



HOUSE OF REPRESENTATIVES

H. No. 8457

BY REPRESENTATIVES DE JESUS, FERRER (J.), CORVERA, ROMAN, LAGDAMEO (J.M.), BAUTISTA (J.M.),
CAGAS, BELTRAN, LORIA, FERRER (A.), AYON, ALVAREZ (M.), LEGACION, ACOSTA, DAGOOC, GARIN,
RODRIGUEZ (E.) AND TARRIELA

AN ACT

GRANTING A LEGISLATIVE FRANCHISE TO CAGAYAN 1 ELECTRIC COOPERATIVE, INC. (CAGELCO I) TO CONSTRUCT, INSTALL, ESTABLISH, OPERATE, OWN, MANAGE AND MAINTAIN A DISTRIBUTION SYSTEM FOR THE CONVEYANCE OF ELECTRIC POWER TO THE END-USERS IN THE CITY OF TUGUEGARAO AND MUNICIPALITIES OF PEÑABLANCA, ENRILE, SOLANA, AMULUNG, PIAT, STO. NIÑO, TUAO, RIZAL, IGUIG, ALCALA AND BAGGAO, PROVINCE OF CAGAYAN

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

1 **SECTION 1. Nature and Scope of Franchise.** – Subject to the provisions of the
2 Constitution and applicable laws, rules and regulations, there is hereby granted to
3 Cagayan 1 Electric Cooperative, Inc. (CAGELCO 1), hereunder referred to as the
4 Grantee, its successors or assignees, a franchise to construct, install, establish,
5 operate, own, manage and maintain in the public interest and for commercial purposes,
6 a distribution system for the conveyance of electric power to the end-users in the City of
7 Tuguegarao and Municipalities of Peñablanca, Enrile, Solana, Amulung, Piat, Sto. Niño,
8 Tuao, Rizal, Iguig, Alcala and Baggao, Province of Cagayan.

9
10 As used in this Act, “distribution system” refers to the system of wires and
11 associated facilities including subtransmission lines belonging to or used by a
12 franchised distribution utility extending between the delivery point on the national
13 transmission system or generating facility and the metering point or facility of the
14 end-user.

1 **SEC. 2. Manner of Operations of Facilities.** – All electric distribution facilities,
2 lines and systems for electric services installed, owned, operated, managed or
3 maintained by the Grantee, its successors or assignees, shall be operated or
4 maintained at all times in a superior manner, and it shall be the duty of the Grantee, its
5 successors or assignees, whenever required to do so by the Energy Regulatory
6 Commission (ERC), or its legal successor, or the Department of Energy, or its legal
7 successor, or the National Electrification Administration (NEA), or its legal successor, or
8 any other government agency concerned to modify, improve and change such facilities
9 or systems in such manner and to such extent as the progress in science or technology
10 and improvements or innovations in electric power services may render reasonable and
11 proper.

12
13 Whenever practicable, and for purposes of maintaining order, safety and
14 aesthetics along the highways, roads, streets, alleys, or right-of-way, the Grantee may
15 allow the use of free spaces in its poles, facilities, or right-of-way by interested parties
16 upon reasonable compensation to the Grantee considering the costs incurred to
17 accommodate and administer the use of the Grantee's facilities by such parties. The
18 ERC shall decide in case of dispute or disagreement between the parties.

19
20 **SEC. 3. Authority of the ERC and NEA.** – The Grantee shall secure from the
21 ERC or the NEA or any government agency having jurisdiction over its operations, a
22 Certificate of Public Convenience and Necessity and any other license, permit or
23 authority indispensable for the construction and operation of the electric power
24 distribution system.

25
26 **SEC. 4. Excavation and Restoration Works.** – For the purpose of erecting and
27 maintaining the poles or other supports for said facilities, wires or other conductors or
28 for the purpose of laying and maintaining said facilities, wires, cables or other
29 conductors, it shall be lawful for the Grantee, its successors or assignees, with the prior
30 approval of the Department of Public Works and Highways (DPWH) or the local
31 government unit (LGU) concerned, as may be appropriate, to make excavations or lay
32 conduits in any of the public places, highways, roads, streets, lanes, alleys, avenues,
33 sidewalks, or bridges of the province, cities or municipalities: *Provided, however,* That a
34 public place, highway, road, street, lane, alley, avenue, sidewalk, or bridge disturbed,
35 altered, or changed by reason of erection of poles or other supports or the underground
36 laying of wires, other conductors or conduits, shall be repaired and replaced in efficient
37 manner by the Grantee, its successors or assignees, in accordance with the standards
38 set by the DPWH or the LGU concerned. Should the Grantee, its successors or
39 assignees, after the ten (10)-day notice from the grant of authority, fail, refuse or neglect
40 to repair or replace any part of public place, highway, road, street, lane, alley, avenue,
41 sidewalk, or bridge altered, changed, or disturbed by the said Grantee, its successors or
42 assignees, then the DPWH or the LGU concerned shall have the right to have the same
43 repaired and replaced in good order and condition and charge the Grantee, its
44 successors or assignees, double the amount of the cost and expenses for such repair
45 or replacement.

1 **SEC. 5. Responsibility to the Public.** – The Grantee shall supply electricity to
2 its captive market in the least costly manner. In the interest of the public good and as far
3 as feasible and whenever required by the ERC, the Grantee shall modify, improve, or
4 change its facilities, poles, lines, systems, and equipment for the purpose of providing
5 efficient and reliable service and reduced electricity costs. The Grantee shall charge
6 reasonable and just power rates for its services to all types of consumers within its
7 franchised areas in order that businesses and industries shall be able to compete.
8

9 The Grantee shall have the obligation to provide open and non-discriminatory
10 access to its distribution system and services for any end-user within its franchise area
11 consistent with Republic Act (RA) No. 9136, otherwise known as the “Electric Power
12 Industry Reform Act of 2001”. The Grantee shall not engage in any activity that will
13 constitute an abuse of market power such as unfair trade practices, monopolistic
14 schemes, and other activities that will hinder competitiveness of businesses and
15 industries.
16

17 **SEC. 6. Rates for Services.** – The retail rates and charges for the distribution
18 of electric power by the Grantee to its end-users shall be regulated by and subject to the
19 approval of the ERC or its legal successor.
20

21 The Grantee shall identify and segregate in its electricity bill to the end-users the
22 components of the retail rate pursuant to RA 9136, unless otherwise amended. Such
23 rates charged by the Grantee to the end-users shall be made public and transparent.
24 The Grantee shall implement lifeline rate to marginalized end-users as mandated under
25 RA 9136.
26

27 **SEC. 7. Promotion of Consumer Interests.** – The Grantee herein shall
28 establish a consumer desk that shall handle consumer complaints and ensure adequate
29 promotion of consumer interests. The Grantee shall act with dispatch on all complaints
30 brought before it.
31

32 **SEC. 8. Commitment to Provide and Promote the Creation of Employment**
33 **Opportunities.** – The Grantee shall create employment opportunities and shall allow
34 on-the-job training in its franchise operation: *Provided*, That priority shall be accorded to
35 the residents where their principal office is located: *Provided, further*, That the Grantee
36 shall comply with the applicable labor standards and allowance entitlement under
37 existing labor laws, rules and regulations, and similar issuances.
38

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

1 **SEC.10. Right of Eminent Domain.** – Subject to the limitations and
2 procedures prescribed by law, the Grantee is authorized to exercise the right of eminent
3 domain insofar as it may be reasonably necessary for the efficient maintenance and
4 operation of its services. The Grantee is authorized to install and maintain its poles,
5 wires, and other facilities over and across public property, including streets, highways,
6 and other similar property of the Government of the Philippines, its branches, or any of
7 its instrumentalities. The Grantee may acquire such private property as is actually
8 necessary for the realization of the purposes for which this franchise is granted:
9 *Provided*, That proper expropriation proceedings shall have been instituted and just
10 compensation paid.

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

16
17 **SEC.12. Warranty in Favor of the National and Local Governments.** – The
18 Grantee shall hold the national, provincial, city, and municipal governments of the
19 Philippines free from all claims, accounts, demands, or actions arising from accidents
20 causing injury to persons or damage to property, during the construction, installation,
21 operation, and maintenance of the distribution system of the Grantee.

22
23 **SEC.13. Liability for Damages.** – The Grantee shall be liable for any injury to
24 persons and damage to property arising from accidents by reason of any defective
25 construction under this franchise or of any neglect or omission to keep its poles and
26 wires in safe condition.

27
28 **SEC.14. Sale, Lease, Transfer, Usufruct, or Assignment of Franchise.** –
29 The Grantee shall not sell, lease, transfer, grant the usufruct, or assign this franchise or
30 the rights and privileges acquired thereunder to any person, firm, company, corporation,
31 or other commercial or legal entity, or merge with any other corporation, or entity, or
32 transfer the controlling interest of the Grantee, whether as a whole or in part, and
33 whether simultaneously or contemporaneously, to any such person, firm, company,
34 corporation, or entity without the prior approval of the Congress: *Provided*, That
35 Congress shall be informed of any lease, transfer, grant of usufruct, sale, or assignment
36 of franchise or the rights and privileges acquired thereunder, or of the merger, or sale of
37 the controlling interest within sixty (60) days after the completion of said transaction:
38 *Provided, further*, That any such transfer, sale, or assignment is in accordance with the
39 constitutional limitations: *Provided, furthermore*, That failure to report to Congress such
40 change of ownership shall render the franchise *ipso facto* revoked: *Provided, finally*,
41 That any person or entity to which this franchise is sold, transferred, or assigned, shall
42 be subject to the same conditions, terms, restrictions, and limitations of this Act.

43
44 **SEC.15. Reportorial Requirement.** – The Grantee shall submit an annual
45 report to Congress, through the Committee on Legislative Franchises of the House of
46 Representatives and the Committee on Public Services of the Senate, on its compliance
47 with the terms and conditions of this franchise and on its operations on or before April

1 30 of every year during the term of the franchise. The reportorial compliance certificate
2 issued by Congress shall be required before any application for permit or certificate is
3 accepted by the ERC.
4

5 **SEC. 16. *Fine.*** – The failure of the Grantee to submit the requisite annual report
6 to Congress shall be penalized with a fine in the amount of Five hundred pesos
7 (P500.00) per working day of non-compliance which shall be collected by the ERC. The
8 fine shall be collected separately from the reportorial penalties imposed by the ERC and
9 shall be remitted to the Bureau of the Treasury.
10

11 **SEC. 17. *Equality Clause.*** – Any advantage, favor, privilege, exemption, or
12 immunity granted under existing franchises, or which may hereafter be granted, upon
13 prior review and approval of Congress, shall become part of this franchise and shall be
14 accorded immediately and unconditionally to the herein Grantee: *Provided, however,*
15 That the foregoing shall neither apply to nor affect provisions concerning territory
16 covered by the franchise, the term of the franchise or the type of service authorized by
17 the franchise: *Provided, further,* That the foregoing shall not apply to the sale, lease,
18 transfer, grant of usufruct, or assignment of legislative franchises with prior
19 congressional approval.
20

21 **SEC. 18. *Applicability of Existing Laws.*** – The Grantee shall comply with and
22 be subject to the provisions of Commonwealth Act No. 146 or the "Public Service Act",
23 as amended, RA 9136, and RA 10531 or the "National Electrification Administration
24 Reform Act of 2013".
25

26 **SEC. 19. *Existing Powers.*** – Existing mandates, powers, functions, and
27 privileges granted to electric cooperatives under existing laws, including Section 10 of
28 RA 10531, shall remain valid and effective, unless expressly repealed by succeeding
29 laws.
30

31 **SEC. 20. *Repealability and Non-Exclusivity Clause.*** – This franchise shall be
32 subject to amendment, alteration, or repeal by Congress when the public interest so
33 requires and shall not be interpreted as an exclusive grant of the privileges herein
34 provided for.
35

36 **SEC. 21. *Separability Clause.*** – If any of the sections or provisions of this Act
37 is held invalid, all other provisions not affected thereby shall remain valid.
38

39 **SEC. 22. *Repealing Clause.*** – All laws, presidential decrees, executive orders,
40 letters of instruction, administrative rules and regulations or parts thereof which are
41 contrary to or inconsistent with the provisions of this Act are hereby repealed or
42 modified accordingly.
43

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

Approved,