



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

20<sup>th</sup> CONGRESS  
1st Regular Session

HOUSE BILL NO. 7474



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Introduced by Representative SITTIE SHAHARA "BAI DIMPLE" I. MASTURA

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**AN ACT**  
**AMENDING REPUBLIC ACT NO. 10637 TO INCLUDE THE ENTIRE PROVINCE OF**  
**MAGUINDANAO DEL NORTE IN THE FRANCHISE AREA OF COTABATO LIGHT AND POWER**  
**COMPANY**

**EXPLANATORY NOTE**

Electricity is an essential social need and a universal human right because it is necessary for modern life and health, providing light at night, operating appliances and equipment, enabling the conduct of livelihood activities, enabling digital transactions, providing access to decent healthcare facilities, and providing education through smart classes.

Simply put, access to electricity is inherent in the realization of other fundamental rights, such as livelihood, health, sanitation, and education, which are indispensable elements of daily life in this day and age.

It is in this context that electrification is consistently a flagship program and priority policy of the government implemented through various strategies and activities that will ensure and accelerate the country's total electrification, as provided in Section 2(a) of Republic Act No. 9136, otherwise known as the "Electric Power Industry Reform Act (EPIRA) of 2001".

Through various electrification strategies and activities, consistent with the National Total Electrification Framework, the National Electrification Administration (NEA), National Power Corporation-Small Power Utilities Group (NPC-SPUG), all distribution utilities (DUs), partner local government units (LGUs), DOE-accredited State Universities and Colleges, and other Program partners that are competent to implement household electrification projects, are all together focused on achieving a 100% electrification rate by 2028.

As of December 2024, the electrification rate stood at 94.75%, covering 27.9 million households, a figure that should and must also be viewed against the backdrop of the current state of electric distribution across many franchise areas in the country.

While this representation commends the progressive achievements of our government in addressing the needs of our people for electricity, more importantly, in underserved and unserved areas, as State policy under Republic Act No. 9136, Section 2(b) of the same Act declares as well that the State guarantees that the supply of electricity is secure, of quality, reliable, and affordable.

To this end, distribution utilities are mandated to provide universal service within their franchise in a manner that shall also sustain the economic viability of the utility, subject to the regulatory conditions set forth by the Energy Regulatory Commission (ERC), the Distribution Code, and performance standards prescribed in the Implementing Rules and Regulations of RA 9136.

The Province of Maguindanao del Norte is a service area of the Maguindanao Electric Cooperative, Inc. (MAGELCO), a duly organized cooperative with a franchise to distribute electric light and power to the same except for the Municipalities of Datu Odin Sinsuat and Sultan Kudarat, both of which are service areas of Cotabato Light and Power Company.

In 2022, the Department of Finance (DOF) ordered the Power Sector Assets and Liabilities Management Corporation (PSALM) to stop MAGELCO from supplying electricity due to non-settlement of debts to the government, unremitted universal charges, and recurring inability to pay current power bills on time.

The continued inability of MAGELCO to settle the outstanding payables led PSALM to take out loans to offset the deficits, a temporary measure that cannot be allowed to continue because PSALM, for and on behalf of the National Government, is not mandated to subsidize losses of electric cooperatives.

Accrued over many years, the outstanding debt in billions of pesos is composed mainly of interest payments due to poor financial management, ineffective and low-efficiency consumer debt collection, and high system losses.

While a proposal for the condonation of their outstanding debts was filed in the 19<sup>th</sup> Congress, the same is no longer feasible today because the resulting extinguishment of obligations will result in additional debt burden on the national government, already saddled with enormous debts incurred during and after the COVID-19 pandemic.

This bill, therefore, seeks to expand the franchise of the Cotabato Light and Power Company to establish, operate, and maintain, for commercial purposes and in the public interest, a distribution system for the conveyance of electric power to the end-users in the Municipalities of Barira, Buldon, Datu Blah T. Sinsuat, Kabuntalan, Matanog, Northern Kabuntalan, Parang, Sultan Mastura, Talitay, and Upi, all in the Province of Maguindanao del Norte.

This proposed measure, when enacted, shall amend the existing franchise of MAGELCO in conformity with the transitory provisions of this Act.

Our constituents, through their respective local government officials, consumer advocacy groups, the business sector, and other stakeholders, have voiced their concerns because of the resulting disruption to their daily lives brought by prolonged brown-outs, unstable and unreliable power supply.

Cotabato Light and Power Company (Cotabato Light) is Aboitiz Power Corporation's distribution utility that provides electric power to Cotabato City, including the surrounding municipalities of Datu Odin Sinsuat and Sultan Kudarat in Maguindanao.

As a newly-created province and legislative district, the people of Maguindanao del Norte deserve no less than a reliable and stable supply of electricity, an efficient distribution utility, worthy of the growing energy demand that builds and advances the interests of businesses and communities.

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



**SITTIE SHAHARA "BAI DIMPLE" I. MASTURA**

*Representative*

Maguindanao del Norte with the City of Cotabato  
Lone District



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**AN ACT**

**AMENDING REPUBLIC ACT NO. 10637 TO INCLUDE THE ENTIRE PROVINCE OF MAGUINDANAO DEL NORTE IN THE FRANCHISE AREA OF COTABATO LIGHT AND POWER COMPANY**

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

**SECTION 1.** Section 1 of Republic Act No. 10637 is amended to read as follows:

**"SECTION 1. *Nature and Scope of Franchise.* – Subject to the provisions of the 1987 Philippine Constitution and applicable laws, rules and regulations, there is hereby granted to Cotabato Light and Power Company, hereunder referred to as the grantee, its successors or assigns, a franchise to construct, install, establish, operate and maintain for commercial purposes and in the public interest, a distribution system for the conveyance of electric power to the end-users in the City of Cotabato and the municipalities of BARIRA, BULDON, DATU BLAH T. SINSUAT, Datu Odin Sinsuat, KABUNTALAN, MATANOG, NORTHERN KABUNTALAN, PARANG, and Sultan Kudarat, SULTAN MASTURA, TALITAY, AND UPI both ALL in the Province of Maguindanao DEL NORTE.**

**"AS USED IN THIS ACT, DISTRIBUTION SYSTEM REFERS TO THE SYSTEM OF WIRES AND ASSOCIATED FACILITIES, INCLUDING SUBTRANSMISSION LINES BELONGING TO OR USED BY A FRANCHISED DISTRIBUTION UTILITY, EXTENDING BETWEEN THE DELIVERY POINT ON THE NATIONAL TRANSMISSION SYSTEM OR GENERATING FACILITY AND THE METERING POINT OR FACILITY OF THE END USER."**

**SEC. 2.** A new section denominated as Section 5-A is inserted after Section 5 of the same Act, to read as follows:

**"SEC. 5-A. *ASSIGNMENT OF BENEFICIAL CONTRACTS.* - IN ORDER TO MANAGE THE COSTS TO THE END-USERS, MAGUINDANAO ELECTRIC COOPERATIVE (MAGELCO) SHALL ENDEAVOR TO ASSIGN AND RE-ALLOCATE BENEFITS OR BENEFICIAL**

**CONTRACTS ACCORDED TO IT WITH RESPECT TO THE PORTIONS OF MAGELCO'S FRANCHISE AREA NOW ASSIGNED TO GRANTEE, IN FAVOR OF THE GRANTEE, WHEN ALLOWED."**

**SEC. 3.** Section 14 of Republic Act No. 10637 is amended to read as follows:

**"SEC. 14. *Term of Franchise.* — This franchise shall be in effect for a period of twenty-five (25) years from the **DATE OF THE EFFECTIVITY OF THIS ACT**, as amended, unless sooner cancelled. This franchise shall be deemed ipso facto revoked in the event the grantee fails to operate continuously for two (2) years.**

**SEC. 4.** A new section denominated as Section 21-A is inserted after Section 21 of Republic Act No. 10637, to read as follows:

**"SEC. 21-A. *TRANSITION OF OPERATIONS.* – TO ENSURE THE UNINTERRUPTED SUPPLY OF ELECTRICITY TO THE SAID AREAS, MAGELCO, IN THE INTERIM, IS AUTHORIZED TO OPERATE THE EXISTING DISTRIBUTION SYSTEM WITHIN ITS FORMER FRANCHISE AREA INCLUDED IN THE GRANTEE'S EXPANDED FRANCHISE AREA PURSUANT TO SECTION 1 HEREOF AS AMENDED, AND IMPLEMENT MAGELCO'S EXISTING POWER SUPPLY AGREEMENTS THAT HAVE BEEN PROVISIONALLY OR FINALLY APPROVED BY THE ERC, OR THOSE ALLOWED TO BE IMMEDIATELY IMPLEMENTED PURSUANT TO LAWS, RULES, OR REGULATIONS, UNTIL THE GRANTEE ESTABLISHES OR ACQUIRES ITS OWN DISTRIBUTION SYSTEM AND FULLY TAKES OVER THE OPERATIONS IN THE FRANCHISE AREA INCLUDED IN THE GRANTEE'S FRANCHISE AREA PURSUANT TO SECTION 1 HEREOF AS AMENDED.**

**"THE AUTHORITY TO OPERATE DURING THE TRANSITION PERIOD GRANTED TO MAGELCO SHALL NOT PREVENT THE GRANTEE FROM EXERCISING THE RIGHT OF EMINENT DOMAIN AS PROVIDED UNDER SECTION 9 OF THIS ACT.**

**"FURTHERMORE, TO ASSIST MAGELCO IN THE ECONOMIC RECOVERY MAGELCO SHALL BE ALLOWED TO SELL, LEASE, OR DISPOSE OF ITS PROPERTY LOCATED IN THE EXPANDED FRANCHISE AREA, IN FAVOR OF THE GRANTEE, AND THE GRANTEE SHALL HAVE THE OPTION TO PURCHASE, WHEN SUCH SALE, LEASE, OR OTHER DISPOSITION IS (1) PRICED AT BOOK VALUE OF THE ASSETS IN CASE OF SALE OR OTHER DISPOSITION, USING PHILIPPINE ACCOUNTING STANDARDS, AND (2) CONSENTED BY THE NEA AND ANY OTHER LENDING SOURCE WHICH THEN HOLDS A LIEN ON ANY OF THE COOPERATIVE'S PROPERTIES, IN LIEU OF ANY OF THE REQUIREMENTS SET UNDER PRESIDENTIAL DECREE NO. 269, SECTION 36 (B).**

**"AS PART OF THE TRANSITION PERIOD FROM MAGELCO TO THE GRANTEE, THE GRANTEE SHALL INITIALLY BE EXCUSED FROM COMPLIANCE WITH THE SYSTEM LOSS CAP SET BY THE ERC PURSUANT TO REPUBLIC ACT NO. 9136 AND THE ERC'S RELEVANT ISSUANCES ON THE SUBJECT MATTER: PROVIDED, THAT SUCH TRANSITION PERIOD FOR COMPLIANCE WITH THE SYSTEM LOSS CAP PRESCRIBED FOR PRIVATE DISTRIBUTION UTILITIES SHALL NOT EXCEED TEN (10) YEARS FROM THE GRANT OF THE GRANTEE'S CPCN FOR THE EXPANDED FRANCHISE AREA: PROVIDED, FURTHER, THAT WITHIN SIX (6) MONTHS FROM THE ISSUANCE OF THE CPCN, THE GRANTEE SHALL SUBMIT TO THE ERC, A PROPOSED IMPLEMENTATION STRATEGY INCLUDING**

**THE ESTIMATED RATE IMPACT ON CONSUMERS TO LOWER THE SYSTEM LOSS WITHIN THE EXPANDED FRANCHISE AREA AND ACHIEVE THE PRESCRIBED SYSTEM LOSS CAP BY THE END OF THE TEN (10)-YEAR PERIOD: PROVIDED, FINALLY, THAT THE FOREGOING SHALL APPLY ONLY WITHIN THE EXPANDED FRANCHISE AREA AND THE GRANTEE SHALL NOT BE EXCUSED FROM COMPLIANCE WITH THE SYSTEMLOSS CAP PRESCRIBED BY THE ERC FOR PRIVATE DISTRIBUTION UTILITIES WITHIN THE AREAS OF THE CITY OF COTABATO, AND THE PORTIONS OF THE MUNICIPALITIES OF DATU ODIN SINSUAT AND SULTAN KUDARAT. THE COMPLIANCE WITH THE SYSTEMS LOSS CAP OF THE GRANTEE SHALL ONLY BE UNIFIED AFTER TEN (10) YEARS FROM THE GRANT OF THE GRANTEE'S CPCN FOR THE EXPANDED FRANCHISE AREA.**

**"TO REDUCE THE LENGTH OF THE TRANSITION PERIOD, THE ERC AND ALL AGENCIES ISSUING THE REQUISITE LICENSES SHALL PRIORITIZE ALL APPLICATIONS OF THE GRANTEE RELEVANT TO THE ESTABLISHMENT AND OPERATION OF THE DISTRIBUTION SYSTEM UNDER ITS FRANCHISE.**

**"IN THE HIRING OF EMPLOYEES, THE GRANTEE SHALL, AS FAR AS PRACTICABLE AND SUBJECT TO CERTAIN QUALIFICATION STANDARDS, GIVE CONSIDERATION TO FORMER EMPLOYEES OF MAGELCO WHEN IT COMMENCES BUSINESS OPERATIONS IN ITS NEW FRANCHISE AREA.**

**"MAGELCO SHALL ENSURE THAT AFFECTED EMPLOYEES NOT HIRED BY THE GRANTEE AND NOT RETAINED BY MAGELCO SHALL, TO THE EXTENT ELIGIBLE, RECEIVE ALL SEPARATION OR RETIREMENT BENEFITS IN ACCORDANCE WITH APPLICABLE LAWS.**

**"AN INFORMATION DISSEMINATION CAMPAIGN REGARDING PUBLIC SERVICES AND OPERATIONS OF THE GRANTEE SHALL BE MADE TO ALL END USERS IN THE FRANCHISE AREA.**

**"THE DOE SHALL, DURING THE TRANSITION, ENSURE THAT THE SUPPLY OF ELECTRICITY IN THE EXISTING FRANCHISE AREA IS UNINTERRUPTED."**

**SEC. 5.** All laws, decrees, orders, resolutions, instructions, and rules and regulations or parts thereof which are inconsistent with this Act are hereby deemed repealed or modified accordingly.

**SEC. 6.** This Act shall take effect fifteen (15) days after its publication in the *Official Gazette* or in a newspaper of general circulation.

**Approved,**