Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City, Metro Manila

Twentieth Congress
First Regular Session

HOUSE BILL NO. 4017

Introduced by **Representative RAYMOND ADRIAN SALCEDA**

AN ACT
ESTABLISHING A SPECIAL DEBT RESTRUCTURING PROGRAM FOR THE ALBAY ELECTRIC COOPERATIVE (ALECO) AND OTHER DISTRESSED ELECTRIC COOPERATIVES AS THE NATIONAL ELECTRIFICATION ADMINISTRATION (NEA) MAY IDENTIFY, PROVIDING A REFINANCING FACILITY, A TAX AMNESTY, AND FOR OTHER PURPOSES

EXPLANATORY NOTE

The Albay Electric Cooperative is financially distressed. Its arrears in the Wholesale Electricity Spot Market stood at ₱656.34 million as of 30 June 2025, while other obligations bring its total liabilities to as much as ₱9.9 billion. Left unresolved, these arrears will continue to compound with penalties, prevent the cooperative from entering into stable power supply agreements, and compromise service reliability for over 200,000 member-consumers in Albay.

Consumers will inevitably pay these obligations. The issue before Congress is whether they do so through rolling arrears, surcharges, emergency power supply rates, and blackouts, or through a structured refinancing program that spreads repayment thinly, lowers the cost of capital, and compels cooperative reform.

The bill establishes a Special Debt Restructuring Facility under the National Electrification Administration, initially capitalized at Three Billion Pesos (₱3,000,000,000.00). Loans shall be coursed through government financial institutions at three percent per annum below the Bloomberg Valuation rate. New refinancing agreements may only be approved within ten years of enactment, but repayment shall continue until all obligations are fully settled, allowing amortization over fifteen to twenty years. This ensures debts are honored in full while avoiding sudden bill shocks.

The measure also provides for a one-time tax amnesty on national and local arrears, ERC approval of ring-fenced recovery charges capped to prevent sudden increases, and a Governance Covenant with the NEA. The covenant requires the appointment of independent directors by NEA, fit and proper standards for management, publication of audited financial statements, escrow accounts for repayments, annual targets for collection efficiency and system loss reduction, and compliance with Section 23 of the Electric Power Industry Reform Act on least cost procurement through competitive selection processes.

With refinancing, the same debt load becomes affordable. At present, carrying ₱6.0 billion at penalty rates of twelve percent over seven years would require annual payments of ₱1.315 billion, equivalent to ₱2.10 per kilowatt-hour or about ₱420 per month for a 200 kilowatt-hour household. Under this bill, refinancing at 3.2 percent over twenty years requires only ₱0.407 billion annually, equivalent to ₱0.65 per kilowatt-hour or about ₱130 per month. This is a monthly saving of about ₱290 per household.

If the full ₱9.9 billion is refinanced, the contrast is even starker. At twelve percent over seven years, consumers would shoulder ₱2.169 billion annually, or ₱3.46 per kilowatt-hour, equal to about ₱692 per month for a 200 kilowatt-hour household. With this bill, the same obligation at 3.2 percent over twenty years requires only ₱0.678 billion annually, equivalent to ₱1.08 per kilowatt-hour or ₱216 per month. This is a monthly saving of about ₱476 per household.

These calculations do not yet reflect further savings from mandatory competitive selection processes, prompt payment discounts, and system loss reduction. Competitive bidding alone can save around ₱0.60 per kilowatt-hour. Prompt payment discounts and avoided penalties add about ₱0.06 per kilowatt-hour. Loss reduction spreads repayments over more billed energy, reducing the recovery charge by a further 10 to 20 percent. When these savings are credited to the escrow, the net effect for most scenarios is either neutral or lower household bills compared to today.

Unlike Section 60 of the Electric Power Industry Reform Act which condoned cooperative debts outright, this measure requires full repayment of all obligations. The appropriation is revolving, so repayments replenish the fund. The ten year approval window disciplines the program, while the governance covenant ensures structural reforms that reduce losses and improve collections.

Consumers of ALECO will pay these debts either way. The difference is that with this law, they pay several hundred pesos less per month, on predictable terms, with improved governance and reliable supply. Without it, they will continue to pay through penalties, volatility, and poor service.

In view of these urgent needs and the demonstrable consumer savings, the passage of this measure is earnestly sought.

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

SECTION 1. *Short Title.* This Act shall be known as the *"Electric Cooperative Debt Restructuring Act of 2025."*

SEC. 2. *Declaration of Policy.* It is the policy of the State to ensure reliable and affordable electricity supply by addressing the financial distress of electric cooperatives, beginning with the Albay Electric Cooperative (ALECO), through a refinancing program that is fiscally responsible, time-bound, and protective of consumers.

SEC. 3. *Coverage.* This Act shall apply to the Albay Electric Cooperative (ALECO) and to such other distressed electric cooperatives as the National Electrification Administration (NEA) may identify, based on financial audits and viability tests, with notice to Congress.

SEC. 4. *Refinancing Facility.* There is hereby appropriated, out of any funds in the National Treasury not otherwise appropriated, the amount of Three Billion Pesos (P3,000,000,000.00) to be lodged under the NEA, to refinance verified obligations of covered electric cooperatives. The Fund shall be administered as loans coursed through the Land Bank of the Philippines (LBP), the Development Bank of the Philippines (DBP), and such other government financial institutions or state-owned investment corporations as may be authorized by the NEA in coordination with the Department of Finance (DOF). Loans shall carry an interest rate of three percent (3%) per annum below the prevailing Bloomberg Valuation (BVAL) rate for government securities of equivalent tenor. Loan repayments shall accrue back to the Fund and may be re-lent for the same purpose until the expiration of the Facility.

SEC. 5. *Recovery Mechanism.* The Energy Regulatory Commission (ERC) shall approve recovery mechanisms for borrowing cooperatives to ensure repayment of obligations under this Act. Such recovery charges shall be capped to avoid sudden increases in retail rates, without prejudice to existing lifeline and senior citizen discounts.

SEC. 6. *Tax Amnesty.* Qualified electric cooperatives availing of the Facility shall enjoy a one-time amnesty on all national and local taxes, surcharges, penalties, and interest due as of the effectivity of this Act. The Bureau of Internal Revenue (BIR) and the Department of Finance (DOF) shall issue the implementing rules for this Section.

SEC. 7. *Governance Covenant.* The Albay Electric Cooperative (ALECO) and any other electric cooperative availing of the refinancing facility under this Act shall enter into a Governance Covenant with the NEA as a condition precedent to the release of assistance. The Governance Covenant shall prescribe, at minimum, the following:

(a) Board Oversight. – At least two (2) NEA-appointed independent directors shall sit on the cooperative's Board of Directors with full voting rights for the duration of the refinancing period, consistent with NEA's supervisory powers under Presidential Decree No. 269, as amended.

(b) Management Standards. – The General Manager and key officers of the cooperative shall meet fit and proper standards prescribed by the NEA. The NEA may suspend or remove officers who fail to meet these standards, without prejudice to its authority under Presidential Decree No. 269, as amended.

(c) Financial Transparency. – The cooperative shall comply with NEA-prescribed accounting and disclosure standards, including the quarterly publication of audited financial statements and operational reports in a manner accessible to member-consumers.

(d) Collection and Systems Loss Targets. – The cooperative shall achieve progressive annual targets for collection efficiency and systems loss reduction, as determined by the NEA, in accordance with performance standards under Republic Act No. 9136, otherwise known as the *Electric Power Industry Reform Act of 2001 (EPIRA)*, and rules of the ERC.

(e) Escrow Accounts. – All revenues intended for debt repayment shall be deposited in ring-fenced escrow accounts subject to NEA monitoring and audit.

(f) Procurement of Power Supply. – Pursuant to Section 23 of Republic Act No. 9136 (EPIRA), the cooperative shall procure power supply for its captive market in the least-cost manner through Competitive Selection Processes (CSPs), as mandated by the Department of Energy and subject to approval by the ERC. Compliance with these requirements shall form part of the Governance Covenant and shall be monitored by the NEA.

(g) Step-in Rights. – In case of material breach of the Governance Covenant, the NEA shall immediately exercise its step-in rights, which may include assumption of management control, suspension of the cooperative's board, and the appointment of a management team to oversee operations until compliance is restored.

SEC. 8. *Transparency.* The NEA shall submit a consolidated report to Congress every six (6) months on the implementation of this Act.

SEC. 9. *Effectivity of Facility.* Notwithstanding existing refinancing facilities and programs outside the coverage of this Act, the authority of the NEA to approve new refinancing agreements under this Act shall be effective for a period of ten (10) years from the effectivity of this Act. After such period, no new refinancing shall be granted unless renewed by Congress. Notwithstanding this limitation, the Facility itself shall continue to operate until all obligations contracted within the effectivity period have been fully paid and settled.

SEC. 10. *Implementing Rules*. Within sixty (60) days from the effectivity of this Act, the NEA shall issue the implementing rules and regulations. The role of the ERC shall be limited to the approval of recovery mechanisms under Section 5.

SEC. 11. *Separability Clause.* If any provision of this Act is declared unconstitutional, the remainder shall not be affected.

SEC. 12. *Effectivity.* This Act shall take effect fifteen (15) days after publication in the Official Gazette or in a newspaper of general circulation.

Approved,