

NINETEENTH CONGRESS OF THE )  
REPUBLIC OF THE PHILIPPINES )  
*First Regular Session* )



23 MAR -7 P4:35

**SENATE**

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S. No. 1975

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**INTRODUCED BY SENATOR JOSEPH VICTOR G. EJERCITO**

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**AN ACT**

**EXTENDING THE CORPORATE LIFE AND STRENGTHENING THE POWERS OF POWER SECTOR ASSETS AND LIABILITIES MANAGEMENT CORPORATION FOR ANOTHER THIRTY (30) YEARS, AMENDING FOR THE PURPOSE SECTIONS 47, 49, 51, 55, 63, AND 70 OF REPUBLIC ACT NO. 9136, OTHERWISE KNOWN AS THE, "ELECTRIC POWER INDUSTRY REFORM ACT OF 2001", AND FOR OTHER PURPOSES**

EXPLANATORY NOTE

The Power Sector Assets and Liabilities Management (PSALM) Corp. was created to lead the privatization of generation and transmission assets of the National Power Corporation (NPC) and the National Transmission Corp. (TransCo). PSALM began its operations as a wholly-owned and-controlled government entity in July 2001 with the following functions:

1. Structure the sale, privatization or disposition of NPC's assets and independent power producer (IPP) contracts and/or their energy output based on such terms and conditions that will optimize the value and sale prices of these assets;
2. Liquidate NPC's stranded contract costs using proceeds from sales and other properties, including proceeds from the Universal Charge;
3. Restructure existing loans of NPC; and
4. Collect, administer and apply the NPC portion of the Universal Charge.

PSALM has the mandate of managing the orderly sale, disposition, and privatization of the NPC generation assets, real estate and other disposable assets, and Independent Power Producer (IPP) contracts to optimally liquidate all NPC

financial obligations, including stranded debts (SD) and stranded contract costs (SCC), which were transferred to and assumed by PSALM pursuant to R.A. No. 9136. Moreover, PSALM assumed all the outstanding obligations of NPC arising from loans, issuances of bonds, securities, and other instruments of indebtedness.

According to Section 49 of Republic Act (R.A.) No. 9136, PSALM has twenty (25) years from the effectivity of the Electric Power Industry Reform Act (EPIRA) of 2001 to fulfill its mandates. After the end of its corporate life in 2026, all the assets it holds and outstanding liabilities will revert to and be assumed by the national government.

By extending the corporate life of PSALM, it will be able to manage its remaining contractual obligations, particularly those whose terms shall end beyond June 2026. The national government will not have to immediately absorb PSALM's outstanding financial obligations by June 2026. The deferral of the turnover of its unpaid financial obligations would give allowance to PSALM to create a privatization plan that is complete, accurate and well organized. An extended corporate life will aid PSALM to secure better terms for its borrowings for the next several years.

Thus, this bill extends the corporate life of PSALM whose corporate existence is due to expire on June 26, 2026 in order for the corporation to fully and successfully accomplish its mandate by giving it more time to dispose of assets to settle the obligations of the industry. The measure seeks to amend R.A. No. 9136 by extending PSALM's corporate life by 30 years until June 26, 2056.

Hence, the immediate approval of this bill is earnestly sought.



**JOSEPH VICTOR G. EJERCITO**

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1 Section 1. Section 47, Chapter V of Republic Act No. 9136, otherwise known as  
2 the "Electric Power Industry Reform Act of 2001" or the EPIRA Law, is hereby amended  
3 to read as follows:

4 "SEC. 47. NPC Privatization. – [~~Except for the assets of SPUG,~~] The generation  
5 assets, real estate, and other disposable assets as well as IPP contracts of NPC,  
6 **INCLUDING THE ASSETS OF THE SPUG**, shall be privatized in accordance  
7 with this Act. Within six (6) months from the effectivity of this Act, the PSALM  
8 Corp. shall submit a plan for the endorsement by the Joint Congressional Power  
9 Commission and the approval of the President of the Philippines, on the total  
10 privatization of the generation assets, real estate, other disposable assets as  
11 well as existing IPP contracts of NPC and thereafter, ~~implement the same, in~~  
12 ~~accordance with the following guidelines, except as provided for in Paragraph~~  
13 ~~(f) herein:~~ **FOR THE PRIVATIZATION OF THE ASSETS OF THE SPUG,**  
14 **PSALM CORP. SHALL, WITHIN SIX (6) MONTHS FROM THE ISSUANCE**  
15 **OF GUIDELINES BY THE GCG ON THE STANDARDS SET FORTH IN**  
16 **SECTION 50, SUBMIT A PLAN FOR THE ENDORSEMENT BY THE JOINT**  
17 **PROFESSIONAL ENERGY COMMISSION AND THE APPROVAL OF THE**



1 have been privatized: Provided, That any unsold capacity, **INCLUDING THE**  
2 **ASSETS OF THE SPUG**, shall be privatized [~~not later than eight (8) years from~~  
3 ~~the effectivity~~] of in accordance with this Act; and xxx"

4 Section 2. The first paragraph of Section 49, Chapter VI of R.A. No. 9136, is  
5 hereby amended to read as follows:

6 "SEC. 49. Creation of Power Sector Assets and Liabilities Management  
7 Corporation - There is hereby created a government-owned and -controlled  
8 corporation to be known as the "Power Sector Assets and Liabilities  
9 Management Corporation", hereinafter referred to as the "PSALM Corp.", which  
10 shall take ownership of all existing NPC generation assets, liabilities, IPP  
11 contracts, real estate and all other disposable assets, **INCLUDING THE**  
12 **ASSETS OF THE SPUG**. All outstanding obligations of the NPC arising from  
13 loans, issuances of bonds, securities and other instruments of indebtedness  
14 shall be transferred to and assumed by the PSALM Corp. within one hundred  
15 eighty (180) days from the approval of this Act."

16 Section 3. Section 50, Chapter VI of Republic Act No. 9136, otherwise known  
17 as the "Electric Power Industry Reform Act of 2001" or the EPIRA, is hereby amended  
18 to read as follows:

19 "SEC. 50. Purpose and Objective, Domicile and Term of Existence. - The  
20 principal purpose of the PSALM Corp. is to manage the orderly sale, disposition,  
21 and privatization of NPC generation assets, real estate and other disposable  
22 assets, and IPP contracts, **INCLUDING THE ASSETS OF THE SPUG**, with  
23 the objective of liquidating all NPC financial obligations and stranded contract  
24 costs in an optimal manner.

25 The PSALM Corp. shall have its principal office and place of business within  
26 Metro Manila.

27 The PSALM Corp. shall exist for a period of twenty-five (25) years from the  
28 effectivity of this Act, **ITS CORPORATE LIFE SHALL BE EXTENDED FOR**  
29 **ANOTHER THIRTY (30) YEARS FROM THE EXPIRATION OF ITS**  
30 **ORIGINAL TERM ON 26 JUNE 2026, UNLESS OTHERWISE PROVIDED**  
31 **BY LAW. PROVIDED, THAT, PSALM CORP. MAY UNDERGO**  
32 **RESTRUCTURING, REORGANIZATION OR RIGHTSIZING, AS IT MAY**

1 **DEEM PROPER, PURSUANT TO EXISTING RULES AND REGULATIONS.**  
2 **THE PSALM CORP. MAY ALSO BE ABOLISHED DURING ITS EXTENDED**  
3 **TERM OF EXISTENCE, PURSUANT TO SECTION 5 OF REPUBLIC ACT**  
4 **NO. 10149, OTHERWISE KNOWN AS THE "GOCC GOVERNANCE ACT**  
5 **OF 2011". PROVIDED, FURTHER,** that all assets held by it, all moneys and  
6 properties belonging to it, and all its liabilities outstanding upon its abolition or  
7 the expiration of its term of existence shall revert to and be assumed by the  
8 National Government.

9 **SHOULD IT BE DETERMINED PURSUANT TO REPUBLIC ACT NO. 10149**  
10 **THAT THE ABOLITION OF PSALM CORP. IS TO THE BEST INTEREST OF**  
11 **THE STATE, THE ABOLITION OF PSALM CORP. SHALL TAKE EFFECT**  
12 **UPON THE APPROVAL OF THE PRESIDENT OF THE PHILIPPINES OF**  
13 **THE RECOMMENDATION OF THE GOVERNANCE COMMISSION FOR**  
14 **GOVERNMENT-OWNED OR CONTROLLED CORPORATIONS (GCG) TO**  
15 **ABOLISH THE PSALM CORP., THROUGH AN EXECUTIVE ORDER**  
16 **ISSUED FOR SUCH PURPOSE; PROVIDED, THAT THE ABOLITION OF**  
17 **PSALM CORP. SHALL BE IMPLEMENTED BY THE GCG, UNLESS THE**  
18 **PRESIDENT DESIGNATES ANOTHER AGENCY TO IMPLEMENT SUCH**  
19 **ABOLITION.**

20 **IN ADDITION TO THOSE SET FORTH UNDER SECTION 5(A) OF THE**  
21 **REPUBLIC ACT NO. 10149, THE PSALM CORP. MAY ALSO BE**  
22 **ABOLISHED DURING ITS EXTENDED PERIOD OF EXISTENCE BASED**  
23 **ON THE FOLLOWING GUIDING STANDARDS:**

24 **1. THE SALE, DISPOSITION, AND PRIVATIZATION OF ALL THE NPC**  
25 **GENERATION ASSETS, AND IPP CONTRACTS;**

26 **2. LIQUIDATION OF ALL 2. LIQUIDATION OF ALL THE NPC FINANCIAL**  
27 **OBLIGATIONS, STRANDED DEBTS AND STRANDED CONTRACT COSTS**  
28 **OR ABSORPTION OF SUCH BY THE NATIONAL GOVERNMENT WITH**  
29 **THE CORRESPONDING PRIVATIZATION PROCEEDS RECEIVABLE;**  
30 **AND,**

31 **3. THE PRIVATIZATION OF ALL POWER GENERATION ASSETS AND**  
32 **ASSOCIATED POWER DELIVERY SYSTEMS OF THE SPUG.**

1 Section 4. Section 51, Chapter VI of Republic Act No. 9136 is hereby amended  
2 to read as follows:

3 "SEC. 51. Powers. - The Corporation shall, in the performance of its functions  
4 and for the attainment of its objective, have the following powers:

5 (a) To formulate and implement a program for the sale and privatization of the  
6 NPC assets and IPP contracts, **INCLUDING THE ASSETS OF THE SPUG**, and  
7 the liquidation of NPC debts and stranded contract costs, such liquidation to be  
8 completed within the term of existence of the PSALM Corp.;

9 xxx

10 (e) To liquidate the NPC stranded contract costs and stranded debts utilizing  
11 proceeds from sales and other property contributed to it, including the proceeds  
12 from the universal charge:

13 xxx

14 (m) To restructure the sale, privatization or disposition of NPC assets, including  
15 the assets of the SPUG, and IPP contracts and/or their energy output based on  
16 such terms and conditions which shall optimize the value and sale prices of said  
17 assets."

18 Section 5. Section 55, Chapter VI of Republic Act No. 9136 is hereby amended  
19 to read as follows:

20 "SEC. 55. Property of the PSALM Corp. - The following funds, assets,  
21 contributions and other property shall constitute the property of the PSALM  
22 Corp.:

23 **A.** The generation assets, real estate, IPP contracts, other disposable assets of  
24 NPC. Provided, that, ownership of the assets of the SPUG shall remain with NPC  
25 pending privatization;

26 **B.** Proceeds from the sale or disposition of such assets and the residual assets  
27 from B-O-T, R-O-T, and other variations thereof. **PROVIDED, HOWEVER,**  
28 **THAT THE PROCEEDS FROM THE SALE OR DISPOSITION OF THE**  
29 **ASSETS OF THE SPUG SHALL CONSTITUTE THE PROPERTY OF THE**  
30 **NPC; PROVIDED, FURTHER, THAT, UPON RECEIPT OF PROCEEDS**  
31 **FROM THE SALE OR DISPOSITION OF THE ASSETS OF THE SPUG, THE**  
32 **NPC SHALL REMIT THE SAME TO THE NATIONAL GOVERNMENT, NET**

1           **OF THE SEPARATION BENEFITS OF AFFECTED PERSONNEL**  
2           **PURSUANT TO SECTION 63 OF THIS ACT;**

3           **C.** Transfers from the National Government;

4           **D.** Proceeds from loans incurred to restructure or refinance PC's transferred  
5           liabilities: Provided, however, That all borrowings shall be fully paid for by the  
6           end of the life of the PSALM Corp.;

7           **E.** Proceeds from the universal charge allocated for stranded contract costs and  
8           the stranded debts of NPC;

9           **F.** Net profit of NPC;

10          **G.** Net profit of TRANSCO;

11          **H.** Official assistance, grants, and donations from external sources; and

12          **I.** Other sources of funds as may be determined by PSALM Co necessary for  
13          the above-mentioned purposes.

14          Section 6. Section 63, Chapter VIII of Republic Act No. 9136, otherwise known  
15          as the "Electric Power Industry Reform Act of 2001" or the EPIRA, is hereby amended  
16          to read as follows:

17                "SEC. 63. Separation Benefits of Officials and Employees of Affected Agencies.

18                - National government employees displaced or separated from the service as a  
19                result of the restructuring of the electricity industry and privatization of NPC  
20                assets pursuant to this Act, shall be entitled to either a separation pay and  
21                other benefits in accordance with existing laws, rules or regulations or be  
22                entitled to avail of the privileges provided under a separation plan which shall  
23                be one and one-half month salary for every year of service in the government:  
24                Provided, however, That those who avail of such privilege shall start their  
25                government service anew if absorbed by any government-owned successor  
26                company. In no case shall there be any diminution of benefits under the  
27                separation plan until the full implementation of the restructuring and  
28                privatization. **PROVIDED, FURTHER, THAT THE SEPARATION BENEFITS**  
29                **OF ANY NPC PERSONNEL WHO WILL BE DISPLACED OR SEPARATED**  
30                **DUE TO THE PRIVATIZATION OF THE ASSETS OF THE SPUG, SHALL HE**  
31                **FOR THE ACCOUNT OF THE NPC AND SHALL BE SETTLED FROM THE**  
32                **PROCEEDS OF SUCH PRIVATIZATION.**



1 Displaced or separated personnel as a result of the privatization, if qualified,  
2 shall be given preference in the hiring of the manpower requirements of the  
3 privatized companies.

4 The salaries of employees of NPC shall continue to be exempt from the  
5 coverage of Republic Act No. 6758, otherwise known as "The Salary  
6 Standardization Act". With respect to employees who are not retained by NPC,  
7 the government, through the Department of Labor and Employment, shall  
8 endeavor to implement re-training, job counseling, and job placement  
9 programs.

10 **PERSONNEL OF PSALM CORP. WHO MAY BE DISPLACED OR**  
11 **SEPARATED AS A RESULT OF PSALM CORP.'S RESTRUCTURING,**  
12 **REORGANIZATION AND RIGHTSIZING DURING ITS TERM OF**  
13 **EXISTENCE, SHALL BE ENTITLED TO EITHER A SEPARATION PAY AND**  
14 **OTHER BENEFITS IN ACCORDANCE WITH EXISTING LAWS, RULES OR**  
15 **REGULATIONS OR BE ENTITLED TO AVAIL OF THE PRIVILEGES**  
16 **PROVIDED UNDER A SEPARATION PLAN, WHICH SHALL BE ONE AND**  
17 **ONE-HALF MONTH SALARY FOR EVERY YEAR OF SERVICE IN THE**  
18 **GOVERNMENT: PROVIDED, HOWEVER, THAT THOSE WHO AVAIL OF**  
19 **SUCH PRIVILEGE SHALL START THEIR GOVERNMENT SERVICE ANEW**  
20 **IF ABSORBED BY ANY GOVERNMENT OWNED SUCCESSOR COMPANY.**

21 Section 7. Section 70, Chapter VI of Republic Act No. 9136, otherwise known  
22 as the "Electric Power Industry Reform Act of 2001" or the EPIRA, is hereby amended  
23 to read as follows:

24 "SEC. 70. *Missionary Electrification.* – [~~Notwithstanding the divestment and/or~~  
25 ~~privatization of NPC assets, IPP contracts and spun-off corporations,~~] NPC shall,  
26 **PRIOR TO THE TOTAL PRIVATIZATION OF THE ASSETS OF THE SPUG**  
27 **BY PSALM CORP.,** remain as a National Government-owned and -controlled  
28 corporation to perform the missionary electrification function through the Small  
29 Power Utilities Group (SPUG) and shall be responsible for providing power  
30 generation and its associated power delivery systems in areas that are not  
31 connected to the transmission system. The missionary electrification function  
32 shall be funded from the revenues from sales in missionary areas and from the

1 universal charge to be collected from all electricity end-users as determined by  
2 the ERC."

3 Section 8. *Implementing Rules and Regulations.*- The DOE shall, in consultation  
4 with relevant government agencies, promulgate the Implementing Rules and  
5 Regulation (IRR) of the Act within six (6) months from the effectivity of this Act.

6 The GCG shall issue guidelines for the determination and implementation of  
7 Section 3 within six (6) months from the effectivity of this Act.

8 Section 9. *Separability Clause.*- Should any provision or section of this Act be  
9 subsequently declared invalid or unconstitutional, the other provisions hereof which  
10 are not affected thereby shall remain in full force and effect.

11 Section 10. *Repealing Clause.* - All laws, decrees, executive orders,  
12 proclamations, rules and regulations, and issuances, or parts thereof which are  
13 inconsistent with the provisions of this Act, are hereby repealed, amended or modified  
14 accordingly. The provisions of Republic Act No. 9136, otherwise known as the "Electric  
15 Power Industry Reform Act of 2001" shall continue to have full force and effect, except  
16 insofar as they are inconsistent with this Act.

17 Section 11. *Effectivity* - This Act shall take effect fifteen (15) days following the  
18 completion of its publication in the Official Gazette or in at least two (2) newspapers  
19 of general circulation.

Approved,