



HOUSE OF REPRESENTATIVES

H. No. 8631

BY REPRESENTATIVES DIMAPORO (M.K.), DIMAPORO (A.), AND
ALVAREZ (F.), PER COMMITTEE REPORT NO. 942

AN ACT GRANTING THE LANA O DEL NORTE ELECTRIC
COOPERATIVE A FRANCHISE TO CONSTRUCT,
OPERATE AND MAINTAIN A DISTRIBUTION SYSTEM
FOR THE CONVEYANCE OF ELECTRIC POWER
TO ALL END-USERS IN THE PROVINCE OF LANA O
DEL NORTE

*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
2 provisions of the Constitution and applicable laws, rules and
3 regulations, there is hereby granted to Lanao del Norte Electric
4 Cooperative (LANECO), hereunder referred to as the grantee, its
5 successors or assignees, a franchise to construct, operate and
6 maintain in the public interest and for commercial purposes, a
7 distribution system for the conveyance of electric power to the
8 end-users in the municipalities of Bacolod, Balo-i, Baroy,
9 Kapatagan, Kauswagan, Kolambugan, Lala, Linamon, Magsaysay,
10 Maigo, Matungao, Munai, Nunungan, Pantao Ragat, Pantar, Poona

1 Piagapo, Salvador, Sapad, Sultan Naga Dimaporo, Tagoloan,
2 Tangcal, and Tubod in the Province of Lanao del Norte.

3 As used in this Act, distribution system refers to the system
4 of wires and associated facilities including sub-transmission
5 lines belonging to a franchised distribution utility extending
6 between the delivery point on the national transmission system
7 or generating facility and the metering point or facility of the
8 end-user.

9 SEC. 2. *Manner of Operation of Facilities.* – All electric
10 distribution facilities, lines, and systems for electric services
11 owned, maintained, operated, or managed by the grantee, its
12 successors or assignees, shall be operated and maintained at
13 all times in the best manner. It shall be the duty of the
14 grantee, its successors or assignees, whenever required to do so
15 by the Energy Regulatory Commission (ERC) or its legal successor,
16 or the Department of Energy (DOE) or its legal successor, or
17 the National Electrification Administration (NEA) or its legal
18 successor, or any other government agency concerned, to modify,
19 improve and change such facilities or systems in such a manner
20 and to such extent as the progress in science and improvements
21 in the electric power service industry may render reasonable
22 and proper.

23 Whenever practicable and for purposes of maintaining
24 order, safety and aesthetics along highways, roads, streets, alleys,
25 or easements, the grantee may allow the use of free spaces in
26 its poles, facilities, or easements by interested parties upon

1 reasonable compensation. The NEA shall resolve cases of dispute or
2 disagreement between parties.

3 SEC. 3. *Authority of the National Electrification*
4 *Administration.* – The grantee shall secure from the NEA, or any
5 other government agency which has jurisdiction over the operation
6 of the herein grantee, the necessary certificate of public convenience
7 and necessity and other appropriate permits and licenses for the
8 construction and operation of its electric distribution system.

9 SEC. 4. *Excavation and Restoration Works.* – For the purpose
10 of erecting and maintaining poles and other supports for wires or
11 other conductors for the laying and maintaining of underground
12 wires, cables, pipes or other conductors, the grantee, its successors
13 or assignees, is authorized to make excavations or lay conduits
14 in any of the public places, roads, highways, streets, lanes,
15 alleys, avenues, sidewalks, or bridges of the province, city or
16 municipalities, subject to prior approval of the Department of
17 Public Works and Highways (DPWH) or the local government
18 units (LGUs) concerned: *Provided, however,* That any public
19 place, road, highway, street, lane, alley, avenue, sidewalk, or
20 bridge disturbed, altered, or changed by reason of erection of
21 poles or other supports or the underground laying of wires,
22 other conductors or conduits, shall be repaired or replaced in
23 workmanlike manner at the expense of the grantee, its successors
24 or assignees, in accordance with the standards set by the DPWH
25 or the LGUs concerned. Should the grantee, its successors or
26 assignees, after the ten (10)-day notice from the said authority,
27 fail, refuse, or neglect to repair or replace any part of public

1 place, road, highway, street, lane, alley, avenue, sidewalk,
2 or bridge disturbed, altered, or changed by the said grantee,
3 its successors or assignees, then the DPWH or the LGU concerned
4 shall have the right to have the same repaired or replaced in
5 good order and condition and charge the grantee, its successors
6 or assignees at double the amount of the cost and expenses for
7 such repair or replacement.

8 SEC. 5. *Responsibility to the Public.* – The grantee shall
9 supply electricity to its captive market in the urban and rural
10 portions of its franchise area in the least costly manner.
11 In the interest of the public good and as far as feasible and
12 whenever required by the NEA, the grantee shall modify,
13 improve, or change its facilities, poles, lines, systems, and
14 equipment for the purpose of providing efficient and reliable
15 service and reduced electricity costs. The grantee shall charge
16 reasonable and just power rates for its services to all types of
17 consumers within its franchise areas.

18 The grantee shall have the obligation to provide open
19 and nondiscriminatory access to its distribution system and
20 services for any end-user within its franchise area consistent
21 with Republic Act No. 9136, otherwise known as the “Electric
22 Power Industry Reform Act of 2001” and/or Republic Act
23 No. 10531, otherwise known as the “National Electrification
24 Administration Reform Act of 2013”. The grantee shall not
25 engage in any activity that will constitute an abuse of market
26 power such as unfair trade practices, monopolistic schemes,

1 and any other activities that will hinder competitiveness of
2 business and industries.

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

7 The grantee shall identify and itemize in its electricity bill
8 to the end-users the components of the retail rate pursuant to
9 Republic Act No. 9136. Such rates charged by the grantee to the
10 end-users shall be made public and transparent. The grantee
11 shall implement a lifeline rate to marginalized end-users as
12 mandated under Republic Act No. 9136.

13 SEC. 7. *Protection of Consumer Interests.* – The herein
14 grantee shall establish a consumer desk that will handle
15 consumer complaints and ensure adequate protection of consumer
16 interests. The grantee shall act with dispatch on all complaints
17 brought before it.

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

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

14 SEC. 10. *Term of Franchise.* – This franchise shall be for a
15 term of twenty-five (25) years from the date of effectivity of
16 this Act, unless sooner cancelled or revoked. This franchise
17 shall be deemed *ipso facto* revoked in the event that the grantee
18 fails to operate continuously for two (2) years.

19 SEC. 11. *Renewal or Extension of Franchise.* – The grantee
20 shall apply for the renewal or extension of its franchise five (5)
21 years before its expiration date which shall be reckoned fifteen (15)
22 days after the publication of the franchise in the *Official Gazette* or
23 in a newspaper of general circulation.

24 SEC. 12. *Warranty in Favor of the National and Local*
25 *Governments.* – The grantee shall hold the national, provincial,
26 city, and municipal governments of the Philippines free from all
27 claims, liabilities, demands, or actions arising out of accidents

1 that cause injury to persons and damage to properties, during the
2 construction, installation, operation, and maintenance of the
3 distribution system of the grantee.

4 SEC. 13. *Commitment to Provide and Promote the Creation of*
5 *Employment Opportunities.* – The grantee shall create employment
6 opportunities and shall allow on-the-job trainings in their franchise
7 operation: *Provided,* That priority shall be accorded to the residents
8 in areas where any of its offices is located: *Provided, further,* That
9 the grantee shall follow the applicable labor standards and
10 allowance entitlement under existing labor laws, rules and
11 regulations and similar issuances: *Provided, finally,* That the
12 employment opportunities or jobs created shall be reflected in the
13 General Information Sheet (GIS) to be submitted to the Securities
14 and Exchange Commission annually.

15 SEC. 14. *Liability for Damages.* – The grantee shall be liable
16 for any injury to persons and/or damage to property arising from
17 or caused by an accident, by reason of any defective construction
18 under this franchise, or of any neglect or omission to keep its poles
19 and wires in safe condition.

20 SEC. 15. *Sale, Lease, Transfer, Grant of Usufruct, or*
21 *Assignment of Franchise.* – The grantee shall not sell, lease,
22 transfer, grant the usufruct of, nor assign this franchise or the
23 rights and privileges acquired thereunder to any person, firm,
24 company, corporation, or other commercial or legal entity, nor
25 merge with any other corporation or entity, nor shall transfer
26 the controlling interest of the grantee whether as a whole or
27 in part, and whether simultaneously or contemporaneously,

1 to any such person, firm, company, corporation or entity without
2 the prior approval of the Congress of the Philippines: *Provided,*
3 That any such transfer, sale or assignment is in accordance with
4 Constitutional limitations: *Provided, further,* That any person or
5 entity to which this franchise is sold, transferred or assigned, shall
6 be subject to the same conditions, terms, restrictions and limitations
7 of this Act.

8 SEC. 16. *Compliance with Labor Standards.* - The grantee,
9 its successors or assignees, shall comply with the applicable labor
10 standards under existing labor laws, rules and regulations and such
11 other issuances as may be promulgated by the Department of Labor
12 and Employment, taking into consideration the nature and
13 peculiarities of the power distribution industry.

14 SEC. 17. *Reportorial Requirement.* - The grantee shall
15 submit an annual report to the Congress of the Philippines, through
16 the Committee on Legislative Franchises of the House of
17 Representatives and the Committee on Public Services of the
18 Senate, on its compliance with the terms and conditions of the
19 franchise and on its operations on or before April 30 of the
20 succeeding year.

21 The annual report shall include an update on the roll-out,
22 development, operation or expansion of business; audited financial
23 statements; and the certification of the ERC or NEA on the status of
24 its permits and operations.

25 A reportorial compliance certificate issued by Congress shall
26 be required before any application for certificate of public

1 convenience and necessity, and other appropriate permits and
2 licenses is accepted by the ERC or the NEA.

3 SEC. 18. *Equality Clause.* – Any advantage, favor, privilege,
4 exemption, or immunity granted under existing franchises, or may
5 hereinafter be granted shall, upon prior review and approval of
6 Congress, become part of previously granted power distribution
7 franchises and shall be accorded immediately and unconditionally to
8 the grantees of such franchises: *Provided, however,* That the
9 foregoing shall neither apply to nor affect provisions concerning
10 territory covered, term, or the type of service authorized under the
11 franchise.

12 SEC. 19. *Fine.* – Failure of the grantee to submit the requisite
13 annual report to Congress shall be penalized by a fine of Five
14 hundred pesos (P500.00) per working day of noncompliance. The
15 fine shall be collected by the NEA from the delinquent franchise
16 grantee separate from the reportorial penalties imposed by the NEA
17 and the same shall be remitted to the National Treasury.

18 SEC. 20. *Applicability of Existing Laws.* – The grantee shall
19 comply with and be subject to the provisions of Commonwealth Act
20 No. 146, or the "Public Service Act", as amended; Republic Act
21 No. 9136; and Republic Act No. 10531.

22 SEC. 21. *Repealability and Nonexclusivity Clause.* – This
23 franchise shall be subject to amendment, alteration, or repeal by the
24 Congress of the Philippines when the public interest so requires and
25 shall not be interpreted as an exclusive grant of the privileges
26 herein provided for.

1 SEC. 22. *Separability Clause.* – If any of the sections or
2 provisions of this Act is held invalid, all other provisions not
3 affected thereby shall remain valid.

4 SEC. 23. *Repealing Clause.* – All laws, decrees, orders,
5 resolutions, instructions and rules and regulations or parts thereof,
6 which are inconsistent with this Act, are hereby deemed repealed or
7 modified accordingly.

8 SEC. 24. *Effectivity.* – This Act shall take effect fifteen (15)
9 days after its publication in the *Official Gazette* or in a newspaper of
10 general circulation.

Approved,

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