



Republic of the Philippines
House of Representatives
Quezon City



TWENTIETH CONGRESS

First Regular Session

House Bill No. **861**

Introduced by

PhilRECA Party-List Representative Presley C. De Jesus

EXPLANATORY NOTE


The Cagayan 1 Electric Cooperative, Inc. (CAGELCO 1) was organized and registered with the National Electrification Administration (NEA) with a mandate to perform electrification in the province of Cagayan 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.

This bill seeks to grant a congressional franchise to CAGELCO 1 to provide an electric power distribution system to the people of the the City of Tuguegarao and Municipalities of Peñablanca, Enrile, Solana, Amulung, Piat, Sto. Niño, Tuao, Rizal, Iguig, Alcala and Baggao, Province of Cagayan. As a franchise applicant, CAGELCO 1 possesses the technical, financial and institutional capabilities to perform the electrification program in the municipalities covered by their franchise area.

The enactment of this bill will ensure the continuous delivery of electric service from CAGELCO 1 to the coverage area and will continue to be in the forefront of the province's economic development. Likewise, it will be in line with the policy of the State, as provided for in EPIRA, to accelerate the total electrification of the country and guarantee the cooperative's commitment to deliver efficient, reliable, and affordable supply of electric power with strong involvement of the member-consumer-owners (MCOs).

This bill was filed and deliberated upon in the 19th Congress and was approved by the House of Representatives on Third Reading. This representation is re-filing this measure to ensure the continued and uninterrupted service of the electric cooperative to their communities.

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

A handwritten signature in black ink, appearing to read 'Presley C. De Jesus', written in a cursive style.

REP. PRESLEY C. DE JESUS

PhilRECA Party-List



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AN ACT

GRANTING THE CAGAYAN 1 ELECTRIC COOPERATIVE, INC. (CAGELCO I) A FRANCHISE TO CONSTRUCT, INSTALL, ESTABLISH, OPERATE, OWN, MANAGE AND MAINTAIN DISTRIBUTION SYSTEMS FOR THE CONVEYANCE OF ELECTRIC POWER TO THE END-USERS IN THE CITY OF TUGUEGARAO AND MUNICIPALITIES OF PEÑABLANCA, ENRILE, SOLANA, AMULUNG, PIAT, STO. NIÑO, TUAO, RIZAL, IGUIG, ALCALA AND BAGGAO, PROVINCE OF CAGAYAN

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
2 provisions of the Constitution and applicable laws, rules and regulations,
3 there is hereby granted to the Cagayan I Electric Cooperative, Inc. (CAGELCO
4 I), hereunder referred to as the grantee, its successors or assigns a franchise
5 to construct, install, establish, operate, own, manage and maintain in the
6 public interest and commercial purposes, a distribution system for the
7 conveyance of electric power to the end-users in the City of Tuguegarao and
8 Municipalities of Peñablanca, Enrile, Solana, Amulung, Piat, Sto. Niño, Tuao,
9 Rizal, Iguig, Alcala and Baggao, Province of Cagayan.

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

1 facility of the end-users.

2 **SEC. 2. Manner of Operation of Facilities.** – All electric distribution
3 facilities, lines and systems for electric services installed, owned, maintained,
4 operated, managed by the Grantee, its successors or assigns shall be operated
5 or maintained at all times in a superior manner, and it shall be the duty of
6 the Grantee, its successors or assigns, whenever required to do so by the
7 Energy Regulatory Commission (ERC), or its legal successor, or the
8 Department of Energy (DOE), or its legal successor, or any other government
9 agency concerned to modify, improve and change such facilities or systems in
10 such manner and to such extent as the progress in science or technology and
11 improvements or innovations in the electric power services may render
12 reasonable and proper.

13 Whenever practicable, and for purposes of maintaining order, safety
14 and aesthetics along the highways, roads, streets, alleys or right-of-way, the
15 Grantee may allow the use of free spaces in its poles, facilities, or right-of-way
16 by interested parties upon reasonable compensation to the Grantee
17 considering the costs incurred to accommodate and administer the use of the
18 Grantee’s facilities by such parties. The ERC shall decide in case of dispute
19 or disagreement between the parties.

20 **SEC. 3. Authority of the ERC and NEA.** – The Grantee shall secure
21 from the ERC or NEA any government agency having jurisdiction over their
22 operations, the Certificate of Public Convenience and Necessity and any other
23 license, permit or authority indispensable for the construction and operation
24 of the electric power distribution system.

25 **SEC. 4. Excavation and Restoration Works.** – For the purpose of
26 erecting and maintaining the poles or other supports for said facilities, wires
27 or other conductors or for the purpose of laying and maintaining said
28 facilities, wires, cables or other conductors, it shall be lawful for the Grantee,
29 its successors, or assignees, in coordination with the Department of Public
30 Works and Highways (DPWH) or the local government unit (LGU) concerned,
31 as may be appropriate, to make excavations or lay conduits in any of the
32 public places, highways, road, streets, lanes, alleys, avenues, sidewalks, or
33 bridges of the province, cities or municipalities: *Provided, however,* That a
34 public place, highway, road, street, lane, alley, avenue, sidewalk, or bridge
35 disturbed, altered, or changed by reason of erection of poles or other supports
36 or the underground laying of wires, other conductors or conduits, shall be
37 repaired and replaced in workmanlike manner by the Grantee, its successors
38 or assignees, in accordance with the standards set by the DPWH or the local
39 government unit concerned. Should the Grantee, its successors or assignees,
40 after the ten (10)-day notice from the grant of authority, fail, refuse or neglect

1 to repair or replace any part of public place, highway, road, street, lane, alley,
2 avenue, sidewalk, or bridge altered, changed or disturbed by the said Grantee,
3 its successors or assignees, then the DPWH or the local government unit
4 concerned shall have the right to have the same repaired and replaced in good
5 order and condition and charge the Grantee, its successors or assignees,
6 double the amount of the cost and expenses for such repair or replacement.

7 **SEC. 5. Responsibility to the Public.** – The Grantee shall supply
8 electricity to its captive market in the least costly manner. In the interest of
9 the public good and as far as feasible and whenever required by the ERC, the
10 Grantee shall modify, improve, or change its facilities, poles, lines, systems
11 and equipment for the purpose of providing efficient and reliable service and
12 reduced electricity costs. The Grantee shall charge reasonable and just power
13 rates for its services to all types of consumers within its franchised area in
14 order that business and industries shall be able to compete.

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

22 **SEC. 6. Rates for Services.** – The retail rates and charges for the
23 distribution of electric power by the Grantee to its end-users shall be
24 regulated by and subject to the approval of the ERC or its legal successor.

25 The Grantee shall identify and segregate in its electricity bill to the end-
26 users the components of the retail rate pursuant to RA 9136, unless otherwise
27 amended. Such rates charged by the Grantee to the end-users shall be made
28 public and transparent. The Grantee shall implement lifeline rate to
29 marginalized end-users as mandated under RA 9136.

30 **SEC. 7. Promotion of Consumer Interests.** – The Grantee herein shall
31 establish a consumer desk that will handle consumer complaints and ensure
32 adequate promotion of consumer interests. The Grantee shall act with
33 dispatch on all complaints brought before it.

34 **SEC. 8. Commitment to Provide and Promote the Creation of**
35 **Employment Opportunities.** – The Grantee shall create employment
36 opportunities and shall allow on-the-job training in its franchise operation:
37 *Provided*, That priority shall be accorded to the residents where their principal
38 office is located: *Provided, further*, That the Grantee shall comply with the

1 applicable labor standards and allowance entitlement under existing labor
2 laws, rules and regulations, and similar issuances.

3 **SEC. 9. Right of the Government.** – A special right is hereby reserved
4 to the President of the Philippines, in times of war, rebellion, public peril,
5 calamity, emergency, disaster or disturbance of peace and order: to
6 temporarily take over and operate the stations or facilities of the Grantee; to
7 temporarily suspend the operation of any station or facility in the interest of
8 public safety, security, and public welfare; or to authorize the temporary use
9 and operation thereof by any agency of the government, upon due
10 compensation to the Grantee, for the use of the stations or facilities during
11 the period when these shall be so operated.

12 **SEC. 10. Right of Eminent Domain.** – Subject to the limitations and
13 procedures prescribed by law, the Grantee is authorized to exercise the right
14 of eminent domain insofar as it may be reasonably necessary for the efficient
15 maintenance and operation of services. The Grantee is authorized to install
16 and maintain its poles, wires, and other facilities over and across public
17 property, including streets, highways, forest reserves, and other similar
18 property of the Government of the Philippines, its branches, or any of its
19 instrumentalities. The Grantee may acquire such private property as is
20 actually necessary for the realization of the purposes for which this franchise
21 is granted: *Provided*, That proper expropriation proceedings shall have been
22 instituted and just compensation paid.

23 **SEC. 11. Term of Franchise.** – Unless sooner cancelled, the franchise
24 shall be in effect for a period of twenty-five (25) years from the date of
25 effectivity of this Act. This franchise shall be deemed *ipso facto* revoked in the
26 event the Grantee fails to operate continuously for two (2) years.

27 **SEC. 12. Warranty in Favor of the National and Local**
28 **Governments.** – The Grantee shall hold the national, provincial, city, and
29 municipal governments of the Philippines free from all claims, accounts,
30 demands, or actions arising from accidents causing injury to persons or
31 damage to properties, during the construction, installation, operation, and
32 maintenance of the distribution system of the Grantee.

33 **SEC. 13. Liability for Damages.** – The Grantee shall be liable for any
34 injury to persons and damage to properties arising from accidents by reason
35 of any defective construction under this franchise or of any neglect or
36 omission to keep its poles and wires in safe condition.

37 **SEC. 14. Sale, Lease, Transfer, Usufruct, or Assignment of**
38 **Franchise.** – The Grantee shall not sell, lease, transfer, grant the usufruct,

1 or assign this franchise or the rights and privileges acquired thereunder to
2 any person, firm, company, corporation, or other commercial or legal entity,
3 or merge with any other corporation, or entity, or shall transfer the controlling
4 interest of the Grantee, whether as a whole or in parts, and whether
5 simultaneously or contemporaneously, to any such person, firm, company,
6 corporation, or entity without the prior approval of the Congress: *Provided*,
7 That Congress shall be informed of any sale, lease, transfer, grant of usufruct,
8 sale, or assignment of franchise or the rights and privileges acquired
9 thereunder, or of the merger, or sale of the controlling interest within sixty
10 (60) days after the completion of said transaction: *Provided, further*, That any
11 such transfer, sale, or assignment is in accordance with the constitutional
12 limitations: *Provided, furthermore*, That failure to report to Congress such
13 change of ownership shall render the franchise *ipso facto* revoked: *Provided*,
14 *finally*, That any person or entity to which this franchise is sold, transferred,
15 or assigned, shall be subject to the same conditions, terms, restrictions, and
16 limitations of this Act.

17 **SEC. 15. Reportorial Requirement.** – The Grantee shall submit an
18 annual report to Congress, through the Committee on Legislative Franchises
19 of the House of Representatives and the Committee on Public Services of the
20 Senate, on its compliance with the terms and conditions of the franchise and
21 on its operations on or before April 30 of every year during the term of the
22 franchise. The reportorial compliance certificate issued by Congress shall be
23 required before any application for permit or certificate is accepted by the
24 ERC.

25 **SEC. 16. Fine.** – The failure of the Grantee to submit the requisite
26 annual report to Congress shall be penalized by a fine in the amount of Five
27 hundred pesos (P500.00) per working day of noncompliance which shall be
28 collected by the ERC. The fine shall be collected separately from the
29 reportorial penalties imposed by the ERC and shall be remitted to the Bureau
30 of Treasury.

31 **SEC. 17. Equality Clause.** – Any advantage, favor, privilege,
32 exemption, or immunity granted under existing franchises, or which may
33 hereafter be granted, upon prior review and approval of Congress, shall
34 become part of this franchise and shall be accorded immediately and
35 unconditionally to the herein Grantee: *Provided, however*, That the foregoing
36 shall neither apply to nor affect provisions concerning territory covered by the
37 franchise, the life span of the franchise or the type of service authorized by
38 the franchise: *Provided, further*, That the foregoing shall not apply to the sale,
39 lease, transfer, grant of usufruct, or assignment of legislative franchises with
40 prior congressional approval.

1 **SEC. 18. *Applicability of Existing Laws.*** – The Grantee shall comply
2 with and be subject to the provisions of Commonwealth Act No. 146 or the
3 “Public Service Act”, as amended, RA 9136, and RA 10531 or the “National
4 Electrification Administration Reform Act of 2013.”

5 **SEC. 19. *Existing Powers.*** – Existing mandates, powers, functions,
6 and privileges granted to electric cooperatives under existing laws, including
7 Section 10 of RA 10531 shall remain valid and effective, unless expressly
8 repealed by succeeding laws.

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

13 **SEC. 21. *Separability Clause.*** – If any of the sections or provisions of
14 this Act is held invalid, all other provisions not affected thereby shall remain
15 valid.

16 **SEC. 22. *Repealing Clause.*** – All laws, presidential decrees, executive
17 orders, letters of instruction, administrative rules and regulations or parts
18 thereof which is are contrary to or inconsistent with the provisions of this Act
19 are hereby repealed or modified accordingly.

20 **SEC. 23. *Effectivity Clause.*** – This Act shall take effect fifteen (15)
21 days after its publication in the *Official Gazette* or in a newspaper of general
22 circulation.

23 *Approved,*