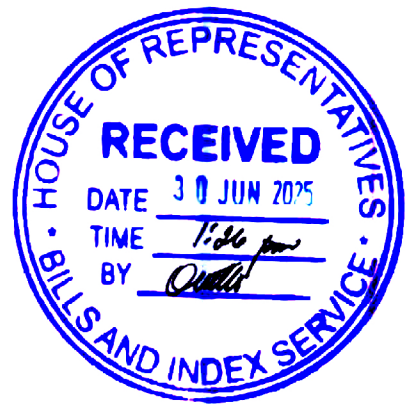


Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

TWENTIETH CONGRESS
First Regular Session
HOUSE BILL NO. 358



Introduced by REPRESENTATIVE JOSEPH KIM C. YU
1st District, Zamboanga del Sur

EXPLANATORY NOTE

Zamboanga del Sur I Electric Cooperative, Inc. (ZAMSURECO-I) was organized and registered on August 25, 1972, pursuant to the provisions of Presidential Decree No. 269, as amended, and under the supervisory authority of the National Electrification Administration (NEA). Pursuant to Section 27 of the 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; hence, this bill seeks to grant congressional franchise to ZAMSURECO-I to provide an electric power distribution system to the people of the 23 Municipalities and one City of the Province of Zamboanga del Sur, as well as one Municipality in Misamis Occidental, namely: **Tambulig, Molave, Mahayag, Dumingag, Josefina, Ramon Magsaysay, Sominot, Midsalip, Aurora, Tukuran, Labangan, Dumalinao, Guipos, San Pablo, Tigbao, Lapuyan, Margosatubig, San Miguel, Vincenzo Sagun, Dimataling, Dinas, Pitogo, Tabina, Pagadian City in Zamboanga del Sur and Don Victoriano in Misamis Occidental.**

ZAMSURECO-I has played a crucial role in the economic growth and development of the Province of Zamboanga del Sur and Pagadian City. From its establishment in 1972, ZAMSURECO-I has served as the primary electricity provider in its franchise coverage. It is classified as a Mega Large electric cooperative serving a total of 624 barangays, with 624 of them being energized since 2010. Additionally, there are 3,430 sitios, with 2,946 of them being energized.

The Cooperative has consistently maintained the highest category level, AAA, as designated by the National Electrification Administration (NEA). This top category level has been sustained for an impressive 17 years, demonstrating ZAMSURECO-I's exceptional performance and commitment to excellence.

The enactment of this bill will ensure the continuous delivery of electricity from ZAMSURECO-I to the mentioned Municipalities and one City in the Province of Zamboanga del Sur and Municipality in Misamis Occidental. 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, approval of this bill is earnestly sought.


JOSEPH KIM C. YU

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TWENTIETH CONGRESS
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HOUSE BILL NO. 358

Introduced by **REPRESENTATIVE JOSEPH KIM C. YU**
1st District, Zamboanga del Sur

AN ACT EXTENDING THE EXISTING FRANCHISE OF ZAMBOANGA DEL SUR I ELECTRIC COOPERATIVE, INC. (ZAMSURECO-I) TO CONSTRUCT, INSTALL, ESTABLISH, OPERATE, OWN, MANAGE AND MAINTAIN DISTRIBUTION SYSTEMS FOR THE CONVEYANCE OF ELECTRIC POWER TO THE END USERS IN THE MUNICIPALITIES OF TAMBULIG, MOLAVE, MAHAYAG, DUMINGAG, JOSEFINA, RAMON MAGSAYSAY, SOMINOT, MIDSALIP, AURORA, TUKURAN, LABANGAN, DUMALINAO, GUIPOS, SAN PABLO, TIGBAO, LAPUYAN, MARGOSATUBIG, SAN MIGUEL, VINCENZO SAGUN, DIMATALING, DINAS, PITOGO, TABINA, PAGADIAN CITY IN ZAMBOANGA DEL SUR AND DON VICTORIANO IN MISAMIS OCCIDENTAL.

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

SECTION 1. Nature and Scope of Franchise. - Subject to the provisions of the Constitution and applicable laws, rules and regulations, there is hereby granted to the **ZAMBOANGA DEL SUR I ELECTRIC COOPERATIVE, INC. (ZAMSURECO-I)**, hereunder referred to as the grantee, its successors or assigns a franchise to construct, install, establish, operate, own, manage and maintain in the public interest and commercial purposes, a distribution system for the conveyance of electric power to the end users in the following areas:

- **Zamboanga Del Sur:** Tambulig, Molave, Mahayag, Dumingag, Josefina, Ramon Magsaysay, Sominot, Midsalip, Aurora, Tukuran, Labangan, Dumalinao, Guipos, San Pablo, Tigbao, Lapuyan, Margosatubig, San Miguel, Vincenzo Sagun, Dimataling, Dinas, Pitogo, Tabina, Pagadian City
- **Misamis Occidental:** Don Victoriano

SECTION 2. Manner of Operation of Facilities. - All electric distribution facilities, lines, and systems for electric services installed, owned, operated, managed or maintained by the grantee, 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, hereinafter referred to as the ERC, or its legal successor, or the Department of Energy, hereinafter referred to as the 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 service industry may render reasonable and proper.

Whenever practicable, and for purposes of maintaining order, safety and aesthetics along 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 to the grantee considering the costs incurred to accommodate and administer the use of the grantee's facilities by such parties. The ERC shall decide in case of dispute or disagreement between the parties.

SECTION 3. Authority of the Energy Regulatory Commission (ERC). - The grantee shall secure from the ERC or any government agency having jurisdiction over their operations, the certificate

of public convenience and necessity and any other license, permit or authority indispensable for the construction and operation of the electric power distribution system. The ERC or any government agency vested with jurisdiction over the operations, may allow the grantee to expand to surrounding areas, which are not covered by the franchise granted, whenever public interest so requires.

SECTION 4. Ingress and Egress. - For the purpose of erecting and maintaining the poles or other supports for said facilities, wires or other conductors 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, lanes, alleys, avenues, sidewalks, or bridges of said 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 or replaced in workmanlike manner at the expense of 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 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 or replaced in good order and condition at double expense to be charged against the grantee, its successors or assignees.

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 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 businesses and industries shall be able to compete.

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

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

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

SECTION 7. Protection of Consumer Interests. To ensure the well-being of its consumers, the grantee has a fundamental responsibility to provide the following: reliable and affordable electricity to its captive market, transparent and clearly communicated rates subject to ERC approval, a lifeline rate for marginalized end-users in accordance with Republic Act No. 9136, and a consumer welfare desk for addressing complaints and protecting consumer interests.

SECTION 8. Right of the Government. - A special right is hereby reserved to the President of the Philippines, in times of war, rebellion, public peril, calamity, emergency, disaster or disturbance of peace and order: to temporarily take over and operate the stations or facilities of the grantee; to temporarily suspend the operation of any station or facility in the interest of public safety, security and public welfare: or to authorize the temporary use and operation thereof by any agency of the

government, upon due compensation to the grantee, for the use of the stations or facilities during the period when these shall be so operated.

SECTION 9. Right of Eminent Domain. - Subject to the limitations and procedures prescribed by law, the grantee is authorized to exercise the right of eminent domain insofar as it may be reasonably necessary for the efficient maintenance and operation of services. The grantee is authorized to install and maintain its poles, wires, and other facilities over and across public property, including streets, highways, forest reserves, and other similar property of the Government of the Philippines, its branches, or any of its instrumentalities. The grantee may acquire such private property as is actually necessary for the realization of the purposes for which this franchise is granted: Provided, That proper expropriation proceedings shall have been instituted and just compensation paid.

SECTION 10. Terms of Franchise. - Unless sooner cancelled, the franchise extension shall be in effect for a period of twenty-five (25) years from the year of expiration of its existing franchise. This franchise shall be deemed ipso facto revoked in the event that the grantee fails to operate continuously for two (2) years.

SECTION 11. Acceptance of the Franchise. - Acceptance of the terms of this franchise shall be in writing to the Congress of the Philippines, through the Committee on Legislative Franchises of the House of Representatives and the Committee on Public Services of the Senate, within sixty (60) days from the effectivity of this Act. Upon such acceptance, the grantee shall exercise the privileges granted under this Act. Non-acceptance shall render the franchise void.

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

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

SECTION 14. Income Tax and Minimum Corporate Income Tax (MCIT) - The grantee shall be permanently exempt from the payment of income tax and Minimum Corporate Income Tax or MCIT.

SECTION 15. Sale, Lease, Transfer, Usufruct, or Assignment of Franchise. - The grantee shall not sell, lease, transfer, grant the usufruct of, nor assign this franchise or the rights and privileges acquired thereunder to any person, firm, company, corporation, or other commercial or legal entity, or merge with any other corporation, or entity, or shall transfer the controlling interest of the grantee, whether as a whole or in part, and whether simultaneously or contemporaneously, to any such person, firm, company, corporation or entity without the prior approval of the Congress of the Philippines: Provided, That Congress shall be informed of any lease, transfer, granting the usufruct of, sale, or assignment of franchise or the rights and privileges acquired thereunder, or of the merger, or sale of the controlling interest within sixty (60) days after the completion of the said transaction: Provided further, That any such transfer, sale, or assignment is in accordance with constitutional limitations: Provided, furthermore, That failure to report to Congress such change of ownership shall render the franchise ipso facto revoked: Provided finally, That any person or entity to which this franchise is sold, transferred, or assigned, shall be subject to the same conditions, terms, restrictions, and limitations of this Act.

SECTION 16. Reportorial Requirement. - The grantee shall submit an annual report to the Congress of the Philippines, through the Committee on Legislative Franchises of the House of Representatives and the Committee of Public Services of the Senate, on its compliance with the terms and conditions of the franchise and on its operations on or before April 30 of every year during the term of the franchise. The reportorial compliance certificate issued by Congress shall be required before any application for a permit or certificate is accepted by the ERC.

SECTION 17. Fine. - The failure of the grantee to submit the requisite annual report to Congress shall be penalized by a fine in the amount of five hundred pesos (P500.00) per working day of noncompliance. The fine shall be collected by the ERC from the delinquent franchise grantee, separate from the reportorial penalties imposed by the ERC. All proceeds from the fines or penalties shall accrue to the monitoring fund of the ERC in line with its supervisory and regulatory functions.

SECTION 18. Equality Clause. - Any advantage, favor, privilege, exemption, or immunity granted under existing franchises, or which may hereafter be granted, upon prior review and approval of Congress, shall become part of this franchise and shall be accorded immediately and unconditionally to the herein grantee: Provided, however, That the foregoing shall neither apply to nor affect provisions concerning territory covered by the franchise, the life span for the franchise or the type of service authorized by the franchise: Provided, further, That the foregoing shall not apply to the sale, lease, transfer, grant of usufruct or assignment of legislative franchises with prior congressional approval.

SECTION 19. Applicability of Existing Laws. - The grantee shall comply with and be subject to the provisions of Commonwealth Act No. 146, as amended, otherwise known as the "Public Service Act" and Republic Act No. 9136, otherwise known as the "Electric Power Industry Reform Act of 2001".

SECTION 20. Repealability and Non-Exclusivity Clause. - This franchise shall be subject to amendment, alteration, or repeal by the Congress of the Philippines when the public interest so requires and shall not be interpreted as an exclusive grant of the privileges herein provided for.

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

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

SECTION 23. Existing Powers. - Existing mandates, powers, functions, and privileges granted to Electric Cooperatives under existing laws, including Section 10 of Republic Act No. 10531, shall remain valid and effective, unless expressly repealed by succeeding laws.

SECTION 23. Effectivity Clause. - This Act shall take effect fifteen (15) days after its publication either in at least two (2) newspapers of general circulation.

Approved,