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

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

SECTION 1. Nature and Scope of Franchise. — Subject to the provisions of the Constitution and applicable laws, rules and regulations, there is hereby granted to the Lanao del Norte Electric Cooperative (LANECO), hereunder referred to as the grantee, its successors or assigns, a franchise to construct, install, establish, operate, and maintain for commercial purposes and in the public interest, a power distribution system for the conveyance of electric power to the end users in the municipalities of Bacolod, Baloi, Baroy, Kapatakan, Kauswagan, Kolambogan, Lala, Linamon, Magsaysay, Maigo, Matungao, Munai, Nunungan, Pantao Ragat, Pantar, Poona Piagapo, Salvador, Sapad, Sultan Naga Dimaporo, Tagoloan, Tancal, and Tubod in the Province of Lanao del Norte.

SEC. 2. Manner of Operation of Facilities. — All electric distribution facilities, lines, and systems for electric services owned, maintained, operated, or managed by the grantee, its successors or assignees, shall be operated and maintained at all times in the best manner, and it shall be the duty of the grantee, its successors or assignees, whenever required to do so by the Energy Regulatory Commission (ERC) or its legal successor, or the Department of Energy (DOE) or its legal successor, or the National Electrification Administration (NEA) or its legal successor, or any other authorized government agency, to modify, improve and change such facilities or systems in such a manner and to such extent as the progress in science and improvements in the electric power service industry may render reasonable and proper.

Whenever practicable and for purposes of maintaining order, safety and aesthetics along highways, roads, streets, alleys, or easements, the grantee may allow the use of its poles, facilities, or easements by interested parties upon reasonable compensation. The ERC or the NEA shall resolve cases of dispute or disagreement between parties.

SEC. 3. Authority of the Energy Regulatory Commission (ERC) and the National Electrification Administration (NEA). — The grantee shall secure from the ERC or the NEA, or any other government agency which has jurisdiction over the operation of the herein grantee, the requisite certificate of public convenience and
necessity and other appropriate permits and licenses for the
construction and operation of its electric distribution system.

SEC. 4. Excavation and Restoration Works. — For the purpose
of erecting and maintaining poles and other supports for wires or
other conductors for the laying and maintaining underground wires,
cables, pipes or other conductors, the grantee, its successors or
assignees, is authorized to make excavations or lay conduits in any
of the public places, roads, highways, streets, lanes, alleys, avenues,
sidewalks, or bridges of said province, cities and/or municipalities,
subject to prior approval of the Department of Public Works and
Highways (DPWH) or the local government units (LGUs) concerned:
Provided, however, That any public place, road, highway, street,
lane, alley, avenue, sidewalk, or bridge disturbed, altered, or
changed by reason of erection of poles or other supports or the
underground laying of wires, other conductors or conduits, shall be
repaired or replaced in workmanlike manner at the expense of the
grantee, its successors or assignees, in accordance with the
standards set by the DPWH or the LGU concerned. Should the
grantee, its successors or assignees, after the ten (10)-day notice
from the said authority, fail, refuse or neglect to repair or replace
any part of public place, road, highway, street lane, alley, avenue,
sidewalk or bridge that has been disturbed, altered, or changed by
the said grantee, its successors or assignees, then the DPWH or
the LGU concerned shall have the right to have the same repaired
or replaced in good order and condition and charge the grantee, its
successors or assignees at double the amount of the costs and
expenses for such repair or replacement.

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

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

The exercise of the rights granted herein shall not result to
stranded assets and stranded contract costs of existing and
operating distribution utilities nor to unreasonable increases in
costs to consumers.

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

The grantee shall identify and itemize in its billing statement
to end users the components of the retail rate charged pursuant to
Republic Act No. 9136. Such rates charged by the grantee to the
end users shall be made public and transparent. The grantee shall
implement a lifeline rate to marginalized end users as mandated
under Republic Act No. 9136.
SEC. 7. Protection of Consumer Interests. – The herein grantee shall establish a consumer desk that will handle consumer complaints and ensure adequate protection of consumer interests. The grantee shall act with dispatch on all complaints brought before it.

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

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

SEC. 10. Term of Franchise. – This franchise shall be for a term of twenty-five (25) years from the date of the effectivity of this Act, unless sooner revoked or cancelled by Congress for any violation of the terms and/or provisions of the franchise herein granted.

SEC. 11. Renewal or Extension of Franchise. – The grantee shall apply for the renewal or extension of its franchise five (5) years before its expiration, reckoned from fifteen (15) days after the publication of the franchise in the Official Gazette or in a newspaper of general circulation.

SEC. 12. Warranty in Favor of the National and Local Governments. – The grantee shall hold the national, provincial, city, and municipal governments of the Philippines free from all claims, liabilities, demands, or actions arising out of accidents that cause injury to persons or damage to properties, during the construction, installation, operation, and maintenance of the distribution system of the grantee.

SEC. 13. Liability to Damages. – The grantee shall be liable for any injury to persons or damage to property arising from or caused by any accident by reason of any defective construction of any infrastructure built pursuant to the operation of its business under this franchise, or of any neglect or failure to keep its poles and wires in safe condition.

SEC. 14. Commitment to Provide and Promote the Creation of Employment Opportunities. – The grantee shall create employment opportunities and shall allow on-the-job trainings in their franchise operation: Provided, That priority shall be accorded to the residents of the place where their principal office is located: Provided, further, That the grantee shall follow the applicable labor standards
and allowance entitlement under existing labor laws, rules and
regulations and similar issuances: Provided, finally, That the
employment opportunities or jobs created shall be reflected in the
General Information Sheet (GIS) to be submitted to the Securities
and Exchange Commission (SEC) annually.

SEC. 15. Sale, Lease, Transfer, Grant of Usufruct, or
Assignment of Franchise. – The grantee shall not sell, lease,
transfer, grant the usufruct of, nor assign this franchise or the
rights and privileges acquired thereunder to any person, firm,
company, corporation, or other commercial or legal entity, nor
merge with any other corporation or entity, nor the controlling
interest of the grantee be transferred, simultaneously or
contemporaneously, to any person, firm, company, corporation, or
entity without the prior approval of the Congress of the Philippines.
Congress shall be informed of any sale, lease, transfer, grant of
usufruct, or assignment of franchise or the rights and privileges
acquired thereunder, or of the merger or transfer of the controlling
interest of the grantee, within sixty (60) days after the completion of
the said transaction. Failure to report to Congress such change of
ownership shall render the franchise ipso facto revoked. Any person
or entity to which this franchise is sold, transferred, or assigned
shall be subject to the same conditions, terms, restrictions, and
limitations of this Act.

SEC. 16. Dispersal of Ownership. – In accordance with the
constitutional provision to encourage public participation in public
utilities, the grantee shall offer to Filipino citizens at least thirty
percent (30%) or a higher percentage that may hereafter be
provided by law of its outstanding capital stock and list and/or trade
in any registered or organized securities market in the Philippines
within five (5) years from the commencement of its operations:
Provided, That in cases where public offer of shares is not
applicable, as determined by relevant government agency, other
methods of encouraging public participation by citizens must be
implemented. Noncompliance therewith shall render the franchise
ipso facto revoked.

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

The annual report shall include an update on the roll-out,
development, operation and/or expansion of business; audited
financial statements; latest GIS; certification of the ERC and/or
the NEA on the status of its permits and operations; and an update
on the dispersal of ownership undertaking, if applicable.

A reportorial compliance certificate issued by Congress shall
be required before any application for permit or certificate is
accepted by the ERC or the NEA.

SEC. 18. Equality Clause. – Any advantage, favor, privilege,
exemption, or immunity granted under existing franchises, or may
hereinafter be granted shall, upon prior review and approval of
Congress, become part of previously granted power distribution
franchises and shall be accorded immediately and unconditionally to
the grantees of such franchises: Provided, That the foregoing shall
neither apply to nor affect the provisions of power distribution
franchises concerning territorial coverage, the term, or the type of
service authorized by the franchise.

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

SEC. 20. Applicability of Existing Laws. – The grantee shall
comply with and be subject to the provisions of Commonwealth Act
No. 146, or the “Public Service Act”, as amended; Republic Act
No. 9136; and Republic Act No. 10531 or “An Act Strengthening
the National Electrification Administration, Further Amending
Presidential Decree No. 269, as Amended, Otherwise Known as the
‘National Electrification Administration Decree’.”

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

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

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

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

Approved,