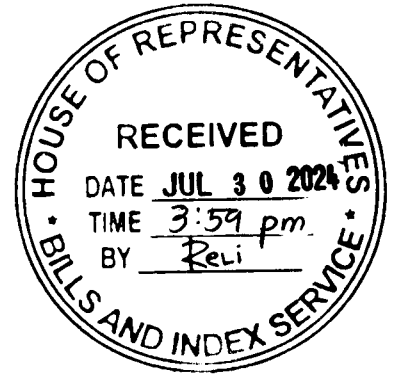


Republic of the Philippines



House of Representatives

Quezon City



NINETEENTH CONGRESS

Third Regular Session

House Bill No. 10693

Introduced by

Representative Roberto T. Uy, Jr.

Representative Glona G. Labadlabad Representative Adrian Michael A. Amatong

PHILRECA Party-List Representative Presley C. De Jesus

APEC Party-List Representative Sergio C. Dagooc

AN ACT

GRANTING A FRANCHISE TO THE ZAMBOANGA DEL NORTE ELECTRIC COOPERATIVE INC. (ZANECO) TO CONSTRUCT, INSTALL, ESTABLISH, OPERATE, OWN, MANAGE AND MAINTAIN DISTRIBUTION SYSTEMS FOR THE CONVEYANCE OF ELECTRIC POWER TO THE END-USERS IN THE CITIES OF DIPOLOG AND DAPITAN AND THE 21 MUNICIPALITIES OF PROVINCE OF ZAMBOANGA DEL NORTE

The ZAMBOANGA DEL NORTE ELECTRIC COOPERATIVE INC. (ZANECO) was organized and registered pursuant to the provisions of Presidential Decree No. 269, as amended, and under the supervisory authority of the National Electrification Administration (NEA) with a mandate to perform electrification in the Cities of Dipolog and Dapitan and the 21 Municipalities of the Province of Zamboanga del Norte on an area coverage basis. Pursuant to Section 27 of Republic Act No. 9136, otherwise known as the Electric Power Industry Reform Act (EPIRA), the power to grant franchises shall be vested exclusively in the Congress of the Philippines. Thus, this bill seeks to grant a congressional franchise to ZANECO to provide an electric power distribution system to the people of the *Cities of Dipolog and Dapitan and the 21 Municipalities of the Province of Zamboanga del Norte*. Furthermore, it seeks to requires standards that the grantee must attain in order to secure an effective partnership between the State and the grantee, as well as to set high standards for the provided facility.

The exceptional performance of ZANECO is gathered from the results produced since it was granted a franchise to operate electric light and power services in the Province of Zamboanga del Norte. This covers two (2) cities and twenty-one (21) municipalities composing the Province of Zamboanga del Norte. ZANECO has energized Ninety-Nine-point Sixty-Six percent (99.66%) of the barangays within its franchise area. Notably, ZANECO has been consistently categorized for several years as an "AAA" cooperative, the highest categorization of an electric cooperative by the supervising government agency - the NEA.

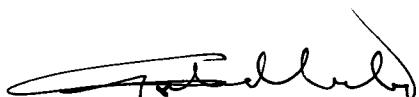
The enactment of this bill will ensure the continuous delivery of electric service from ZANECO to the mentioned Cities and Municipalities and will create the path towards progress in Zamboanga del Norte. Likewise, it will be in line with the policy of the State as provided for in EPIRA, to ensure and accelerate the total electrification of the country; and to ensure the quality, reliability, security, and affordability of the supply of electric power.

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



HON. ROBERTO T. UY JR.

Representative, 1st District, Zamboanga del Norte



REP. GLONA G. LABADLABAD

*Representative, 2nd District
Zamboanga del Norte*



REP. ADRIAN MICHAEL A. AMATONG

*Representative, 3rd District
Zamboanga del Norte*



REP. PRESLEY C. DE JESUS

PHILRECA Party-list Representative



REP. SERGIO DAGOOC

Representative, APEC Party-List



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Gloria G. Labadlabad, Adrian Michael A. Amatong,
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AN ACT

GRANTING A FRANCHISE TO THE ZAMBOANGA DEL NORTE ELECTRIC COOPERATIVE, INC. (ZANECO) TO CONSTRUCT, INSTALL, ESTABLISH, OPERATE, OWN, MANAGE AND MAINTAIN DISTRIBUTION SYSTEMS FOR THE CONVEYANCE OF ELECTRIC POWER TO THE END-USERS IN THE CITIES OF DIPOLOG AND DAPITAN AND TWENTY-ONE (21) MUNICIPALITIES OF ZAMBOANGA DEL NORTE

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

1 SECTION 1. *Nature and Scope of Franchise.* - Subject to the provisions of the Constitution and
2 applicable laws, rules and regulations, there is hereby granted to the Zamboanga del Norte Electric
3 Cooperative Inc. (ZANECO), hereunder referred to as the grantee, its successors or assigns a franchise
4 to construct, install, establish, operate, own, manage and maintain in the public interest and commercial
5 purposes, a distribution system for the conveyance of electric power to the end users in the Cities of
6 Dipolog and Dapitan and Twenty-one (21) Municipalities of Zamboanga del Norte.

7
8 As used in this Act, distribution system refers to the system of wires and associated facilities
9 including sub-transmission lines belonging to a franchised distribution utility extending between the
10 delivery point on the national transmission system or generating facility and the metering point/facility
11 of the end-users.

12 SECTION 2. *Manner of Operations of Facilities.* - All electric distribution facilities, lines and
13 systems for electric services installed, owned, maintain, operated, managed or maintained by the grantee,
14 its successors or assigns shall be operated or 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 (ERC), or its legal successor, or the Department of Energy (DOE), or its legal successor, or the National Electrification Administration (NEA) or its legal successor, or any other government agency concerned to modify, improve and change such facilities or systems in such manner and to such extent as the progress in science or technology and improvements or innovations in the electric power services may render reasonable and proper.

Whenever practicable, and for purposes of maintaining order, safety and aesthetics along the 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. The ERC or the NEA shall resolve cases of dispute or disagreement between parties.

SECTION 3. *Authority of the ERC and the NEA.* - The grantee shall secure from the ERC or the NEA, or any 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 the poles or other supports for said facilities, wires or other conductors or for the purpose of laying and maintaining said facilities, wires, cables or other conductors, it shall be lawful for the Grantee, its successors, or assignees, 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, lines, alleys, avenues, sidewalks, or bridges of the province and city:

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 workmanlike manner by the Grantee, its successors or assignees, in accordance with the standards set by the DPWH or the local government unit concerned.

Should the grantee, its successors or assignees, after the ten (10)-day notice from the grant of authority, fail, refuse or neglect to repair or replace any part of public place, highway, road, street, lane, alley, avenue, sidewalk, or bridge altered, changed, or disturbed by the said grantee, its successors or assignees, then the DPWH or the local government unit concerned shall have the right to have the same repaired and replaced in good order and condition and charge the Grantee, its successors or assignees, double the amount of the cost and expenses for such repair or replacement.

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 NEA and 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.

54 The grantee shall have the obligation to provide open and nondiscriminatory access to its
55 distribution system and services for any end-user within its franchise area consistent with Republic
56 Act No. 9136, otherwise known as the "Electric Power Industry Reform Act of 2001". The Grantee
57 shall not engage in any activity that will constitute an abuse of market power such as unfair trade
58 practices, monopolistic schemes, and other activities that will hinder competitiveness of business
59 and industries.

60 SECTION 6. **Rates for Services.** - The retail rates and charges for the distribution of electric
61 power by the Grantee to its end-users shall be regulated by and subject to the approval of the ERC
62 or its legal successor.

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

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

70 SECTION 8. **Commitment to Provide and Promote the Creation of Employment**
71 **Opportunities** - The Grantee shall create employment opportunities and shall allow on-the-job
72 training in their franchise operation: Provided, that priority shall be accorded to the residents where
73 their principal office is located: Provided, further, that the grantee shall comply with the applicable
74 labor standards and allowance entitlement under existing labor laws, rules and regulations, and
75 similar issuances.

76 SECTION 9. **Right of the Government.** A special right is hereby reserved to the President
77 of the Philippines, in times of war, rebellion, public peril, calamity, emergency, disaster or
78 disturbance of peace and order: to temporarily take over and operate the stations or facilities of the
79 Grantee; to temporarily suspend the operation of any station or facility in the interest of public safety,
80 security and public welfare; or to authorize the temporary use and operation thereof by any agency
81 of the government, upon due compensation to the grantee, for the use of the stations or facilities
82 during the period when these shall be so operated.

83 SECTION 10. **Right of Eminent Domain** - Subject to the limitations and procedures
84 prescribed by law, the Grantee is authorized to exercise the right of eminent domain insofar as it
85 may be reasonably necessary for the efficient maintenance and operation of services. The Grantee is
86 authorized to install and maintain its poles, wires, and other facilities over and across public property,
87 including streets, highways, forest reserves, and other similar property of the Government of the
88 Philippines, its branches, or any of its instrumentalities.

89 The Grantee may acquire such private property as is actually necessary for the realization of
90 the purposes for which this franchise is granted: *Provided*, that proper expropriation proceedings
91 shall have been instituted and just compensation paid.

92 SECTION 11. **Term of Franchise.** - Unless sooner cancelled, the franchise extension shall
93 be in effect for a period of twenty-five (25) years from effectivity of this Act. This franchise shall be
94 deemed *ipso facto* revoked in the event the Grantee fails to operate continuously for two (2) years.

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

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

103 SECTION 14. **Sale, Lease, Transfer, Usufruct, or Assignment of Franchise.** The Grantee
104 shall not sell, lease, transfer, grant the usufruct of, or assign this franchise or the rights and privileges
105 acquired thereunder to any person, firm, company, corporation, or other commercial or legal entity,
106 or merge with any other corporation, or entity, or shall transfer the controlling interest of the Grantee,
107 whether as a whole or in parts, and whether simultaneously or contemporaneously, to any such
108 person, firm, company, corporation, or entity without the prior approval of the Congress: Provided,
109 That Congress shall be informed of any lease, transfer, granting the usufruct of, sale, or assignment
110 of franchise or the rights and privileges acquired thereunder, or of the merger, or sale of the
111 controlling interest within sixty (60) days after the completion of said transaction: Provided further,
112 That any such transfer, sale, or assignment is in accordance with the constitutional limitations:
113 Provided furthermore, That failure to report to Congress such change of ownership shall render the
114 franchise *ipso facto* revoked: Provided finally, That any person or entity to which this franchise is
115 sold, transferred, or assigned, shall be subject to the same, conditions, terms, restrictions, and
116 limitations of this Act.

117 SECTION 15. **Reportorial Requirement.** - The Grantee shall submit an annual report to the
118 Congress, through the Committee on Legislative Franchises of the House of Representatives and the
119 Committee on Public Services of the Senate, on its compliance with the terms and conditions of the
120 franchise and on its operations on or before April 30 of every year during the term of the franchise.
121 The reportorial compliance certificate issued by Congress shall be required before any application
122 for permit or certificate is accepted by the NEA and ERC.

123 SECTION 16. **Fine.** - The failure of the Grantee to submit the requisite annual report to
124 Congress shall be penalized by a fine in the amount of five hundred pesos (P500.00) per working
125 day of noncompliance which shall be collected by the ERC. The fine shall be collected separately
126 from the reportorial penalties imposed by the ERC and shall be remitted to the Bureau of the
127 Treasury.

128 SECTION 17. **Equality Clause.** - Any advantage, favor, privilege, exemption, or immunity
129 granted under existing franchises, or which may hereafter be granted, upon prior review and approval
130 of Congress, shall become part of this franchise and shall be accorded immediately and
131 unconditionally to the herein Grantee: *Provided, however,* That the foregoing shall neither apply to

132 nor affect provisions concerning territory covered by the franchise, the life span of the franchise or
133 the type of service authorized by the franchise: *Provided, further*, That the foregoing shall not apply
134 to the sale, lease, transfer, grant of usufruct, or assignment of legislative franchises with prior
135 congressional approval.

136 SECTION 18. ***Applicability of Existing Laws.*** - The grantee shall comply with and be
137 subject to the provisions of Commonwealth Act No. 146 or the "Public Service Act" as amended;
138 Republic Act No. 9136; and shall be under the regulatory and supervisory authority of the National
139 Electrification Administration under Republic Act No. 10531 or the National Electrification
140 Administration Reform Act of 2013".

141 SECTION 19. ***Repealability and Non-Exclusivity Clause.*** - This franchise shall be subject
142 to amendment, alteration, or repeal by the Congress when the public interest so requires and shall
143 not be interpreted as an exclusive grant of the privileges herein provided for.

144 SECTION 20. ***Existing Powers.*** - Existing mandates, powers, functions, and privileges
145 granted to Electric Cooperatives under existing laws, including *Section 10 of Republic Act No.*
146 *10531*, otherwise known as the "National Electrification Administration Reform Act of 2013", shall
147 remain valid and effective, unless expressly repealed by succeeding laws.

148 SECTION 21. ***Separability Clause.*** - If any of the sections or provisions of this Act is held
149 invalid, all other provisions not affected thereby shall remain valid.

150 SECTION 22. ***Repealing Clause.*** - All laws, presidential decrees, executive orders, letters
151 of instruction, administrative rules and regulations or parts thereof which are contrary to or
152 inconsistent with the provisions of this Act are hereby repealed or modified accordingly.

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

155 *Approved,*