

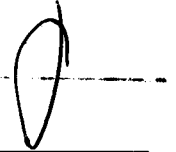
NINETEENTH CONGRESS OF THE)
REPUBLIC OF THE PHILIPPINES)
Third Regular Session)

25 JAN -8 P 1 :44

SENATE

S.B. No. 2910

RECEIVED



Introduced by **SENATOR IMEE R. MARCOS**

AN ACT
GRANTING THE CAGAYAN 1 ELECTRIC COOPERATIVE, INC. (CAGELCO 1) A FRANCHISE TO CONSTRUCT, INSTALL, ESTABLISH, OPERATE, OWN, MANAGE AND MAINTAIN DISTRIBUTION SYSTEMS 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

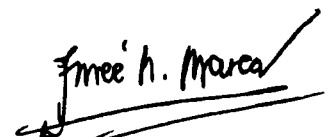
EXPLANATORY NOTE

Section 27 of Republic Act No. 9136, also known as the Electric Power Industry Reform Act (EPIRA) provides that the authority to grant franchises is vested solely in the Congress. The Cagayan 1 Electric Cooperative, Inc. (CAGELCO 1) was established and officially registered with the National Electrification Administration (NEA) with the primary objective of spearheading the electrification of Cagayan Province. Its mandate is to provide electricity services on an area-wide basis, ensuring that all communities within its coverage area have access to reliable power. CAGELCO 1 is committed to supporting the provincial government's vision for comprehensive rural electrification.

Hence, this bill aims to grant a congressional franchise to CAGELCO 1, enabling it to provide electric power distribution services to the City of Tuguegarao and the municipalities of Peñablanca, Enrile, Solana, Amulung, Piat, Sto. Niño, Tuao, Rizal, Iguig, Alcala, and Baggao in the Province of Cagayan. Further, this bill also sets forth performance standards for the franchisee to ensure a successful partnership between the government and the distribution utility, ultimately advancing the goal of full electrification. Moreover, CAGELCO 1 has already demonstrated its ability to fulfill its mandate effectively. It possesses the technical, financial, and institutional capabilities necessary to manage and expand the electrification program in its franchise area. Its noteworthy achievements include a reduction in system losses to 9.66% in 2022, a

significant decrease in power outages, and the maintenance of high collection efficiency.

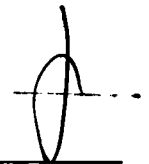
The passage of this bill will not only ensure that CAGELCO 1 continues to provide electricity to its coverage area but will also position the cooperative as a key driver in the economic development of the region. Access to reliable and affordable electricity is crucial for powering businesses, improving livelihoods, and supporting local infrastructure projects. This will contribute significantly to the nationwide goal of total electrification while supporting the economic and social development of the Province of Cagayan.


IMEE R. MARCOS

SENATE

S.B. No. 2910

RECORDED



Introduced by **SENATOR IMEE R. MARCOS**

AN ACT
GRANTING THE CAGAYAN 1 ELECTRIC COOPERATIVE, INC. (CAGELCO
1) A FRANCHISE TO CONSTRUCT, INSTALL, ESTABLISH, OPERATE,
OWN, MANAGE AND MAINTAIN DISTRIBUTION SYSTEMS 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
2 the Constitution and applicable laws, rules and regulations, there is hereby granted to
3 the Cagayan 1 Electric Cooperative, Inc. (CAGELCO 1), hereunder referred to as the
4 grantee, its successors or assigns a franchise to construct, install, establish, operate,
5 own, manage and maintain in the public interest and commercial purposes, a
6 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 sub-transmission lines belonging to a franchised
12 distribution utility extending between the delivery point on the national transmission
13 system or generating facility and the metering point/ facility of the end-users.

14 SEC. 2. ***Manner of Operation of Facilities.*** – All electric distribution facilities,
15 lines and systems for electric services installed, owned, maintained, operated, managed
16 by the grantee its successors or assigns shall be operated or maintained at all times in
17 a superior manner, and it shall be the duty of the grantee, its successors or assigns,
18 whenever required to do so by the Energy Regulatory Commission, hereinafter referred

1 to as the ERC, or its legal successor, or the Department of Energy, hereinafter referred
2 to as the DOE, or its legal successor, or any other government agency concerned to
3 modify, improve and change such facilities or systems in such manner and to such
4 extent as the progress in science or technology and improvements or innovations in
5 the electric power services may render reasonable and proper.

6
7 Whenever practicable, and for purposes of maintaining order, safety and
8 aesthetic along the highways, roads, streets, alleys or right-of-way, the grantee may
9 allow the use of free spaces in its poles, facilities, or right-of-way by interested parties
10 upon reasonable compensation to the grantee considering the costs incurred to
11 accommodate and administer the use of the grantee's facilities by such parties. The
12 ERC shall decide in case of dispute or disagreement between the parties.

13 **SEC. 3. *Authority of the Energy Regulatory Commission (ERC).*** – The
14 grantee shall secure from the ERC or any government agency having jurisdiction over
15 their operations, the certificate of public convenience and necessity and any other
16 license, permit or authority indispensable for the construction and operation of the
17 electric power distribution system.

18 **SEC. 4. *Ingress and Egress.*** – For the purpose of erecting and maintaining
19 the poles or other supports for said facilities, wire or other conductors or for the purpose
20 of laying and maintaining said facilities, wires, cables or other conductors, it shall be
21 lawful for the grantee, its successors, or assignees, with the prior approval of the
22 Department of Public Works and Highways (DPWH) or the local government unit
23 concerned, as may be appropriate, to make excavations or lay conduits in any of the
24 public places, highways, road, streets, lines, alleys, avenues, sidewalks, or bridges of
25 the province and city: Provided, however, that a public place, highway, road, street,
26 lane, alley, avenue, sidewalk, or bridge disturbed, altered, or changed by reason of
27 erection of poles or other supports or the underground laying of wires, other conductors
28 or conduits, shall be repaired and replaced in workmanlike manner at the expense of
29 the grantee, its successors or assignees, in accordance with the standards set by the
30 DPWH or the local government unit concerned. Should the grantee, its successors or
31 assignees, after the ten (10)-day notice from the grant of authority, fail, refuse or
32 neglect to repair or replace any part of public place, highway, road, street, lane, alley,
33 avenue, sidewalk, or bridge altered, changed or disturbed by the said grantee, its
34 successors or assignees, then the DPWH or the local government unit concerned shall
35 have the right to have the same repaired and replaced in good order and condition at
36 double expense to be charged against the grantee, its successors or assignees.

37 **SEC. 5. *Responsibility to the Public.*** – The grantee shall supply electricity to
38 its captive market in the least costly manner. In the interest of the public good and as

1 far as feasible and whenever required by the ERC, the grantee shall modify, improve,
2 or change its facilities, poles, lines, systems and equipment for the purpose of providing
3 efficient and reliable service and reduced electricity costs. The grantee shall charge
4 reasonable and just power rates for its services to all types of consumers within its
5 franchised area in order that business and industries shall be able to compete.

6 The grantee shall have the obligation to provide open and nondiscriminatory
7 access to its distribution system and services for any end-user within its franchise area
8 consistent with Republic Act No. 9136, otherwise known as the "Electric Power Industry
9 Reform Act of 2001". The grantee shall not engage in any activity that will constitute
10 an abuse of market power such as unfair trade practices, monopolistic schemes, and
11 other activities that will hinder competitiveness of business and industries.

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

15 The grantee shall identify and segregate in its electricity bill to the end-users the
16 components of the retail rate pursuant to Republic Act No. 9136, unless otherwise
17 amended. Such rates charged by the grantee to the end-users shall be made public
18 and transparent. The grantee shall implement lifeline rate to marginalized end-users as
19 mandated under Republic Act No. 9136.

20 SEC. 7. ***Promotion of Consumer Interests.*** – The herein grantee shall
21 establish a consumer desk that will handle consumer complaints and ensure adequate
22 promotion of consumer interests. The grantee shall act with dispatch on all complaints
23 brought before it.

24 SEC. 8. ***Right of the Government.*** – A special right is hereby reserved to the
25 President of the Philippines, in times of war, rebellion, public peril, calamity, emergency,
26 disaster or disturbance of peace and order: to temporarily take over and operate the
27 stations or facilities of the grantee; to temporarily suspend the operation of any station
28 or facility in the interest of public safety, security and public welfare; or to authorize
29 the temporary use and operation thereof by any agency of the government, upon due
30 compensation to the grantee, for the use of the stations or facilities during the period
31 when these shall be so operated.

32 SEC. 9. ***Right of Eminent Domain.*** – Subject to the limitations and procedures
33 prescribed by law, the grantee is authorized to exercise the right of eminent domain
34 insofar as it may be reasonably necessary for the efficient maintenance and operation

1 of services. The grantee is authorized to install and maintain its poles, wires, and other
2 facilities over and across public property, including streets, highways, forest reserves,
3 and other similar property of the Government of the Philippines, its branches, or any
4 of its instrumentalities. The grantee may acquire such private property as is actually
5 necessary for the realization of the purposes for which this franchise is granted:
6 *Provided, That* proper expropriation proceedings shall have been instituted and just
7 compensation paid.

8 SEC. 10. ***Term of Franchise.*** – This franchise shall be in effect for a period of
9 twenty-five (25) years from the date of effectivity of this Act, unless sooner cancelled.
10 This franchise shall be deemed ipso facto revoked in the event the grantee fails to
11 operate continuously for two (2) years.

12 SEC. 11. ***Acceptance and Compliance.*** – Acceptance of this franchise shall
13 be given in writing to the Congress of the Philippines, through the Committee on
14 Legislative Franchises of the House of Representatives and the Committee on Public
15 Services of the Senate within sixty (60) days from the effectivity of this Act.
16 Nonacceptance shall render the franchise void.

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

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

26 SEC. 14. ***Sale, Lease, Transfer, Usufruct, or Assignment of Franchise.*** –
27 The grantee shall not sell, lease, transfer, grant the usufruct of, or assign this franchise
28 or the rights and privileges acquired thereunder to any person, firm, company,
29 corporation, or other commercial or legal entity, or merge with any other corporation,
30 or entity, or shall transfer the controlling interest of the grantee, whether as a whole
31 or in parts, and whether simultaneously or contemporaneously, to any such person,
32 firm, company, corporation, or entity without the prior approval of the Congress of the
33 Philippines: *Provided, That* Congress shall be informed of any lease, transfer, granting
34 the usufruct of, sale, or assignment of franchise or the rights and privileges acquired
35 thereunder, or of the merger, or sale of the controlling interest within sixty (60) days

1 after the completion of said transaction: *Provided further*, That any such transfer, sale,
2 or assignment is in accordance with the constitutional limitations: *Provided*
3 *furthermore*, That failure to report to Congress such change of ownership shall render
4 the franchise *ipso facto* revoked: *Provided finally*, That any person or entity to which
5 this franchise is sold, transferred, or assigned, shall be subject to the same, conditions,
6 terms, restrictions, and limitations of this Act.

7 **SEC. 15. Reportorial Requirement.** – The grantee shall submit an annual
8 report to the Congress of the Philippines, through the Committee on Legislative
9 Franchises of the House of Representatives and the Committee on Public Services of
10 the Senate, on its compliance with the terms and conditions of the franchise and on its
11 operations on or before April 30 of every year during the term of the franchise. The
12 reportorial compliance certificate issued by Congress shall be required before any
13 application for permit or certificate is accepted by the ERC.

14 **SEC. 16. Fine.** – The failure of the grantee to submit the requisite annual report
15 to Congress shall be penalized by a fine in the amount of five hundred pesos (P500.00)
16 per working day of noncompliance. The fine shall be collected by the ERC from the
17 delinquent franchise grantee separate from, the reportorial penalties imposed by the
18 ERC. All proceeds from the fines or penalties shall accrue to the monitoring fund of the
19 ERC in line with its supervisory and regulatory functions.

20 **SEC. 17. Equality Clause.** – Any advantage, favor, privilege, exemption, or
21 immunity, granted under existing franchises, or which may hereafter be granted, upon
22 prior review and approval of Congress, shall become part of this franchise and shall be
23 accorded immediately and unconditionally to the herein grantee: *Provided, however*,
24 That the foregoing shall neither apply to nor affect provisions concerning territory
25 covered by the franchise: *Provided, further*, That the foregoing shall not apply to the
26 sale, lease, transfer, grant of usufruct, or assignment of legislative franchises with prior
27 congressional approval.

28 **SEC. 18. Applicability Clause.** – The grantee shall comply with and be subject
29 to the provisions of Commonwealth Act No. 146, as amended, otherwise known as the
30 "Public Service Act" and Republic Act No. 9136, otherwise known as the "Electric Power
31 Industry Reform Act of 2001".

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

1 SEC. 20. ***Separability Clause.*** – If any of the sections or provisions of this Act
2 is held invalid, all other provisions not affected thereby shall remain valid.

3 SEC. 21. ***Repealing Clause.*** – All laws, presidential decrees, executive orders,
4 letters of instruction, administrative rules and regulations or parts thereof which is are
5 contrary to or inconsistent with the provisions of this Act are hereby repealed or
6 modified accordingly.

7 SEC. 22. ***Existing Powers.*** – Existing mandates, powers, functions, and
8 privileges granted to Electric Cooperatives under existing laws, including Section 10 of
9 Republic Act No. 10591, shall remain valid and effective, unless expressly repealed by
10 succeeding laws.

11 SEC. 23. ***Effectivity Clause.*** – This Act shall take effect fifteen (15) days after
12 its publication in at least two (2) newspaper of general circulation.

Approved,