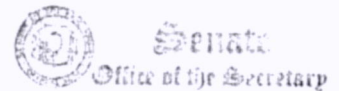


SEVENTEENTH CONGRESS OF THE)
REPUBLIC OF THE PHILIPPINES)
Third Regular Session)



S E N A T E

'18 AUG 28 P2:07

COMMITTEE REPORT NO. 426

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Submitted by the Committees on Energy and Finance **AUG 28 2018**

Re: Senate Bill No. 1950

Recommending its approval in substitution of **Senate Bill No. 924**

Sponsor: **Senator Sherwin T. Gatchalian**

MR. PRESIDENT:

The Committee on Energy and the Committee on Finance, to which was referred **Senate Bill No. 924**, introduced by Senator Ralph Recto, entitled:

“AN ACT REDUCING ELECTRICITY RATES BY ALLOCATING THE NET NATIONAL GOVERNMENT SHARE FROM THE MALAMPAYA NATURAL GAS PROJECT FOR THE PAYMENT OF THE STRANDED CONTRACT COSTS AND STRANDED DEBTS OF THE NATIONAL POWER CORPORATION”


have considered the same and have the honor to report it back to the Senate with the recommendation that the attached bill, **Senate Bill No. 1950** entitled:

“AN ACT REDUCING ELECTRICITY RATES BY ALLOCATING THE NET NATIONAL GOVERNMENT SHARE FROM THE MALAMPAYA NATURAL GAS PROJECT FOR THE PAYMENT OF THE STRANDED CONTRACT COSTS AND STRANDED DEBTS OF THE NATIONAL POWER CORPORATION”

be approved in substitution of **Senate Bill No. 924**, with **Senators Recto** and **Gatchalian** as authors thereof.

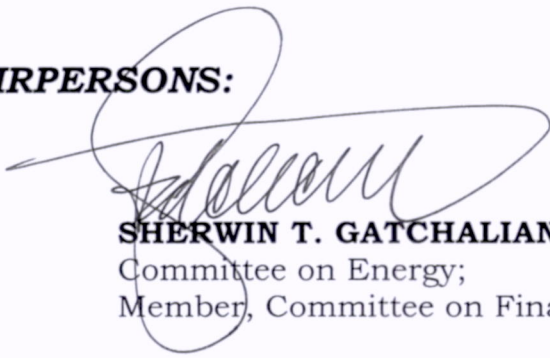
Respectfully submitted:

CHAIRPERSONS:



LOREN B. LEGARDA

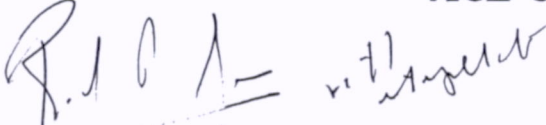
Committee on Finance;
Member, Committee on Energy



SHERWIN T. GATCHALIAN

Committee on Energy;
Member, Committee on Finance

VICE CHAIRPERSONS:



RICHARD J. GORDON


Committee on Energy;
Member, Committee on Finance

CYNTHIA A. VILLAR

Committee on Finance;
Member, Committee on Energy

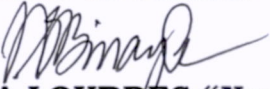
GREGORIO B. HONASAN II

Committee on Energy;
Committee on Finance



SONNY M. ANGARA

Committee on Finance



MARIA LOURDES "Nancy" S. BINAY

Committee on Energy;
Member, Committee on Finance

PANFILO M. LACSON

Committee on Finance

PAOLO AQUINO "Bam" BENIGNO IV

Committee on Finance;
Member, Committee on Energy

JOSEPH VICTOR G. EJERCITO

Committee on Finance;
Member, Committee on Energy

MEMBERS:

GRACE POE

Committee on Energy;
Committee on Finance

JOEL VILLANUEVA

Committee on Energy;
Committee on Finance

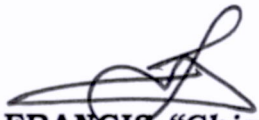


EMMANUEL "Manny" D. PACQUIAO

Committee on Energy

ANTONIO "Sonny" F. TRILLANES IV

Committee on Energy;
Committee on Finance

 *may interpellate*

FRANCIS "Chiz" G. ESCUDERO
Committee on Energy;
Committee on Finance

FRANCIS "Kiko" PANGILINAN
Committee on Energy;
Committee on Finance

LEILA M. DE LIMA
Committee on Energy

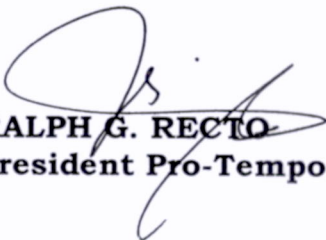
Risa Hontiveros
RISA HONTIVEROS
Committee on Finance


A. Pimentel III

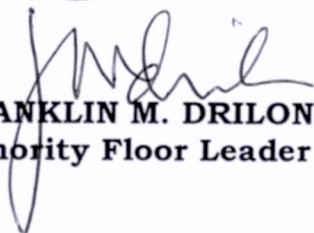
AQUILINO "KOKO" PIMENTEL III
Committee on Finance

may interpellate

EX-OFFICIO MEMBERS:


RALPH G. RECTO
President Pro-Tempore


JUAN MIGUEL "Migz" F. ZUBIRI
Majority Floor Leader


FRANKLIN M. DRILON
Minority Floor Leader

HON. VICENTE C. SOTTO III
President
Senate of the Philippines

SENATE

'18 AUG 28 P2 :07

S.B. No. 1950

(In Substitution of Senate Bill No. 924)

RECEIVED

Prepared and submitted jointly by the Committees on Energy and Finance,
with Senators Recto and Gatchalian, as authors thereof

AN ACT

**REDUCING ELECTRICITY RATES BY ALLOCATING THE NET NATIONAL
GOVERNMENT SHARE FROM THE MALAMPAYA NATURAL GAS PROJECT
FOR THE PAYMENT OF THE STRANDED CONTRACT COSTS AND
STRANDED DEBTS OF THE NATIONAL POWER CORPORATION**

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

- 1 **Section 1. Short Title.** – This Act shall be known as the “Murang Kuryente
2 Act”.
- 3
- 4 **Section 2. Declaration of Policy.** – It is hereby declared the policy of the State
5 to protect public interest by ensuring the provision of reliable, secure, and
6 affordable supply of electric power to consumers. Towards this end, the State
7 shall implement policies and programs to ensure transparent and reasonable
8 prices of electricity to consumers by minimizing the universal charges for
9 stranded contract costs and stranded debts.
- 10
- 11 **Section 3. Definition of Terms.** – For purposes of this Act, the following
12 terms shall be defined as stated below:
- 13 a) **Energy Regulatory Board (ERB)** – refers to the independent, quasi-
14 judicial regulatory body created under Executive Order No. 172 “Creating
15 the Energy Regulatory Board”;
- 16 b) **Energy Regulatory Commission (ERC)** – refers to the independent
17 quasi-judicial body created under Republic Act No. 9136 otherwise
18 known as the “Electric Power Industry Reform Act of 2001”;

- 1 c) **Department of Budget and Management** (DBM) – refers to the
2 government agency created pursuant to Title XVII, Chapter 1, Section 3
3 of Executive Order No. 292 or the “Administrative Code of 1987”;
- 4 d) **Department of Energy** (DOE) – refers to the government agency created
5 pursuant to Republic Act No. 7638 or the “Department of Energy Act of
6 1992”, and whose functions were expanded by Republic Act No. 9136 or
7 the “Electric Power Industry Reform Act of 2001”;
- 8 e) **Department of Finance** (DOF) – refers to the government agency created
9 pursuant to Title II, Chapter 1, Section 1 of Executive Order No. 292 or
10 the “Administrative Code of 1987”;
- 11 f) **Joint Congressional Power Commission** (JCPC) – refers to the
12 congressional commission constituted under Section 62 of Republic Act
13 No. 9136 or the “Electric Power Industry Reform Act of 2001”;
- 14 g) **Malampaya Fund** – refers to the existing and future net government
15 share from the net production proceeds of the Malampaya Natural Gas
16 Project pursuant to Presidential Decree No. 87 or the “Oil Exploration
17 and Development Act of 1972” and Service Contract 38. This
18 government share forms part of a Special Fund used to finance energy
19 resource development and exploitation programs pursuant to
20 Presidential Decree No. 910 “Creating an Energy Development Board,
21 Defining Its Powers and Functions, Providing Funds, Therefor, and For
22 Other Purposes”;
- 23 h) **Malampaya Natural Gas Project** – refers to Service Contract 38 in
24 offshore Northwest Palawan;
- 25 i) **National Power Corporation** (NPC) – refers to the government
26 corporation created under Republic Act No. 6395 otherwise known as
27 “An Act Revising the Charter of the National Power Corporation”, as
28 amended, and whose additional mandate is further set in Republic Act
29 No. 9136 otherwise known as the “Electric Power Industry Reform Act of
30 2001”;
- 31 j) **Net Government Share** – refers to the sixty percent (60%) share of the
32 national government from the net production proceeds of Service
33 Contract 38 pursuant to Presidential Decree No. 87 or the “Oil
34 Exploration and Development Act of 1972” after the deductions provided
35 by Presidential Decree No. 910 “Creating an Energy Development Board,
36 Defining Its Powers and Functions, Providing Funds, Therefor, and For
37 Other Purposes”;

- 1 k) **Net National Government Share** – refers to the share of the national
2 government from the net government share after the deduction from the
3 net government share of the local government share pursuant to Section
4 290 of Republic Act No. 7160 otherwise known as the “Local Government
5 Code of 1991”;
- 6 l) **Power Sector Assets and Liabilities Management Corporation**
7 (PSALM) – refers to the government corporation created pursuant to
8 Section 49 of Republic Act No. 9136 otherwise known as the “Electric
9 Power Industry Reform Act of 2001” which assumed all of NPC’s
10 obligations and stranded contract costs;
- 11 m) **Stranded Contract Costs of NPC or Distribution Utility** – refer to the
12 excess of the contracted cost of electricity under eligible independent
13 power producer contracts over the actual selling price of the contracted
14 energy output of such contracts in the market. Such contract shall have
15 been approved by the ERB as of December 31, 2000; and
- 16 n) **Stranded Debts of NPC** – refer to any unpaid financial obligations of the
17 NPC which have not been liquidated by the proceeds from the sales and
18 privatization of NPC assets.

19

20 **Section 4. Use of Malampaya Fund for Payment of Stranded Contract**
21 **Costs and Stranded Debt.** – All proceeds of the Net National Government
22 Share from the Malampaya Fund, shall be allocated solely for the payment of
23 Stranded Contract Costs and Stranded Debts transferred to and assumed by
24 the PSALM pursuant to Section 49 of Republic Act No. 9136, otherwise known
25 as the “Electric Power Industry Reform Act of 2001”, including all anticipated
26 shortfalls in the course of payment of such liabilities after applying the
27 PSALM’s collections from privatization of the NPC’s assets, independent power
28 producers’ contracts, and proceeds from operations of existing assets: *Provided,*
29 That upon final resolution in favor of the National Government of any ongoing
30 dispute over the Net National Government Share, the amount shall be allocated
31 solely for the purpose specified in this Act.

32

33 The Net National Government Share from the Malampaya Fund shall be
34 remitted to a Special Trust Fund to be administered by the PSALM: *Provided,*
35 That the amounts herein allocated shall be included in the General
36 Appropriations Act. The DBM shall provide a timely release of the amounts

1 allocated and appropriated to the PSALM in accordance with its debt and
2 independent power producer payment schedule.

3
4 When the Stranded Contract Costs, Stranded Debts, and anticipated shortfalls
5 in the course of the payment of such liabilities are fully paid before the
6 termination of the corporate life of the PSALM, the Net National Government
7 Share, shall accrue back to the Special Fund used to finance energy resource
8 development and exploitation programs created under Presidential Decree No.
9 910 "Creating an Energy Development Board, Defining Its Powers and
10 Functions, Providing Funds, Therefor, and For Other Purposes".

11
12 **Section 5. Regular Reports.** – The PSALM shall submit an annual projected
13 cash flow statement and actual cash flow statement of the Stranded Contract
14 Costs, Stranded Debts, and anticipated shortfalls as well as its debt payment
15 and independent power producer contract payment schedule to the DOE, ERC,
16 DOF, DBM, and the JCPC; *Provided*, That the submission of the annual
17 projected cash flow statement shall be on or before June 30 of the preceding
18 year and that of the annual actual cash flow statement shall be on or before
19 June 30 of the succeeding year. The PSALM shall regularly coordinate with the
20 DOE, DOF, and the DBM to ensure consistent record-keeping of remittances to
21 and disbursements from the Malampaya Fund and the Special Trust Fund
22 created under this Act. The PSALM shall make all reports available to the
23 public through its website.

24
25 **Section 6. Congressional Oversight.** – Upon the effectivity of this Act, the
26 JCPC shall exercise oversight powers over its implementation.

27
28 **Section 7. Implementing Rules and Regulations.** – Within sixty (60) days
29 from the effectivity of this Act, the DOF, in consultation with DOE, DBM, and
30 the PSALM shall provide the necessary rules and regulations for the proper
31 disposition of the said funds and the effective implementation of this Act.

32
33 **Section 8. Repealing Clause.** – All laws, decreed, issuances, rules and
34 regulations or parts thereof inconsistent with the provisions of this Act are
35 hereby repealed, amended or modified accordingly.

36

1 **Section 9. Effectivity.** – This Act shall take effect fifteen (15) days from the
2 date of publication in the Official gazette or in at least two (2) newspapers of
3 general circulation.

4

5 Approved,