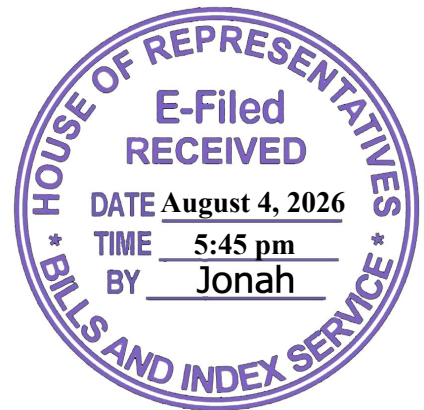




Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

TWENTIETH CONGRESS
Second Regular Session

House Bill No. 10598



Introduced by: **Hon. Antonio T. Kho**

“AN ACT GRANTING A FRANCHISE TO CLAVERIA ELECTRIC SERVICE (CES) TO CONSTRUCT, INSTALL, ESTABLISH, OPERATE, OWN, MANAGE, AND MAINTAIN DISTRIBUTION SYSTEMS FOR THE CONVEYANCE OF ELECTRIC POWER TO THE END-USERS IN THE MUNICIPALITY OF CLAVERIA, PROVINCE OF MASBATE”

EXPLANATORY NOTE

Electricity is a fundamental driver of socio-economic progress. In rural and developing areas, the continuous, efficient, and dependable delivery of electric power remains a cornerstone for uplifting the quality of life of every Filipino household and business.

The Municipality of Claveria, located in the Province of Masbate, is a rapidly developing community with unique geographical demands and expanding commercial operations. To sustain its economic momentum and meet the growing power requirements of its residents, there is an urgent necessity to optimize and reinforce its local power infrastructure. Access to affordable, safe, and stable electricity is paramount to driving micro-industries, improving local healthcare systems, and enhancing educational frameworks within the municipality.

This legislative measure seeks to grant Claveria Electric Service (CES), the specialized electric utility operated directly by the Local Government Unit (LGU) of Claveria, a formal legislative franchise to acquire, establish, operate, and maintain, for commercial purposes and in the public interest, a distribution system for the conveyance of electric power to end users in the Municipality of Claveria.

Under this framework, the National Power Corporation (NAPOCOR) shall continue to serve as the source of electric power generation, while the CES shall be responsible for the distribution of electricity to the end users. As the existing LGU-operated electric utility, CES has demonstrated the technical expertise, institutional capacity, and operational capability

necessary to establish, operate, and maintain a reliable and efficient distribution system responsive to the municipality's present and future energy requirements.

By granting this statutory franchise, Congress empowers a dedicated distribution utility to bridge the gap between generation and consumption, modernize the grid, drastically minimize power outages, and optimize retail electricity rates. This initiative directly reinforces the national policy mandated by the *Electric Power Industry Reform Act (EPIRA) of 2001* to ensure total electrification, promote consumer welfare, and foster local development through robust public utilities.

The support of the Members of Congress for the prompt and timely passage of this measure is earnestly sought.


ANTONIO T. KHO
First District, Masbate



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

SEC. 1. *Nature and Scope of Franchise.* - Subject to the provisions of the Constitution and applicable laws, rules and regulations, there is hereby granted to Claveria Electric Service (CES), 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 in the Municipality of Claveria, Province of Masbate.

As used in this Act, "distribution system" refers to the system of wires and associated facilities including sub-transmission 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-users.

Section 2. *Manner of Operation of Facilities.* - All electric distribution facilities, lines and systems for electric services constructed, installed, established, operated, owned, managed and 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 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 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 the payment of reasonable compensation to the Grantee, considering 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.

Section 3. *Authority of the Energy Regulatory Commission.* - The Grantee shall secure from the Energy Regulatory Commission, or any other 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 its electric distribution system.

Section 4. *Excavation and Restoration Works.* - For the purpose of erecting and maintaining poles or other supports for said facilities, wires or other conductors or for the purposes 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 the erection of poles or other supports or the underground laying of wires, other conductors or conduits shall be repaired or replaced in a 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 a 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 or replaced in good order and condition and charge the Grantee, its successors or assignees, double the amount of the costs and expense incurred for such repair or replacement.

Section 5. *Responsibility to the Public.* - The Grantee shall supply electricity to its captive market in the 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.

Section 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 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 a lifeline rate for marginalized end-users as mandated by RA No. 9136.

Section 7. *Promotion of Consumer Interests.* - The herein Grantee shall establish a customer desk that will handle consumer complaints and ensure adequate promotion of consumer rights. The Grantee shall act with dispatch on all such complaints brought before it.

Section 8. *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.

Section 9. *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.

Section 10. *Term of the Franchise.* This franchise shall be for a term of twenty-five (25) years from the effectivity of this Act, unless sooner cancelled or revoked. This franchise shall be deemed ipso facto revoked in the event that the Grantee fails to operate continuously for two (2) years upon issuance of the CPCN by ERC.

The Grantee shall apply for the renewal or extension of its franchise five (5) years before its expiration date.

Section 11. *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 and damage to property, during the construction, installation, operation, and maintenance of the distribution system of the Grantee.

Section 12. *Acceptance and Compliance.* - Acceptance of this franchise shall be given in writing to the Congress of the Philippines, through the Committee on Legislative Franchises of the House of Representatives and the Committee on Public Services of the Senate within sixty (60) days from the effectivity of this Act. Upon giving such acceptance, the grantee shall exercise the privileges granted under this Act. Nonacceptance shall render the franchise void.

Section 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.

Section 14. *Sale, Lease, Transfer, Usufruct, or Assignment of the Franchise.* - The Grantee shall not sell, lease, transfer, grant to 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 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 the 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.

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

Section 16. *Penalty Clause.* - 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 Treasury.

Section 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 sale, lease, transfer, grant of usufruct, or assignment of legislative franchises with prior congressional approval.

Section 18. *Repealability and Non-Exclusivity Clause.* - This franchise shall be subject to amendment, alteration, or repeal by the Congress of the Philippines when the public interest so requires and shall not be interpreted as an exclusive grant of the privileges herein provided for.

Section 19. *Separability Clause.* - If any of the sections or provisions of this Act is held invalid, all other provisions not affected thereby shall remain valid.

Section 20. *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.

Section 21. *Effectivity.* - This Act shall take effect after fifteen (15) days after its publication in the Official Gazette or in a national newspaper of general circulation.

Approved,