

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Constitution Hills, Quezon City

NINETEENTH CONGRESS
First Regular Session

HOUSE BILL NO. 7047



Introduced by MARINO Party-list Representative
SANDRO L. GONZALEZ

EXPLANATORY NOTE

This bill seeks to expand Davao Light Power and Company, Inc. ("Davao Light")'s franchise to construct, install, establish, operate, and maintain for commercial purposes and in the public interest, an electric, light, heat and power system for the conveyance, distribution, and sale of electric power to the end users in the cities and municipalities as mentioned in Section 1 hereof.

The Franchise Area, over the years, have been suffering frequent power outages due to Northern Davao Electric Cooperative, Inc. ("NORDECO")'s inefficiency in the delivery of power distribution services and its failure to ensure the reliable supply of power. This resulted to the Franchise Area's derailment of their economic growth. On the other hand, the neighboring municipalities and cities of the Franchise Area, particularly, those within the franchise area of Davao Light, have continued to enjoy stable electricity services. Consequently, these municipalities and cities have already overtaken the Franchise Area.

It is imperative, therefore, that amendment must be made to the existing franchise of NORDECO to reduce its franchise area as it is incapable of delivering its service to the Franchise Area. It must also be observed that despite NORDECO's opportunities to address the complaints of its customers, the clamor from the customers and residents in the Franchise Area in replacing their electric service provider is unrelenting.

Meanwhile, Davao Light holds the needed expertise to effectively and efficiently provide electricity distribution services to the Franchise Area. It must be observed that it is already the distribution utility serving half of the municipalities and cities in the province of Davao del Norte. Further, Davao Light is the third largest privately-owned electric distribution utility in the country, with respect to customer size and annual kilowatt-hour sales, and maintains a reputation for excellent service.

Thus, this bill will improve the plight of our constituents in the Franchise Area and, likewise, consistent with the government's goals to promote and maintain public interest and pursue overall growth in Mindanao.

In view of the foregoing, the passage of this timely measure is most respectfully sought.

Sincerely,

A stylized, handwritten signature in black ink, appearing to read 'Sandro L. Gonzalez'.

SANDRO L. GONZALEZ

Representative

MARINO Party-list

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AN ACT INCLUDING TAGUM CITY, THE ISLAND GARDEN CITY OF SAMAL, AND THE MUNICIPALITIES OF ASUNCION, KAPALONG, NEW CORELLA, SAN ISIDRO AND TALAINGOD, IN THE PROVINCE OF DAVAO DEL NORTE, AND THE MUNICIPALITY OF MACO, IN THE PROVINCE OF DAVAO DE ORO TO THE FRANCHISE AREA OF THE DAVAO LIGHT AND POWER COMPANY, INC. AMENDING FOR THE PURPOSE REPUBLIC ACT NO. 11515, ENTITLED "AN ACT EXTENDINGFORANOTHER TWETITY-FIVE (25) YEARS THE FRANCHSE GRANTED TO THE DAVAO LIGHT AND POWER COMPANY, INC., UNDER REPUBLIC ACT NO. 8960, ENTITLED `AN ACT FURTHER EXTENDING THE TERM OF THE FRANCHISE GRANTED TO DAVAO LIGHT AND POWER COMPANY, INC.TO CONSTRUCT, OPERATE AND MAINTAIN AN ELECTRIC LIGHT, HEAT AND POWER SYSTEM IN DAVAO CITY AND THE MUNICIPALITIES OF CARMEN, PANABO, DUJALI, AND SANTO TOMAs, PROVINCE OF DAVAO DEL NORTE, FOR A PERIOD OF TWENTY-FIVE (25) YEARS AND FOR OTHER PURPOSES

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

Chapter I
GENERAL PROVISIONS

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

SECTION 1. Section 1 of Republic Act No. 11515 is amended to read as follows:

“SECTION 1. Nature and Scope of Franchise. – Subject to the provisions of the Constitution and applicable laws, rules and regulations, the franchise granted to the Davao Light and Power Company, Inc., hereunder referred to as the Grantee, its successors or assignees, under Republic Act No. 8960, to

construct, install, establish, operate, and maintain for commercial purposes and in the public interest, an electric, light, heat and power system for the conveyance, distribution, and sale of electric power to the end users in Davao City, Panabo City, **TAGUM CITY, THE ISLAND GARDEN CITY OF SAMAL**, and the Municipalities of Carmen, Dujali, [and] Santo Tomas, **ASUNCION, KAPALONG, NEW CORELLA, SAN ISIDRO AND TALAINGOD** in the Province of Davao del Norte, **AND THE MUNICIPALITY OF MACO IN THE PROVINCE OF DAVAO DE ORO**, is hereby extended for another twenty-five (25) years after the expiration date of the franchise under Republic Act No. 8960.

“As used in this Act, distribution system refers to the system of wires and associated facilities, including sub-transmission lines belonging to or used by a franchised distribution utility, extending between the delivery point on the national transmission system or generating facility and the metering point or facility of the end user.”

SEC. 2. A new section denominated as Section 21-A is hereby inserted after Section 21 of the same Act, to read as follows:

“SEC. 21-A. TRANSITION OF OPERATIONS. – TO ENSURE THE UNINTERRUPTED SUPPLY OF ELECTRICITY, THE NORTHERN DAVAO ELECTRIC COOPERATIVE (NORDECO), IN THE INTERIM, IS AUTHORIZED TO OPERATE THE EXISTING DISTRIBUTION SYSTEM WITHIN ITS FORMER FRANCHISE AREA, INCLUDE IN THE GRANTEE’S FRANCHISE AREA PURSUANT TO SECTION 1 HEREOF AS AMENDED, AND IMPLEMENT ITS EXISTING POWER SUPPLY AGREEMENTS WITH GENERATION COMPANIES THAT ARE PROVISIONALLY OR FINALLY APPROVED BY THE ERC.

UNTIL THE GRANTEE ESTABLISHES OR ACQUIRES ITS OWN DISTRIBUTION SYSTEM AND FULLY TAKES OVER THE OPERATIONS IN THE FRANCHISE AREA INCLUDED IN THE GRANTEE’S FRANCHISE AREA PURSUANT TO SECTION 1 HEREOF AS AMENDED, NORDECO MAY OPERATE NOT LONGER THAN TWO (2) YEARS FROM THE APPROVAL OF THE EXPANDED TERRITORY OF THIS LEGISLATIVE FRANCHISE.

“UPON COMPLIANCE WITH THE RULES, THE ERC SHALL GRANT NORDECO THE NECESSARY PROVISIONAL CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY

(CPCN) COVERING THE TRANSITION PERIOD. THE ERC SHALL DETERMINE THE APPLICABLE GENERATION RATE.

"THE GRANTEE MAY CONDUCT A COMPETITIVE SELECTION PROCESS (CSP) FOR THE ELECTRICITY REQUIREMENTS IN ITS EXPANDED FRANCHISE AREA, *PROVIDED* THAT PERSONS OR ENTITIES THAT ARE SUPPLYING NORDECO ELECTRICITY, PURSUANT TO SUPPLY AGREEMENTS APPROVED OR PROVISIONALLY APPROVED BY THE ERC, AS OF THE DATE THE EXPANSION OF TIRE GRANTEE'S FRANCHISE AREA LAPSES INTO LAW, SHALL HAVE AN OPPORTUNITY TO IMPROVE ANY OFFER MADE BY A WINNING BIDDER IN THE GRANTEE'S CSP OVER ITS EXPANDED FRANCHISE AREA, *PROVIDED FURTHER* THAT SUCH OFFER SHOULD BE PROPORTIONATE TO THE CAPACITY OF SUCH PERSON'S OR ENTITY'S EXISTING SUPPLY AGREEMENT WITH NORDECO.

"THE PROVISIONAL AUTHORITY TO OPERATE DURING THE TRANSITION PERIOD GRANTED TO NORDECO SHALL NOT PREVENT THE GRANTEE FROM EXERCISING THE RIGHT OF EMINENT DOMAIN AS PROVIDED UNDER SECTION 9 OF THIS ACT.

"TO REDUCE THE LENGTH OF THE TRANSITION PERIOD, THE ERC AND ALL AGENCIES ISSUING THE REQUISITE LICENSES SHALL PRIORITIZE ALL APPLICATIONS OF THE GRANTEE RELEVANT TO THE ESTABLISHMENT AND OPERATION OF THE DISTRIBUTION SYSTEM UNDER ITS FRANCHISE.

"IN THE HIRING OF EMPLOYEES, THE GRANTEE SHALL, AS FAR AS PRACTICABLE AND SUBJECT TO CERTAIN QUALIFICATION STANDARDS, GIVE PREFERENCE TO FORMER EMPLOYEES OF NORDECO WHEN IT COMMENCES BUSINESS OPERATIONS IN ITS NEW FRANCHISE AREA.

"THE GRANTEE AND NORDECO SHALL JOINTLY ENSURE THAT AFFECTED EMPLOYEES NOT HIRED BY THE GRANTEE SHALL, TO THE EXTENT ELIGIBLE, RECEIVE ALL SEPARATION OR RETIREMENT BENEFITS IN ACCORDANCE WITH APPLICABLE LAWS.

“AN INFORMATION DISSEMINATION CAMPAIGN REGARDING PUBLIC SERVICES AND OPERATIONS OF THE GRANTEE SHALL BE MADE TO ALL END USERS IN THE FRANCHISE AREA.

“THE DOE SHALL, DURING THE TRANSITION, ENSURE THAT THE SUPPLY OF ELECTRICITY IN THE EXISTING FRANCHISE AREA IS UNINTERRUPTED.”

SEC. 3. All laws, decrees, orders, resolutions, instructions and rules and regulations or parts thereof which are inconsistent with this Act are hereby deemed repealed or modified accordingly.

SEC. 4. This Act shall take effect fifteen (15) days after its publication in the Official Gazette or in a newspaper of general circulation.

Approved,