



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

TWENTIETH CONGRESS
First Regular Session



HOUSE BILL NO. 6224

Introduced by
Hon. Roger G. Mercado
Hon. Christopherson M. Yap
APEC Party-List Representative Sergio C. Dagooc
PHILRECA Party-List Representative Presley C. De Jesus

EXPLANATORY NOTE

The mandate of the State under Section 1, Article XII of the 1987 Constitution is to promote industrialization and full employment based on sound agricultural development and agrarian reform, through industries that make full and efficient use of human and natural resources, and which are competitive in both domestic and foreign markets. Central to this constitutional objective is the provision of stable, affordable, and reliable electricity to all Filipinos.

For decades, the Southern Leyte Electric Cooperative, Inc. (SOLECO) has been at the forefront of delivering electricity services to its coverage areas in the Province of Southern Leyte. These include the City of Maasin and the Municipalities of Anahawan, Bontoc, Hinunangan, Hinundayan, Libagon, Liloan, Macrohon, Malitbog, Padre Burgos, Pintuyan, Saint Bernard, San Francisco, San Juan, San Ricardo, Silago, Sogod, Tomas Oppus, and the Island Municipality of Limasawa. The cooperative's existence and operations have been instrumental in fueling local economic growth, ensuring access to education and healthcare, and improving the overall quality of life of its member-consumer-owners.

The grant of a legislative franchise to SOLECO seeks to authorize the cooperative to construct, install, establish, operate, own, manage, and maintain distribution systems for the conveyance of electric power to end-users within its franchise area. This is consistent with Republic Act No. 9136, otherwise known as the "Electric Power Industry Reform Act of 2001 (EPIRA)" and Republic Act No. 10531, the "National Electrification Administration Reform Act of 2013" which recognizes the role of electric cooperatives in promoting total electrification and advancing rural development.

The franchise ensures that SOLECO will continue to be regulated by the Energy Regulatory Commission (ERC), and that it shall remain accountable to the government and its member-consumer-owners by charging just and reasonable rates, providing reliable services, and establishing a consumer desk to address complaints. Moreover, provisions are in place to safeguard public interest, such as the government's reserved right to temporarily take over operations in times of national emergency, the requirement to comply with reportorial obligations to Congress, and the imposition of fines for non-compliance.

In view of the foregoing, the approval of this bill is hereby being earnestly sought to guarantee the continued and improved delivery of electricity in the Province of Southern Leyte, thereby advancing socio-economic progress and the welfare of the people of Southern Leyte.



REP. ROGER G. MERCADO

Representative, 1st District, Southern Leyte



REP. CHRISTOPHERSON M. YAP

Representative, 2nd District, Southern Leyte



REP. SERGIO C. DAGOOC

APEC Party-List Representative



REP. PRESLEY C. DE JESUS

PHILRECA Party-List Representative



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

TWENTIETH CONGRESS
First Regular Session

House Bill No. 6224

Introduced by
Hon. Roger G. Mercado
Hon. Christopherson M. Yap
APEC Party-List Representative Sergio C. Dagooc
PHILRECA Party-List Representative Presley C. De Jesus

AN ACT

GRANTING A FRANCHISE TO SOUTHERN LEYTE ELECTRIC COOPERATIVE, INC. (SOLECO) 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 MAASIN AND MUNICIPALITIES OF ANAHAWAN, BONTOC, HINUNANGAN, HINUNDAYAN, LIBAGON, LILOAN, MACROHON, MALITBOG, PADRE BURGOS, PINTUYAN, SAINT BERNARD, SAN FRANCISCO, SAN JUAN, SAN RICARDO, SILAGO, SOGOD, TOMAS OPPUS, AND THE ISLAND MUNICIPALITY OF LIMASAWA, PROVINCE OF SOUTHERN LEYTE

Be it enacted by the Senate and the House of Representatives of the Philippines in 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 Southern Leyte Electric Cooperative, Inc. (SOLECO), hereunder referred to as the Grantee, its successors or assignees, a franchise to construct, install, establish, operate, own, manage and maintain in the public interest and for commercial purposes, a distribution system for the conveyance of electric power to the end-users in the City Of Maasin and Municipalities of Anahawan, Bontoc, Hinunangan, Hinundayan, Libagon, Liloan, Macrohon, Malitbog, Padre Burgos, Pintuyan, Saint Bernard, San Francisco, San Juan, San Ricardo, Silago, Sogod, Tomas Oppus, and the Island Municipality of Limasawa, Province of Southern Leyte. As used in this

Act, distribution system refers to the system of wires and associated facilities including sub-transmission lines belonging to a franchised distribution utility extending between the delivery point on the national transmission system or generating facility and the metering point/facility of the end-users.

SEC. 2. *Manner of Operations of Facilities.* - All electric distribution facilities, lines and systems for electric services installed, owned, operated, managed or maintained by the Grantee, its successors or assignees, shall be operated or maintained at all times in a superior manner, and it shall be the duty of the Grantee, its successors or assignees, 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 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.

SEC. 3. *Authority of the ERC and NEA.* - The Grantee shall secure from the ERC or the NEA or any government agency having jurisdiction over its operations, the Certificate of Public Convenience and Necessity (CPCN) and any other license, permit or authority indispensable for the construction and operation of the electric power distribution system.

SEC. 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, lanes, alleys, avenues, sidewalks, or bridges of the province, cities or municipalities: 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.

SEC. 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 non-discriminatory access to its distribution system and services for any end-user within its franchise area consistent with Republic Act (RA) 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 competitiveness of businesses and industries.

SEC. 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 RC 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 RA 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 lifeline rate to marginalized end-users as mandated under RA No. 9136.

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

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

SEC. 9. *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.

SEC. 10. ***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 its 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.

SEC. 11. ***Term of Franchise.*** - Unless sooner cancelled, this franchise shall be in effect for a period of twenty-five (25) years, commencing immediately upon the expiration of the existing franchise granted to SOLECO. This franchise shall be deemed ipso facto revoked in the event the Grantee fails to operate continuously for two (2) years.

SEC. 12. ***Warranty in Favor of the 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 from accidents causing injury to persons or damage to property, during the construction, installation, operation, and maintenance of the distribution system of the Grantee.

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

SEC. 14. ***Sale, Lease, Transfer, Usufruct, or Assignment of Franchise.*** - The Grantee shall not sell, lease, transfer, grant the usufruct of, or 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 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; Provided, That Congress shall be informed of any lease, transfer, grant of 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 said transaction: Provided, further. That any such transfer, sale, or assignment is in accordance with the 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.

SEC. 15. ***Reportorial Requirement*** - The Grantee shall submit an annual report to Congress, through the Committee on Legislative Franchises of the House of the

Representatives and the Committee on Public Services of the Senate, on its compliance with the terms and conditions of the franchise and 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 permit or certificate is accepted by the ERC.

SEC. 16. ***Fine*** - The failure of the Grantee to submit the requisite annual report to Congress shall be penalized with a fine in the amount of Five hundred pesos (P500.00) per working day of non-compliance which shall be collected by the ERC. The fine shall be collected separately from the reportorial penalties imposed by the ERC and shall be remitted to the Bureau of the Treasury.

SEC. 17. ***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 of 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.

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

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

SEC. 20. ***Existing Powers***. - Existing mandates, powers, functions, and privileges granted to electric cooperatives under existing laws, including Section 10 of RA No. 10531, otherwise known as the "National Electrification Administration Reform Act of 2013", shall remain valid and effective, unless expressly repealed by succeeding laws. SEC. 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.

SEC. 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.

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

Approved,
