

Republic of the Philippines
House of Representatives
Quezon City

TWENTIETH CONGRESS

First Regular Session

House Bill No. 9784



Introduced by *Representatives*

Ruth Mangudadatu Sakaluran, 1st District of Sultan Kudarat

Bella Vanessa B. Suansing, 2nd District of Sultan Kudarat

Ferdinand L. Hernandez, 2nd District of South Cotabato

Esmael G. Mangudadatu, Lone District of Maguindanao del Sur

Sergio C. Dagooc, APEC Party-List

Presley C. De Jesus, PhilRECA Party-List

EXPLANATORY NOTE

The Sultan Kudarat Electric Cooperative, Inc. (SUKELCO) has long served as the primary distribution utility providing electricity to the residents, businesses, industries, and institutions. It was organized pursuant to Presidential Decree No. 269, as amended and was registered with the National Electrification Administration (NEA) on November 4, 1975.

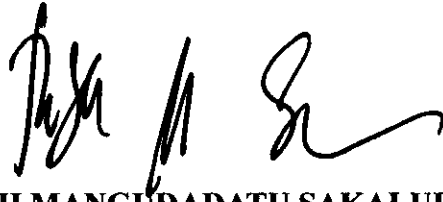
At present, SUKELCO is a NEA recognized Mega Large Triple A electric cooperative and the franchise and service area covers Tacurong City and the municipalities of Bagumbayan, Columbio, Esperanza, Isulan, Kalamansig, Lambayong, Lebak, Palimbang, President Quirino, and Senator Ninoy Aquino, all in the Province of Sultan Kudarat; and the municipalities of Buluan, Datu Paglas, General S.K. Pendatun, Mangudadatu, Paglat, and Pandag, all in the Province of Maguindanao del Sur. Its service area includes both main-grid and off-grid communities, reflecting the operational complexity of serving areas with differing geographic, technical, and power supply conditions.

As the demand for electricity continues to increase due to population growth, expanding commercial activities, industrial development, and the need to accelerate rural electrification, the grant of a new legislative franchise will provide the legal authority necessary for the cooperative to construct, install, operate, maintain, and improve its electric distribution facilities in accordance with existing laws, particularly Republic Act No. 9136, otherwise

known as the “Electric Power Industry Reform Act (EPIRA) of 2001,” and Republic Act No. 10531, or the “National Electrification Administration Reform Act of 2013.”

This measure therefore, seeks to grant SUKELCO a franchise to distribute electric power within its service area for a period of twenty-five (25) years, subject to the supervision and regulation of the Energy Regulatory Commission (ERC), the NEA, and other concerned government agencies. It also incorporates safeguards to protect consumer interests, promote transparency in the determination of electricity rates, ensure compliance with environmental, safety, and labor standards, and uphold the accountability of the grantee through reportorial and regulatory requirements.

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



RUTH MANGUDADATU SAKALURAN

1st District of Sultan Kudarat



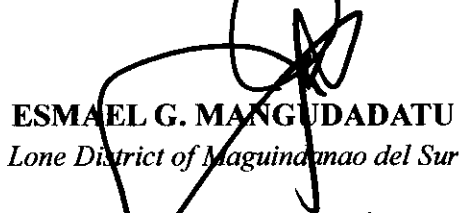
BELLA VANESSA B. SUANSING

2nd District of Sultan Kudarat



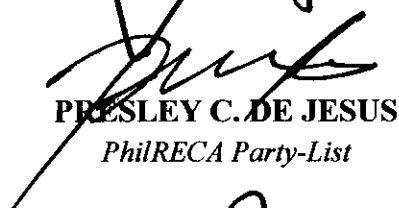
FERDINAND L. HERNANDEZ

2nd District of South Cotabato



ESMAEL G. MANGUDADATU

Lone District of Maguindanao del Sur



PRESLEY C. DE JESUS

PhilRECA Party-List



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AN ACT

**GRANTING THE SULTAN KUDARAT ELECTRIC COOPERATIVE, INC.
(SUKELCO) A FRANCHISE TO CONSTRUCT, INSTALL, ESTABLISH,
OPERATE, OWN, MANAGE, AND MAINTAIN DISTRIBUTION SYSTEMS
FOR THE CONVEYANCE OF ELECTRIC POWER TO THE END-USERS IN
TACURONG CITY AND THE MUNICIPALITIES OF BAGUMBAYAN,
COLUMBIO, ESPERANZA, ISULAN, KALAMANSIG, LAMBAYONG, LEBAK,
PALIMBANG, PRESIDENT QUIRINO, AND SENATOR NINOY AQUINO, ALL
IN THE PROVINCE OF SULTAN KUDARAT, AND THE MUNICIPALITIES
OF BULUAN, DATU PAGLAS, GENERAL S.K. PENDATUN,
MANGUDADATU, PAGLAT, AND PANDAG, ALL IN THE PROVINCE OF
MAGUINDANAO DEL SUR**

*Be it enacted by the Senate and the House of Representatives of the Republic 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 the Sultan Kudarat Electric Cooperative, Inc. (SUKELCO) hereunder referred to as the Grantee, its successors or assigns a franchise to construct, install, establish, operate, own, manage and maintain in the public interest and commercial purposes, a distribution system for the conveyance of electric power to the end-users in Tacurong City and the municipalities of Bagumbayan, Columbio,

Esperanza, Isulan, Kalamansig, Lambayong, Lebak, Palimbang, President Quirino, and Senator Ninoy Aquino, all in the Province of Sultan Kudarat; and the municipalities of Buluan, Datu Paglas, General S.K. Pendatun, Mangudadatu, Paglat, and Pandag, all in the Province of Maguindanao del Sur.

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 or facility of the end-users.

SEC. 2. *Manner of Operation of Facilities.* – All electric distribution facilities, lines and systems for electric services installed, owned, maintained, operated, managed by the Grantee, its successors or assigns shall be operated or maintained at all times in a superior manner, and it shall be the duty of the Grantee, its successors or assigns, 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 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, NEA, or any government agency having jurisdiction over their operations, the Certificate of Public Convenience and Necessity 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, in coordination with the Department of Public Works and Highways (DPWH) or the local government unit (LGU) concerned, as may be appropriate, to make excavations or lay conduits in any of the public places, highways, road, 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 area in order that business and industries shall be able to compete. The Grantee shall have the obligation to provide open and nondiscriminatory 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 business 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 ERC 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 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 9136.

SEC. 7. *Promotion of Consumer Interests.* – The Grantee herein 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 its 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 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.* – This franchise shall be for a term of twenty-five (25) years that shall commence from the date of expiration of electric cooperative's existing franchise, unless sooner cancelled. This franchise shall be deemed *ipso facto* revoked in the event that 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 properties, 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 properties 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, 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 shall transfer the controlling interest of the Grantee, whether as a whole or in parts, 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 sale, lease, transfer, grant of usufruct, 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, nor 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 Representatives and the Committee on Public Services of the Senate, on its compliance with the terms and conditions of the franchise and on 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 by a fine in the amount of Five hundred pesos (P500.00) per working day of noncompliance 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 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, RA 9136, and RA 10531 or the “National Electrification Administration Reform Act of 2013.”

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

SEC. 20. 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. 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 is are contrary to or inconsistent with the provisions of this Act are hereby repealed or modified accordingly.

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

Approved,