



Republic of the Philippines
House of Representatives
Quezon City



TWENTIETH CONGRESS

First Regular Session

House Bill No. 9758

Introduced by

Presley C. De Jesus, PhilRECA Party-List Representative

Sergio C. Dagooc, APEC Party-List Representative

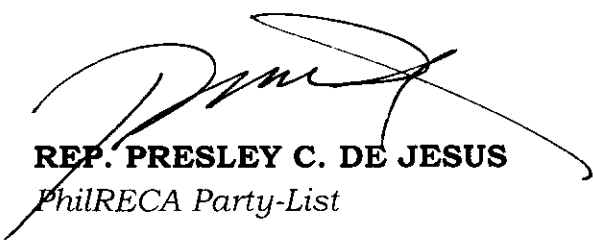
EXPLANATORY NOTE

This bill seeks to grant a congressional franchise to the Cagayan II Electric Cooperative, Inc. (CAGELCO II) to provide an electric power distribution system to the people of the Municipalities of Claveria, Sta. Praxedes, Sanchez Mira, Pamplona, Ballesteros, Abulug, Aparri, Camalaniugan, Allacapan, Lallo, Buguey, Santa Teresita, Gattaran, Lasam, Gonzaga, Sta. Ana, and the barangays of Abariongan Ruar, Abariongan Uneg, Calassitan, Calapangan in the Municipality of Santo Niño, all in the Province of Cagayan; and the Municipalities of Flora, Sta. Marcela, Luna, and Pudtol, in the Province of Apayao. Furthermore, it lays down the standards and conditions that the franchise grantee must attain and fulfill in order to implement an effective partnership between the government and the distribution utility as its implementing partner for total electrification.

CAGELCO II has been in operation for almost 50 years as a service-oriented, non-stock and non-profit cooperative. Pursuant to the provisions of Presidential Decree No. 269, CAGELCO II was officially registered as an electric cooperative on January 20, 1978 and was granted a Certificate of Franchise to operate for 50 years on October 1, 1980. The cooperative has been providing continuous service to 513 barangays, achieving 100% barangay electrification rate. Over the years, the cooperative has demonstrated its technical, financial, and institutional capability to carry out its mandate, evidenced by its efforts in reducing system loss, minimizing power outages, and maintaining high collection efficiency.

Granting this franchise will ensure the continuous supply of electricity to the people of the Cagayan. It will also allow CAGELCO II to sustain its mission of playing a vital role in the socio-economic development of its coverage area by providing an affordable, dependable, efficient and reliable electric service to its member-consumer-owners.

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



REP. PRESLEY C. DE JESUS

PhilRECA Party-List



REP. SERGIO C. DAGOOC

APEC Party-List



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AN ACT

GRANTING THE CAGAYAN II ELECTRIC COOPERATIVE, INC. (CAGELCO II) A FRANCHISE TO CONSTRUCT, INSTALL, ESTABLISH, OPERATE, OWN, MANAGE AND MAINTAIN DISTRIBUTION SYSTEMS FOR THE CONVEYANCE OF ELECTRIC POWER TO THE END-USERS IN MUNICIPALITIES OF CLAVERIA, STA. PRAXEDES, SANCHEZ MIRA, PAMPLONA, BALLESTEROS, ABULUG, APARRI, CAMALANIUGAN, ALLACAPAN, LALLO, BUGUEY, SANTA TERESITA, GATTARAN, LASAM, GONZAGA, STA. ANA, AND THE BARANGAYS OF ABARIONGAN RUAR, ABARIONGAN UNEG, CALASSITAN, CALAPANGAN IN THE MUNICIPALITY OF SANTO NIÑO, ALL IN THE PROVINCE OF CAGAYAN; AND THE MUNICIPALITIES OF FLORA, STA. MARCELA, LUNA, AND PUDTOL, IN THE PROVINCE OF APAYAO

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 Electric hereunder referred to as the
4 Grantee, its successors or assigns a franchise to construct, install, establish,
5 operate, own, manage and maintain in the public interest and commercial
6 purposes, a distribution system for the conveyance of electric power to the
7 end-users in the Municipalities of Claveria, Sta. Praxedes, Sanchez Mira,

1 Pamplona, Ballesteros, Abulug, Aparri, Camalaniugan, Allacapan, Lallo,
2 Buguey, Santa Teresita, Gattaran, Lasam, Gonzaga, Sta. Ana, and the
3 barangays of Abariongan Ruar, Abariongan Uneg, Calassitan, Calapangan in
4 the Municipality of Santo Niño, all in the Province of Cagayan; and the
5 Municipalities of Flora, Sta. Marcela, Luna, and Pudtol, in the Province of
6 Apayao.

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

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

23 Whenever practicable, and for purposes of maintaining order, safety
24 and aesthetics along the highways, roads, streets, alleys or right-of-way, the
25 Grantee may allow the use of free spaces in its poles, facilities, or right-of-way
26 by interested parties upon reasonable compensation to the Grantee
27 considering the costs incurred to accommodate and administer the use of the
28 Grantee's facilities by such parties. The ERC shall decide in case of dispute
29 or disagreement between the parties.

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

35 **SEC. 4. Excavation and Restoration Works.** – For the purpose of
36 erecting and maintaining the poles or other supports for said facilities, wires
37 or other conductors or for the purpose of laying and maintaining said
38 facilities, wires, cables or other conductors, it shall be lawful for the Grantee,
39 its successors, or assignees, in coordination with the Department of Public

1 Works and Highways (DPWH) or the local government unit (LGU) concerned,
2 as may be appropriate, to make excavations or lay conduits in any of the
3 public places, highways, road, streets, lanes, alleys, avenues, sidewalks, or
4 bridges of the province, cities or municipalities: *Provided, however,* That a
5 public place, highway, road, street, lane, alley, avenue, sidewalk, or bridge
6 disturbed, altered, or changed by reason of erection of poles or other supports
7 or the underground laying of wires, other conductors or conduits, shall be
8 repaired and replaced in workmanlike manner by the Grantee, its successors
9 or assignees, in accordance with the standards set by the DPWH or the local
10 government unit concerned. Should the Grantee, its successors or assignees,
11 after the ten (10)-day notice from the grant of authority, fail, refuse or neglect
12 to repair or replace any part of public place, highway, road, street, lane, alley,
13 avenue, sidewalk, or bridge altered, changed or disturbed by the said Grantee,
14 its successors or assignees, then the DPWH or the local government unit
15 concerned shall have the right to have the same repaired and replaced in good
16 order and condition and charge the Grantee, its successors or assignees,
17 double the amount of the cost and expenses for such repair or replacement.

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

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

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

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

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

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

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

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

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

36 **SEC. 12. Warranty in Favor of the National and Local**
37 **Governments.** – The Grantee shall hold the national, provincial, city, and
38 municipal governments of the Philippines free from all claims, accounts,
39 demands, or actions arising from accidents causing injury to persons or

1 damage to properties, during the construction, installation, operation, and
2 maintenance of the distribution system of the Grantee.

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

7 **SEC. 14. Sale, Lease, Transfer, Usufruct, or Assignment of**
8 **Franchise.** – The Grantee shall not sell, lease, transfer, grant the usufruct,
9 or assign this franchise or the rights and privileges acquired thereunder to
10 any person, firm, company, corporation, or other commercial or legal entity,
11 or merge with any other corporation, or entity, or shall transfer the controlling
12 interest of the Grantee, whether as a whole or in parts, and whether
13 simultaneously or contemporaneously, to any such person, firm, company,
14 corporation, or entity without the prior approval of the Congress: *Provided,*
15 That Congress shall be informed of any sale, lease, transfer, grant of usufruct,
16 sale, or assignment of franchise or the rights and privileges acquired
17 thereunder, or of the merger, or sale of the controlling interest within sixty
18 (60) days after the completion of said transaction: *Provided, further,* That any
19 such transfer, sale, or assignment is in accordance with the constitutional
20 limitations: *Provided, furthermore,* That failure to report to Congress such
21 change of ownership shall render the franchise *ipso facto* revoked: *Provided,*
22 *finally,* That any person or entity to which this franchise is sold, transferred,
23 or assigned, shall be subject to the same conditions, terms, restrictions, and
24 limitations of this Act.

25 **SEC. 15. Reportorial Requirement.** – The Grantee shall submit an
26 annual report to Congress, through the Committee on Legislative Franchises
27 of the House of Representatives and the Committee on Public Services of the
28 Senate, on its compliance with the terms and conditions of the franchise and
29 on its operations on or before April 30 of every year during the term of the
30 franchise. The reportorial compliance certificate issued by Congress shall be
31 required before any application for permit or certificate is accepted by the
32 ERC.

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

39 **SEC. 17. Equality Clause.** – Any advantage, favor, privilege,

1 exemption, or immunity granted under existing franchises, or which may
2 hereafter be granted, upon prior review and approval of Congress, shall
3 become part of this franchise and shall be accorded immediately and
4 unconditionally to the herein Grantee: *Provided, however,* That the foregoing
5 shall neither apply to nor affect provisions concerning territory covered by the
6 franchise, the life span of the franchise or the type of service authorized by
7 the franchise: *Provided, further,* That the foregoing shall not apply to the sale,
8 lease, transfer, grant of usufruct, or assignment of legislative franchises with
9 prior congressional approval.

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

14 **SEC. 19. Existing Powers.** – Existing mandates, powers, functions,
15 and privileges granted to electric cooperatives under existing laws, including
16 Section 9, 10 and 13 of RA 10531 and Section 15 of Republic Act No. 9513,
17 otherwise known as the Renewable Energy Act of 2008, shall remain valid and
18 effective, unless expressly repealed.

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

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

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

30 **SEC. 23. Effectivity Clause.** – This Act shall take effect upon the
31 expiration of the Grantee’s franchise or fifteen (15) days after its publication
32 in the *Official Gazette* or in a newspaper of general circulation, whichever
33 comes later.

34 *Approved,*