATION**

**EXPLANATORY NOTE**

The power billing account of the Public Utilities Department of the City of Olongapo (PUD-Olongapo) started with the National Power Corporation (NPC). In June 2009, PUD-Olongapo's account was transferred to the Power Sector Assets and Liabilities Management Corporation (PSALM) through an asset and debt transfer pursuant to Republic Act No. 9316, otherwise known as the Electric Power Industry Reform Act of 2001 (EPIRA). At the time that NPC transferred the account of PUD-Olongapo to PSALM, the outstanding balance of PUD-Olongapo amounted to PhP1,844,638,462.73.

Effective 06 November 2009, the power supply contract (PSC) of PUD-Olongapo which was set to expire in December 2009, was assigned to San Miguel Energy Corporation (SMEC), the winning bidder for the bid conducted by PSALM for the appointment of an Independent Power Producer Administrator for the Sual Coal-Fired Power Plant.

Beginning July 2010, PUD-Olongapo sourced its energy requirements from the Wholesale Electricity Spot Market (WESM). Considering that NPC and PSALM were designated as Default Wholesale Suppliers (DWS) of the WESM, the Philippine Electricity Market Corporation (PEMC) billed NPC/PSALM for PUD-Olongapo's energy consumption. Accordingly, NPC/PSALM billed PUD-Olongapo the corresponding monthly energy consumption it sourced from the WESM.

In July 2010, PSALM also informed PUD-Olongapo to submit a restructuring scheme for its outstanding obligations. However, the proposed amortization of PUD-Olongapo is considerably low and will go beyond PSALM's remaining corporate life of fifteen (15) years at that time, before PUD-Olongapo could finally settle its arrears with PSALM.

PUD-Olongapo continued to source its power requirements from the WESM until June 2013. Consequently, PEMC billed NPC/PSALM for PUD-Olongapo's energy consumption, and thus, NPC/PSALM billed PUD-Olongapo the corresponding monthly energy consumption it sourced from the WESM.

On 24 June 2013, prior to the change in administration in the City of Olongapo, the PUD-Olongapo was sold to Olongapo Electricity Distribution Company, Inc. Pursuant to a Memorandum of Agreement dated 18 March 2013, PUD-Olongapo remitted PhP500,000,000 to PSALM's account on 28 June 2013. However, the amount remitted is deficient to fully settle PUD-Olongapo's outstanding balance amounting to PhP4,600,912,770.50 as of 30 June 2013.

The debt of PhP4.6 billion was left in the hands of the new administration. The debt is presently insurmountable as it is far more than the annual budget appropriated by the City of Olongapo for its operational expenses. The City of Olongapo tried to pay at least PhP10 million a year, but such payment was applied first to interest charges and the balance thereof to the principal obligation.

Although NPC/PSALM was able to provide the needed electricity requirements of PUD-Olongapo, payment by the City of Olongapo of the ballooning obligations of PUD-Olongapo may be tantamount to depriving the constituents of the City of Olongapo with the basic social services and other programs since all its allocated budget will only cover for the payment of the PUD-Olongapo's outstanding obligations with PSALM that was incurred for more than a decade by the previous administration and left unsettled until it has reached the amount which has become very onerous to pay.

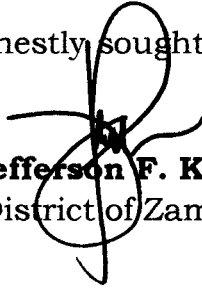
As of 31 August 2022, the outstanding obligations of PUD-Olongapo to PSALM amounts to PhP7,334,498,407.91, composed of the principal obligations, interest charges and value-added tax.

The Local Government of Olongapo is seeking the help of the undersigned for the possible condonation of the swelling debt of PUD-Olongapo to the PSALM.

This unfortunate situation of the Local Government Unit of the City of Olongapo is an isolated case of political mismanagement of past administrations that has undermined economic development in the City of Olongapo up to the present. Condonation of the outstanding obligations of PUD-Olongapo to PSALM will provide the City of Olongapo a fresh start and allow the City of Olongapo to utilize its allocated budget to programs that will uplift and provide the needed basic services of the people of Olongapo.

Where debts are out of control which causes the City of Olongapo to compromise the delivery of basic services, it is proposed that a one-time general amnesty or condonation of the total unpaid obligation be passed by this Congress.

In view of the foregoing, the approval of this bill is earnestly sought.



**Hon. Jefferson F. Khonghun**  
1<sup>st</sup> District of Zambales



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NATIONAL POWER CORPORATION AND THE POWER SECTOR  
ASSETS AND LIABILITIES MANAGEMENT CORPORATION**

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

**SECTION 1.** *Declaration of Policy.* — In order to afford opportunities to Public Utilities Department of the City of Olongapo (PUD-Olongapo) to rehabilitate itself, a onetime debt condonation will be helpful for the City of Olongapo to deliver better services to its constituents.

**SECTION 2.** *Condonation of Outstanding Obligations, Interest Payments, Value Added Taxes, and Other Charges.* – All unpaid principal and interests, including Value Added Taxes on principal and interests, due from the power bill obligation, including the unpaid Generation Rate Adjustment Mechanism GRAM and Incremental Currency Exchange Rate Adjustment (ICERA) Deferred Accounting Adjustments (DAA) charges, and Automatic Cost Recovery Mechanism (ACRM) fuel and purchased power cost adjustment, Forex adjustment and true-up adjustment charges (the “Total Outstanding Obligation”) of PUD-Olongapo to the Power Sector Assets and Liabilities Management Corporation (PSALM), are hereby condoned by the National

Government thereby relieving the PUD-Olongapo/Local Government Unit of Olongapo City from the payment thereof;

*Provided*, that the condonation of the Total Outstanding Obligation, shall be in conformity with the applicable rules and regulations issued by the Department of Finance and the Department of Energy (DOE); *Provided, further*, that in order not to deprive PSALM of the much-needed funds to liquidate the National Power Corporation's outstanding obligations transferred and assumed by PSALM in accordance with Section 49 of Republic Act No. 9136, otherwise known as the Electric Power Industry Reform Act of 2001, and to avoid resorting to additional borrowings to compensate for the uncollected obligations of PUD-Olongapo, the National Government shall assume Total Outstanding Obligation of PUD-Olongapo. Correspondingly, upon assumption of the Total Outstanding Obligation of PUD-Olongapo, the National Government shall apply the total amount condoned as payment to PSALM's advances from the National Government.

**SECTION 3. *Implementing Rules and Regulations.*** Within sixty (60) days from effectivity of this Act, the Secretary of Finance shall, in coordination with the DOE and PSALM, issue and promulgate the necessary rules and regulations for the effective implementation of this Act. The Secretary of Finance, in issuing the necessary rules and regulations for the effective implementation of this Act, shall take into account the legislative intent of condoning the Total Outstanding Obligation of PUD-Olongapo/Local Government Unit of Olongapo City to PSALM. The said rules and regulations shall not provide for additional requirements that would negate the purpose of this Act; *Provided*, That, the failure of the Secretary of Finance to promulgate the said rules and regulations shall not prevent the implementation of this Act upon its effectivity.

**SECTION 4. *Separability Clause.*** If any provision of this Act is subsequently declared invalid or unconstitutional, the other provisions hereof which are not affected thereby shall remain in full force and effect.

**SECTION 5. *Repealing Clause.*** All laws, decrees, executive orders, proclamations, rules and regulations, and issuances, or parts thereof which

are inconsistent with the provisions of this Act, are hereby repealed, amended or modified accordingly.

**SECTION 6.** *Effectivity.* – This Act shall take effect fifteen (15) days following the completion of its publication in the *Official Gazette* or in at least two (2) newspapers of general circulation.

Approved,