

Republic of the Philippines  
**HOUSE OF REPRESENTATIVES**  
Quezon City, Metro Manila



**EIGHTEENTH CONGRESS**  
First Regular Session

House Bill Number 468

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**Introduced by:**

**REP. PRESLEY C. DE JESUS** (PHILRECA PARTY-LIST), **REP. SERGIO C. DAGOOC** (APEC PARTY-LIST), **REP. GODOFREDO N. GUYA** (RECOBODA PARTY-LIST), AND **REP. ADRIANO A. EBCAS** (AKO PADAYON PARTY-LIST)

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***AN ACT STRENGTHENING THE NATIONAL ELECTRIFICATION  
ADMINISTRATION BY CONVERTING IT INTO THE NATIONAL  
ELECTRIFICATION AUTHORITY, DEFINING AND ENHANCING ITS POWERS,  
FUNCTIONS AND OPERATIONS TO ACHIEVE THE GOVERNMENT'S POLICY  
FOR TOTAL RURAL ELECTRIFICATION, PROVIDING FUNDS THEREFOR, AND  
FOR OTHER PURPOSES***

**EXPLANATORY NOTE**

The social and economic development in the countryside and/or sustainable rural development through total electrification of the country is the ultimate objective of the government since the creation of NATIONAL ELECTRIFICATION ADMINISTRATION by the issuance of Presidential Decree 269. Further amending said issuance through the other Presidential issuances and legislative enactments saw the commitment of NEA towards achieving its mandate through the Electric Cooperatives.



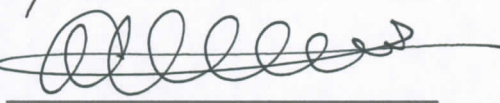
Turn of events however witnessed the need to further equip and revolutionize the Agency in order to withstand the challenges in fast-tracking and/or accelerating the energization of the countryside thereby realizing rural development and nation-building.

There is an urgent need to consolidate and augment the current legislations governing the NEA and the electric cooperatives if only to attain the government's objectives.

This bill seeks to institutionalize the processes and operations of the NEA and the electric cooperatives with definite and autonomous system of sustainability and performance of its functions and responsibilities in the current field of rural electrification and socio-economic development.

Empowering back NEA in the grant, alteration/amendment/ modification of the franchises of electric cooperatives is designed for purposes of convenience of the cooperatives concerned whether status are stock or non-stock but being service oriented, cooperatives should be afforded the immediate relief for its problem of corporate restructuring to continuously go along with the current trend of the power industry being the government partner on rural electrification and development.

The passage of the bill is earnestly sought.

  
Rep. **PRESLEY C. DE JESUS**  
PHILRECA Party-List  
Rep. **SERGIO C. DAGOOC**  
APEC Party-List  
Rep. **GODOFREDO N. GUYA**  
RECOBODA Party-List  
Rep. **ADRIANO A. EBCAS**  
AKO PADAYON Party-List

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

**CHAPTER I – POLICY AND DEFINITIONS**

**SECTION 1. Short Title.-** This Act shall be known as the **NATIONAL  
ELECTRIFICATION AUTHORITY ACT OF 2019.**

**SECTION 2. Declaration of Policy.** The government's desire to effect changes and reforms in our society has accelerated the implementation of rural electrification program for almost five (5) decades. This has been pursued by the National Electrification Administration, with the electric cooperatives as its implementing arms. It contributes to the development of the communities and the improvements in the socio-economic status of the people in the countryside.

To sustain the country's economic development through total electrification, the government shall continue to exercise its regulatory and supervisory powers over electric cooperatives and other power distribution utilities in rural areas or communities in order to ensure the provision of accessible, adequate, quality, and reliable electric service at the least cost.

**SECTION 3. Primary Purposes and Objectives.** The Authority shall have the following purposes and objectives:

- a. promote the sustainable development of the country most particularly in the rural areas through total electrification;
- b. empower and strengthen the National Electrification Authority (NEA) to pursue the electrification program and bring electricity to the countryside even in missionary or economically unviable areas through the electric cooperatives and other power distribution utilities as its implementing arm;
- c. empower and enable electric cooperatives to cope with the changes brought about by the restructuring of the electric power industry pursuant to Republic Act No. 9136, otherwise known as the "Electric Power Industry Reform Act of 2001".

**SECTION 4. Definitions.** As used in this Act, the following words or terms shall have the following meanings, unless a different meaning clearly appears from the context:

a. "NEA" shall mean the National Electrification Authority, "Board of Directors" shall mean the Board of Directors, and "Director General" shall mean the Director General, all as provided for in this Act.

b. "Cooperative" shall mean a corporation organized under Presidential Decree No. 269, or to be converted under this Act.

c. "Public service entities" shall mean (1) a cooperative, (2) local governments, and privately-owned public service entities in operation which furnish and are empowered to furnish retail electric service.

d. "Person" shall mean any natural person, firm, association, cooperative, corporation, business trust, partnership, the National Government or any political subdivision, agency or instrumentality thereof.

e. "Service" shall mean electric service, either at wholesale or retail, including the furnishing of any auxiliary or related service.

f. "Area" shall mean (1) the geographic area franchised to a public service entity or (2) any lesser geographic area for the furnishing of retail electric service;

g. "Area coverage" shall mean dependable and adequate service that, on the basis of reasonable and standard extension and service policies, rates, charges and other terms and conditions, will be or is being made available to all persons within the affected area as above defined who request such service and are able and willing to

abide by and comply with all such reasonable and standard terms and conditions, regardless of the relative location of such persons within the affected area or of their proximity to existing or proposed service facilities: Provided, That the financial feasibility of the public service entity's entire operation is not thereby impaired.

h. "Franchise" shall mean the privilege extended to a person, natural or juridical, to operate an electric system for service to the public at retail within a described geographic area, granted by the Congress or by the NEA.

i. "Non-profit" shall mean that a cooperative shall not engage in business for the purpose of making a profit for itself or its patrons, but it shall not mean that a cooperative may not account on a patronage basis to its patrons for any receipts in excess of its expenses in relation to its operations in serving such patrons or in relation to investment of any of its surplus funds pending their use by the cooperative or their refund to patrons; nor shall it mean that such excess receipts may not be refunded to its patrons, or may not be converted into patron-furnished capital subject to later redemption and retirement by the cooperative.

j. "Board" shall mean the board of directors of a cooperative.

k. "CDA" shall refer to the Cooperative Development Authority created under Republic Act No. 6939, as amended.

l. "DOE" shall refer to the Department of Energy created under Republic Act No. 7638, as amended.

m. "Electric cooperative" shall refer to an electric distribution utility organized and registered pursuant to Presidential Decree No. 269, as amended.

n. "EPIRA" shall refer to Republic Act No. 9136 or the 'Electric Power Industry Reform Act of 2001'.

o. "ERC" shall refer to the Energy Regulatory Commission created under Section 38 of Republic Act No. 9136.

p. "Consumers" refers to the members of the electric cooperatives or consumers of other power distribution utilities either natural or juridical person.

q. "Other power distribution utilities" refers to power distribution utilities in the rural areas or communities.

## **CHAPTER II**

### **THE NATIONAL ELECTRIFICATION AUTHORITY**

**SECTION 5. The National Electrification Authority.** The National Electrification Administration created under Presidential Decree No. 269 as amended is hereby renamed as NATIONAL ELECTRIFICATION AUTHORITY, hereinafter referred to as the Authority.

The Authority shall be directly under the Office of the President of the Republic of the Philippines and not attached to any department, which shall be autonomous in its operations with separate budgetary allocation. For purposes of sustainability of the supply of energy for distribution by the electric cooperatives, and other power distribution utilities in the rural areas or communities, the Authority may coordinate with the Department of Energy in the energy sources determination and development.

**SECTION 6. Powers, Functions and Privileges of the National Electrification Authority.** The Authority is authorized and empowered to:

a. have a continuous succession under its corporate name until otherwise provided by law;

b. adopt and use a seal and alter it at its pleasure;

c. sue and be sued in any court: Provided, that the Authority shall, unless it consents otherwise, be immune to suits for acts ex delicti;

d. make contracts of every name and nature and execute all instruments necessary or convenient for the carrying on of its business;

e. approve, grant, reject, suspend, revoke or require amendments to registration statements and registration application of electric cooperatives, and to subsequently issue the Certificate of Registration. Accordingly, validity of Certificates of Registration previously issued by the then National Electrification Administration granting juridical personality to electric cooperatives currently operating shall automatically cease and rendered ineffective upon the effectivity of this Act. Electric Cooperatives are hereby granted a period of NINETY (90) calendar days after the effectivity of the Implementing Rules and Regulations (IRR) of this Act to file an Application for registration with the Authority. All acts and relevant transactions entered by the cooperative within the aforesaid period shall be valid, effective and enforceable.

f. supervise the management and operations of all electric cooperatives, and other power distribution utilities registered with the Authority;

g. exercise step-in rights as herein defined;

h. provide legal, institutional, financial and technical assistance to electric cooperatives;

i. pursue the total electrification of the country through the electric cooperatives and other power distribution utilities by way of enhancing distribution development. In case of missionary areas, shall be done in coordination with other power industry participants interested in the power generation and distribution when deemed necessary;

j. devote all returns from its capital investments to attain the objectives of this Act;



k. ensure the economic and financial viability and operation of all electric cooperatives in order to pursue the government's program of total electrification through the grant of subsidies as fund assistance necessary to augment the electric cooperative's finances for power distribution projects. All funds provided under Republic Act 11039 otherwise known as the Electric Cooperatives' Emergency Resiliency Fund shall be under the custody of the NEA for disposition pursuant to the intentions the funds are being reserved.

l. rehabilitate ailing electric cooperatives with the end in view of making them economically and financially viable;

m. develop, set and enforce institutional and governance standards for the efficient operation of electric cooperatives such as, but not limited to, the observance of appropriate procurement procedure, including transparent and competitive selection process, entertaining both solicited procurement and unsolicited proposals;

n. formulate and impose administrative sanctions and penalties and when warranted, file criminal cases against those who are found in violation of any of the provisions of this Act, and its issuances;

o. serves as guarantor to electric cooperatives in their transactions with various parties such as, but not limited to, co-signing in power supply contract, when funds of the authority are availed for the purpose;

p. subject to the prior approval and/or opinion of the Monetary Board, borrow funds from any source, private or government, foreign or domestic, and secure the lenders thereof by pledging, sharing or subordinating one or more of the Authority's owned properties as loan securities;

q. exercise primary and exclusive jurisdiction in the adjudication of complaints against electric cooperatives' members of the board of directors, election disputes and all matters relating to the effective implementation of the provisions of this Act;

r. as a quasi-judicial agency, deputize law enforcement agencies to enforce or implement its orders or decisions, with the power to cite for contempt any party or witness to any case before it for contumacious conduct; and

s. exercise such powers and do such things as may be necessary to carry out the business and purposes for which the Authority was established, or which from time to time may be declared by the Board of Directors as necessary, useful, incidental or auxiliary to accomplish such purposes.

**SECTION 6-A. Supervisory Powers of the Authority Over Electric Cooperatives.** In the exercise of its power of supervision over electric cooperatives, be it registered with the NEA, CDA or SEC, the Authority shall have the following powers:

a. issue orders, rules and regulations, *motu proprio* or upon petition of third parties, to conduct investigations, referenda and other similar actions on all matters affecting the electric cooperatives;

b. issue preventive or disciplinary measures including, but not limited to, suspension or removal and replacement of any or all of the members of the board of directors and the General Manager of the electric cooperative, as the Authority may deem fit and necessary and to take any other remedial measures as the law or any agreement or arrangement which the Authority may provide, to attain the objectives of this Act; and

c. appoint independent board of directors in the electric cooperative.

The Authority shall, in the exercise of its supervisory and disciplinary powers under this Act, strictly observe due process of law.”

**SECTION 6-B. Step-in Rights in Cases of Ailing Cooperatives.** The Authority shall immediately step-in, dissolve the Board of Directors and take over the management and operations of any ailing electric cooperative, declared as such through an appropriate resolution of the NEA Board of Directors, upon the recommendation of the Director General, until such time that it becomes financially and technically viable to sustain its operation, but shall not be more than two (2) years from the date of takeover. NEA may extend such period if and when circumstances warrant its continued stay; Provided such extension shall not exceed one (1) year.

The Authority shall, in the exercise of its step-in rights under this Act, strictly observe due process of law. The step-in rights may only be exercised by the Authority in case of failure of the electric cooperative to meet organizational, institutional, operational and financial standards set by the Authority.

**SECTION 6-C. Injunction or Temporary Restraining Order.** No injunction or temporary restraining order shall be issued against the implementation of any order, ruling or decision of the Authority, except by the Court of Appeals and only upon the posting of a bond sufficient to cover the liabilities and expenditures arising during the pendency of the writ or injunction or temporary restraining order: Provided, That the injunction shall only be effective for a period not exceeding sixty (60) days.

**SECTION 6-D. Franchising Powers of the Authority.** The power to approve, grant, renew and thereafter to repeal, alter or amend all Franchises for distribution of electricity by Electric Cooperatives shall be vested in and exercised by the Authority. Accordingly, validity of the Franchises previously issued by the then National Electrification Administration to electric cooperatives currently operating shall automatically cease, ineffective and unenforceable upon the effectivity of this Act. Electric Cooperatives are hereby granted a period of NINETY (90) calendar days to file an Application for the grant of a Franchise with the Authority. All acts and relevant transactions entered into by the cooperative within the aforesaid period shall be valid, effective and enforceable.

To effectively implement this provision, the Authority is authorized to promulgate rules and regulations deemed necessary for the purpose.

**SECTION 7. Board of Directors.** All powers of the Authority shall be vested in and exercised by a Board of Directors, which shall be composed of the Chairman and



four (4) members, one of whom shall be the Director General sitting as a regular member. The Chairman and the three other members shall be appointed by the President of the Philippines to serve for a term of six years whose representation shall be allocated in the following manner:

1 – nominated by the accredited and recognized national association of electric consumers.

1 – nominated by the accredited and recognized national association of electric cooperatives' management staff.

1 – nominated by the National Association of the electric cooperatives board of directors.

Provided, That, the Chairman to be appointed shall have knowledge and experience in rural electrification for a period not less than ten (10) years. Except for the Director General, the terms of the first appointees shall be six years for the Chairman and one member and three years for the two other members, respectively. All vacancies, except through expiration of the terms, shall be filled for the unexpired term only.

The Board of Directors shall meet regularly at least once every quarter or as often as the exigency of the authority's affairs demand.

The presence of at least three members shall constitute a quorum which shall be necessary for the transaction of any business. The affirmative vote of a majority of the members present shall be necessary for the approval of any resolution, decision or order, except when a greater vote is required as sometimes hereinafter provided. In the absence of the Chairman at a Board meeting duly called, the Director General shall preside.

**SECTION 8. Functions, Powers and Duties of the Board of Directors.** The Board shall, without limiting the generality of the foregoing, have the following specific powers and duties.

- a. To implement the provisions and purposes of this Act;
- b. To formulate and adopt policies and plans, and to promulgate rules and regulations, for the management, operation and conduct of the business of the NEA;
- c. To prepare and submit the annual budget for the consideration and approval of the Congress of the Philippines of the NEA's personnel services operation and fund subsidy programs to the electric cooperatives;
- d. To establish policies and guidelines for employment based on merit, technical competence and moral character, and, upon the recommendation of the Administrator to organize or reorganize NEA's staffing structure, to fix the salaries of personnel and to define their powers and duties; and

**SECTION 9. Functions, Powers, and Duties of the Director General.** The management of the Authority shall be vested in the Director General, who shall be a person of known integrity, competence and experience in executive fields related to the purposes of this Act. He shall be appointed by the President of the Philippines and shall be entitled to an equivalent rank, salary, and emoluments of an Undersecretary.

The Director General shall have the following functions, powers and duties:

a. To execute and administer the policies, plans and programs, and the rules and regulations, approved or promulgated by the Board of Directors;

b. To submit for the consideration of the Board of Directors such policies, plans and programs as he deems necessary to carry out the provisions and purposes of this Act;

c. To direct and supervise the operation and internal affairs of the NEA and, for this purpose, to delegate some or any of his powers and duties to subordinate officials of the NEA;

d. To appoint all officers and employees of the Authority whose appointment shall be based on merit and fitness and shall be governed by the Civil Service Laws and other related laws;

e. For cause, to remove, suspend, or otherwise discipline subordinate official or employee;

f. To prepare an annual report on the activities of the NEA at the close of each fiscal year and to submit a copy thereof to the Board of Directors and to the President of the Philippines;

g. In cases whereby an electric cooperative is declared by the NEA Board of Directors as "ailing electric cooperative", appoints or assigns third persons to constitute an Interim Board of Directors of the said cooperative until the election of a new board of directors to act as the policy making body of the electric cooperative. In his discretion and in the exigency of the service, a management team may be created and tasked to oversee the day to day operations of the cooperative in order to fast track its rehabilitation. The Interim Board of Directors as well as the management team may be composed of personnel from other electric cooperatives or private persons deputized for the purpose. The compensation shall be set by NEA and shall be for the account of the cooperative subject of rehabilitation.

h. To designate an Acting General Manager and/or Project Supervisor for a Cooperative when vacancy in the said position occur and/or when the interest of the Cooperative and the exigency of the programs so require, and to prescribe the functions of said Acting General Manager and/or Project Supervisor, which powers shall not be nullified, altered or diminished by any policy or resolution of the Board of Directors of the Cooperative concerned.

i. To exercise such other powers and duties as may be vested in him by the Board of Directors.

In case of absence or disability of the Director General, he shall designate any of the Deputies who shall act in his place.

**SECTION 10. Standard of Subsidies to the Electric Cooperatives.** In granting subsidies to the electric cooperatives authorized in Section 6, the Board of Directors is hereby authorized, empowered and directed, before granting such subsidy, to determine and certify that (1) the project or projects being financed thereby are contained in the cooperative's Distribution Development Plan; (2) funds are or will be available for the projects planned by the cooperatives for implementation; and (3) in the NEA's judgment the subsidy is reasonably adequate for the purpose intended;

**SECTION 11. Authority to convert Loans of Electric Cooperatives as Government Subsidy.** Whenever in its judgment such is necessary or desirable to achieve the purposes of this Act, and particularly if such is necessary to make or keep a project operationally viable, the Authority is empowered to convert current loans of the electric cooperatives with the NEA as government subsidy and the payment obligations of the concerned cooperatives and condone the payment obligations of the concerned electric cooperatives.

**SECTION 12. Enforcement Powers and Remedies.** In the exercise of its supervisory authority over electric cooperatives, the NEA is empowered to issue orders, rules and regulations and motu-proprio or upon petition of third parties, to conduct investigations, referenda and other similar actions in all matters affecting said electric cooperatives.

If the electric cooperative concerned fails after due notice to comply with NEA orders, rules and regulations and/or decisions, the NEA Board of Directors may avail of any or all of the following remedies:

- a. Refuse to make or approve any subsidy to erring electric cooperatives;
- b. Withhold any technical or professional assistance otherwise being furnished or that might be furnished to the erring electric cooperatives;
- c. Take preventive and/or disciplinary measures including suspension and/or removal and replacement of any or all of the members of the Board of Directors, officers or employees of the Cooperative as the NEA Board of Directors may deem fit and necessary, and to take any other remedial measures as the law may provide.

The NEA Board of Directors may, by appropriate rule or regulation, grant general permission to Cooperatives to secure short-term loans not requiring the encumbrance of their real properties or of a substantial portion of their other properties or assets.

**SECTION 13. Appropriation.** The budgetary requirements for the effective exercise of the functions herein enumerated shall be taken from the existing budget of

the National Electrification Administration. The succeeding budget of the Authority shall be included in the annual General Appropriation Act.

### **CHAPTER III – ELECTRIC COOPERATIVES**

**SECTION 14. Organization and Purpose.** For the purpose of distributing to the fullest extent the use of electric power in an area coverage basis at a cost approved by concerned government regulatory entity, an Electric Cooperative whether a Non-stock, Non-profit membership or stock, may be organized and registered with the Authority.

**SECTION 15. Powers.** The Cooperative is hereby vested with all the powers necessary or convenient for the accomplishment of its corporate purpose. Such powers shall include, but not limited to, the power:

- (a) To sue and to be sued in its corporate name;
- (b) To have perpetual corporate existence unless the Articles of Cooperation and the By-Laws provide otherwise.
- (c) To adopt a corporate seal and alter the same;
- (d) To generate, manufacture, purchase, acquire, accumulate and transmit/distribute electric power and energy to persons, natural or juridical, who are its members; Provided, however, that a cooperative which acquires existing electric facilities may continue service from such facilities without requiring such persons to become members, but such persons may become members as may be prescribed in the cooperative's by-laws.
- (e) Shall supply power to contestable customers within its franchise area through its local retail electricity supplier, a designated cooperatives' business segment duly permitted by the Energy Regulatory Commission resulting from the latter's approval of the cooperatives' Business Separation and Unbundling Plan. Any and all excess power generated or purchased by the cooperative may be sold to other power distribution utilities at the rate and manner provided for by the Energy Regulatory Commission.
- (f) To assist persons or entities to whom service is or will be supplied by the cooperative in wiring their premises in accordance with the standards set by law or regulations, local and national;
- (g) To construct, purchase, lease as lessee, or otherwise acquire, and to equip, maintain, and operate, and to sell, assign, convey, lease as lessor, mortgage, pledge, or otherwise dispose of or encumber, electric sub-transmission and distribution lines or system, electric generating plants, lands, buildings, structures, dams, plants and equipment, and any other real

or personal property, tangible or intangible, which shall be deemed necessary, convenient or appropriate to accomplish the purpose for which the electric cooperative is created;

- (h) To purchase, lease as lessee, or otherwise acquire, and to use, and exercise and to sell, assign, convey, mortgage or pledge or otherwise dispose of or encumber franchises, rights, privileges, licenses and easements;
- (i) To enter into a cooperative undertaking or joint venture with interested power industry participants for the extension of electric service over areas which the electric cooperative may deem unviable and can be jointly operated with a qualified third party; Provided, however, that such qualified third party shall be selected after the conduct of a competitive selection process by the Cooperative's Bids and Awards Committee. The terms of reference and other relevant conditions shall be prescribed by the electric cooperative, upholding first and foremost the best interest of the member-consumers thereat.
- (j) To borrow money and contract indebtedness from any banks or financial institutions whose terms and conditions are deemed advantageous to the cooperative; for this purpose, the cooperatives may issue notes, bonds and other evidence of indebtedness and to secure payment thereof by mortgage, pledge, or deed of trust of, or any other encumbrances upon, any or all of its owned or acquired real or personal properties, assets, franchises, or revenues;
- (k) To construct, maintain and operate electric sub-transmission and distribution lines along, upon under and across publicly and privately owned lands and public thoroughfares, including, without limitation, all roads, highways, streets, alleys, bridges and causeways; Provided, that such shall not prevent or unduly impair public uses to which such lands and thoroughfares are otherwise devoted;
- (l) To become a member of other Cooperatives or Corporation or to own stock therein. If and when deemed advisable, create a subsidiary corporation in order to further its economic enterprise which shall be convenient and advantageous to the cooperative; Provided that a portion of the income therefrom proceeding shall be equally allocated as reduction in the rates of the member-consumer-owners and the operational expenses of the cooperative and salaries and other benefits of its employees and officers.
- (m) To conduct its operations and exercise its powers within or without the province or provinces in which it supplies service pursuant to its franchise or authority;

- (n) To adopt, amend and repeal its Articles of Incorporation and By-laws and to change or alter its corporate name.
- (o) To maintain, implement, and collect rates, fees, rents, tolls and other charges and terms and conditions as may be approved by the concerned government regulatory body;
- (p) To exercise the power of Eminent domain. The Cooperative may, through the General Manager and acting pursuant to a Board Resolution duly passed and approved by the Board of Directors, exercise the power of eminent domain for the benefits and welfare of its members-consumers for purposes of acquiring properties necessary in the construction of generation facilities and distribution lines and other facilities needed for its operation, upon payment of just compensation, pursuant to the provisions of the Constitution and pertinent laws; Provided, however, that the power of eminent domain may not be exercised unless a valid and definite offer has been previously made to the owner, and such offer was not accepted: Provided, further that the cooperative may take immediate possession of the property upon the filing of the expropriation proceedings and upon making a deposit with the proper court of at least fifteen (15%) percent of the fair market value of the property based on the current tax declaration of the property to be expropriated: Provided, finally, That, the amount to be paid for the expropriated property shall be determined by the proper court, based on the fair market value at the time of the taking of the property or the filing of the petition for expropriation, whichever comes first.
- (q) For the purpose of enhancing its services, to enter into a joint venture agreement with any private entities for the development, construction and installation of sub-transmission lines and distribution system;
- (r) Develop, construct and install power generation plants within its franchise area or enter into joint venture agreement with interested private entities for this purpose on terms advantageous to the cooperative and beneficial to the member-consumers;
- (s) Engage in other profitable economic enterprise, provided the same is made subject in its development plan passed upon and approved by the Board of Directors;
- (t) To do and perform any other acts and things, and to have and exercise powers which may be necessary, convenient or appropriate to accomplish the purpose for which the cooperative is organized.

**SECTION 16. Name.** The name of the cooperative shall include the words "Electric" and "Cooperative", and the abbreviation "Inc.". The name of the cooperative shall be distinct from each other.



**SECTION 17. Cooperators.** Five or more persons, may organize a cooperative in the manner hereinafter provided.

**SECTION 18. Articles of Cooperation.** The Articles of Cooperation of the cooperative shall provide that it is constituted pursuant to this Act and shall state: (a) the name of the electric cooperative in accordance with Section 18 hereof; (b) the address of its principal office; (c) the names and addresses of the original Cooperators; (d) the names and addresses of its original board of directors, who shall constitute the board until the first election of the board of directors by the members; (e) other provisions not inconsistent with this Act deemed necessary for the conduct of its operations. Such Articles of Cooperation shall be signed by each cooperator and acknowledged before an authorized administering officer.

**SECTION 19. By-Laws.** The by-laws shall set forth the basic rights and duties of the members and directors and may contain other provisions for the regulation and management of the affairs of the cooperative not inconsistent with its Articles of Cooperation or this Act, which shall be initially approved by the members in a general assembly. Thereafter, the power to amend any of the provision of the by-laws and to adopt such amendment shall be exercised by the Board of Directors with a majority vote of all its directors in office, after due notice to all directors, being a requisite for such purpose; Provided, however, that any action to repeal the by-laws or dissolve or change the juridical personality of the cooperative shall be with the approval of a TWO THIRD (2/3) votes of all the members attending in a regular or special general assembly called for the purpose.

**SECTION 20. Members.** Each Cooperator of the cooperative shall be a member thereof, but other persons may become members thereof, unless such other persons agree to use services furnished by the cooperative when made available by it. Membership in the cooperative shall not be transferable, except as provided in the by-laws. The by-laws may prescribe additional qualifications and limitation with respect to membership.

The provision of any law or regulation to the contrary notwithstanding, an officer or employee of the government shall be eligible for membership in the cooperative if he meets the qualifications therefore and he shall not be precluded from being elected to or holding any position therein, or from receiving such compensation or fee in relation thereto as may be authorized by the by-laws; Provided, that elective officials of the government, except barangay captains and barangay councilors, shall be ineligible to become officers and/or directors of the cooperative. For this purpose, individual permission need not be obtained from the proper head of office of the said elective or appointive government employee; Provided, however, that this authority shall not be construed as a permit to the government officer or employee concerned to devote official time to the affairs of the cooperative.

**SECTION 21. Meetings of Members.** (a) An annual meeting of the members of the cooperative shall be held at such time and place as shall be provided in the by-laws.

(b) Special meetings of the members may be called by the President, by the Board, by any three directors, or, unless a smaller number or percentage as may be prescribed by the by-laws, by not less than one hundred (100) members or five per centum of all the members, whichever shall be lesser.

(c) Except as otherwise provided in this Act and unless otherwise provided for in the by-laws, written or printed notice stating the time and place of each meeting of the members and, in the case of special meeting, the purpose or purposes for which the meeting is called, shall be given to each member, either personally or by mail, not less than ten days nor more than twenty-five days before the date of the meeting. If mailed, such notice shall be deemed to be given when deposited in the Philippine mail with postage prepared, addressed to the member at his last known address as it appears on the records of the electric cooperative.

(d) Unless the by-laws prescribed the presence of a greater or lesser percentage or number of the members for such purpose, a quorum for the transaction of business at all meetings of the members of the cooperative shall be five per centum of all members or 1,000, whichever is lesser, present in person. If less than a quorum is present at any meeting, a majority of those present in person may adjourn the meeting from time to time without further notice. For purposes of convenience of the members and to achieve greater participation of the members, the cooperative may avail of the modern technology such as video links in the conduct of the assembly in such manner as it may deem appropriate.

(e) Each member, shall be entitled to one vote for each matter submitted to a vote at a meeting of the members. Voting shall be non-cumulative and in person, but may also be by proxy.

**SECTION 22. Waiver of Notice.** Any person entitled to notice of a meeting may waive notice in writing before or after such meeting; however, his attendance shall constitute a waiver of notice of such meeting, unless such person participates therein solely to object to the transaction of any business because the meeting has not been legally called or convened.

**SECTION 23. Board of Directors.** The corporate power of the cooperative shall be exercised by a board of directors of not less than five directors, each of whom shall be a member of the cooperative, who shall be chosen by the members in an election in the district he seeks to represent.

The composition, qualifications, the manner of elections and filling of vacancies, the procedures for holding meetings and other similar provisions shall be defined in the by-laws of the cooperative without any interference from nor subject to review by any government functionaries except the NEA.

No member of the Board shall receive any salary for his service as Director nor for services rendered in any other capacity. However, reasonable per diems for every Board meeting actually attended and reimbursement of actual expenses incurred in the performance of the duties of a member of the Board may be allowed in such amount as may be determined by the Board of Directors in a resolution passed and approved for the purpose.

A majority of the board of directors in office shall constitute a quorum.

**SECTION 24.- Duties and Responsibilities of the Board of Directors.**  
Essentially the duties and responsibilities of the Board of directors encompasses the following:

**A. Policy-Making Functions.**

1. Sets the overall goals and objectives of the cooperative.
2. Formulates and adopts, in consultation with the General Manager, policies and guidelines that will govern the sound management and operations of the cooperative specially in the areas of system improvement and expansion, rates and service, finance, personnel administration and development, member and community relations.
3. Adopts in consultation with the General Manager, the annual work plan as well as the medium and long-term work programs of the cooperatives.,
4. Reviews existing cooperative policies and authorizes the revision of such in response to current needs.

**B. Trustee Functions**

1. Represents the members in their dual roles as co-owners of the cooperative and consumers of its services.
2. Insures protection of the assets of the cooperative.
3. Keeps the members constantly informed of their rights and responsibilities, the cooperative's objectives, plans and financial status, etc.; promotes public understanding of and support towards addressing the cooperative's operational problems specially in times of calamity when service disruptions occur.
4. Encourages members to participate actively and meaningfully in cooperative activities specially in annual and special membership meetings, district elections, information drives and campaign for policy implementation.
5. Ensures dependable service at reasonable rates.
6. Ensures his attendance in all official Board meetings, recognizing the principle that Board members exercise but only when the Board is in session and only when such Board member has special assigned duties.

**C. Legal functions**

1. Executes legal contracts such as the Loan Agreement, engineering and construction contracts and power supply arrangements, and assumes legal responsibility for the fulfilment of their terms and conditions.
2. Assures cooperative's compliance with the provisions of this Act and cooperative's By-Laws and with other pertinent national and local laws/ordinances.
3. Designates the cooperative's official depository banks and signatories thereto.
4. Authorizes preparation and safe keeping of corporate records and legal documents including Board resolutions and minutes of Board meetings.
5. Appoints the General Manager and legal counsel of the cooperative.

#### D. Resources Functions

1. Delegates substantial authority to the General Manager as Chief Executive Officer of the cooperative to enable him to implement the policies and plans adopted by the board and to effectively supervise the technical and business operations of the cooperative.
2. When deemed advisable requests for the release of the subsidy necessary in the implementation of the cooperatives power distribution projects from the NEA;
3. Explores other possible funding sources which the cooperative can avail of, subject to NEA's approval and endorsement.
4. Authorizes the creation of committees, when necessary, whose work shall be limited only to deliberating and/or proposing policies on specific and emergency issues not resolvable during official Board meetings and provide per diems to the members thereof.

#### E. Controls functions

1. Reviews and analyzes financial operating, and program reports submitted by the Manager and checks the cooperative's performance against set standards and objectives.
2. Approves annual budgets presented by the General Manager based on projected plans and programs and sees to it that expenditures are made within the approved cash operating budget.
3. Periodically assesses the performance of the General Manager and provides sanction for inefficiency and neglect.

4. Ensures that the books of the cooperatives are regularly and properly audited; reviews audit reports and adopts measures that will ensure compliance with audit recommendations.

**SECTION 25. Districts.** The by-laws may provide for the division of the territory served or to be served by the cooperative into as many districts as it may deem appropriate, including, without limitation, the nomination and election of the directors. The by-laws shall prescribe the boundaries of the districts, the manner of changing such boundaries, and the manner by which such districts shall function.

**SECTION 26. Officers.** The officers of the cooperative shall consist of a President, Vice-President, Secretary and Treasurer, who shall be elected annually by and from the Board. When a person holding such office ceases to be a director, he shall ipso facto cease to hold such office. The offices of Secretary and of the Treasurer may be held concurrently by one person. The Board may also appoint such other officers, agents or employees as it deems necessary or advisable and shall prescribe their duties, functions, salaries or emoluments and manner of discipline and removal.

**SECTION 27. Amendment of Articles of Cooperation.** The cooperative may amend its articles of cooperation by presenting the proposed amendment to the members in a meeting called for the purpose, the notice of which shall set forth or have attached thereto the proposed amendment. If the proposed amendment, with any changes, is approved by affirmative vote of not less than TWO-THIRDS of the total votes cast thereon at such meeting, the articles of amendment shall be executed and acknowledged on behalf of the electric cooperative by its president or vice-president and its seal be affixed thereto and attested by the secretary. The articles of amendment shall recite that they are executed pursuant to this Act and shall state: (1) the name of the cooperative; (2) the address of its principal office; and (3) the amendment to its articles of cooperation.

The president or vice-president executing such articles of amendment shall make the annex thereto an affidavit stating that the provisions of this section with respect to the amendment set forth in such articles were duly complied with and submit the same to the NEA for appropriate action.

**SECTION 28. Change of Location of Principal Office.** The electric cooperative, upon authorization of its board of directors in a resolution passed and approved for the purpose, change the location of its principal office by filing a certificate of change of location of principal office, executed and acknowledged by the president or vice-president, with the office provided for in Section 32 hereof.

**SECTION 29. Merger.** any one or more cooperatives (each of which is hereinafter designated a "merging cooperative") may merge with one or more other cooperatives by complying with following requirements:

- (a) The proposition for the merger of the merging cooperatives into the surviving cooperative and proposed articles of merger to give effect thereto shall be submitted to a meeting of the members of each merging

cooperative and of the surviving cooperative, the notice of which shall have attached thereto a copy of the proposed articles of merger or an accurate summary thereof.

- (b) If the proposed merger and the proposed articles of merger, with any amendments, are approved by the affirmative vote of not less than TWO-THIRDS of the total votes cast thereon by each cooperative voting thereon at each such meeting, articles of merger approved shall be executed and acknowledged on behalf of each such cooperative by its president or vice-president and its seal affixed thereto and attested by the secretary. The articles of merger shall recite that they are executed pursuant to this Act and shall state: (1) the name of each merging cooperative and the address of its office; (2) a statement that each merging cooperative and the surviving cooperative agree to the merger; (3) the names and addresses of the directors of the surviving cooperative; (4) the terms and conditions of the merger and the mode of carrying the same into effect, including the manner in which members of the merging cooperatives may or shall become members of the surviving cooperative, and may contain any other provisions not inconsistent with this Act that are deemed necessary or advisable in the conduct of the affairs of the surviving cooperative. The president or vice-president of each cooperative executing such articles of merger shall make and annex thereto an affidavit stating that the provisions of this section with respect to such articles were duly complied with by such cooperative.

### **SECTION 30. Effect of Merger.**

(a) The separate existence of the merging cooperatives shall cease and the articles of cooperation of the surviving cooperative shall be deemed to be amended to the extent, if any, that changes therein are provided for in the articles of merger;

(b) All rights, privileges, immunities and franchises and all property, real and personal, including without limitation applications for membership, all debts due on whatever account and all other choses in action of each of the merging cooperatives shall be deemed to be transferred to and vested in new or surviving cooperative without further act or deed;

(c) the new or surviving cooperative shall be responsible and liable for all the liabilities and obligations of each of the merging cooperatives, and any claim existing or action or proceeding pending by or against any of the merging cooperatives, be prosecuted as if the merger had not taken place, but the new or surviving cooperatives shall be substituted in its place; and

(d) Neither rights of creditors nor any liens upon the property of any such cooperatives shall be impaired by such consolidation or merger.

**SECTION 31. One Province, One Electric Cooperative.** For convenience and effective delivery of electric services, the Franchise for area coverage of an electric cooperative to be granted shall be limited only within the territorial jurisdiction of the province where it shall exist and operate.



**SECTION 32. Filing of Articles of Cooperation.** Articles of Cooperation, amendment, merger, and certificates of changes in the location of principal offices, shall be filed with the Office of the NEA Director General. If the NEA Director General finds that such conforms to the requirements of this Act, he shall so certify and endorse the same to the Board of Directors for approval.

**SECTION 33. Non-profit, Non-discriminatory, Area Coverage Operation and Service.** A cooperative operated on a non-profit basis for the mutual benefit of its members, shall, as to rates and services make or grant no unreasonable preference or advantage to any member or patron nor subject any member to any prejudice or disadvantage; shall consistently abide with the rates set by the Energy Regulatory Commission and its other related issuances or orders; shall not give, pay or receive any rebate or bonus, directly or indirectly, or mislead its members in any manner as to rates charged for its services; and shall furnish service on an area coverage basis; Provided, that for any extension of service which if treated on the basis of standard terms and conditions is so costly as to jeopardize the financial feasibility of the cooperative's operation, the cooperative may require such contribution in aid of construction, such facilities extension deposit, such guarantee of minimum usage for a minimum term or such other reasonable commitment on the part of the person to be served as may be necessary and appropriate to remove such jeopardy, but no difference in standard rates of use of service shall be imposed for such purpose, except those which by law or regulation and other issuances of the Energy Regulatory Commission shall allow.

The by-laws of a cooperative or its contracts with members shall contain such reasonable terms and conditions respecting membership, the furnishing of service and the disposition of revenues and receipts as may be necessary and appropriate to establish and maintain its non-profit, cooperative character and to assure compliance with this section. No bona fide applicant for membership on non-member patronage who is able and willing to satisfy and abide by all such terms and conditions shall be denied arbitrarily, capriciously or without good cause.

**SECTION 34. Disposition of Property.** (a) The board of the cooperative shall have full power and authority, without the authorization by the members thereof, to authorize the execution and delivery of a mortgage or deed of trust, or the pledging or encumbering otherwise, of any or all of the property, assets, rights, privileges, license, franchises, and permits of the cooperative, whether acquired or to be acquired, and wherever situated, as well as the revenues therefrom, all upon such terms and conditions as the board shall determine, to secure any borrowing by or indebtedness of the cooperative; (b) A cooperative may not sell, lease, or dispose of its property without having been authorized by the affirmative vote of not less than a majority of all members/stockholders of the cooperative except when such disposal is (i) in the case of consolidation or merger; or (ii) the value of the property subject of disposal is not in excess of TEN (10%) percent of the cooperative's current appraised value of its total assets; or (iii) when in the judgment of the Board are not necessary or useful in operating the cooperative;

**SECTION 35. Non-liability of Members for Debts of Cooperative.** No member shall be liable or responsible for debts of the cooperative and the property of the members shall not be subject to the execution therefor.

**SECTION 36. Limitation of Actions.** No action or suit may be brought against the agent, officers, members of the board or employee of the cooperative, by reason of the maintenance of the power generation plants, electric sub-transmission lines, distribution lines and related facilities, machinery or equipment or real property after the expiration of a period of TWO (2) years of continuous maintenance of such lines, generation plants and related facilities, equipment, machinery or real property.

**SECTION 37. Exemption from Taxes, Impost, Duties, Fees.** Provided that it operates in conformity with the purposes and provisions of this Act, the cooperative shall be permanently exempt from paying (a) Income Taxes and of all other national government and local government taxes and fees, including but not limited to franchise tax, real property tax, business tax, license or permit fees, charges or costs involved in any court or administrative proceedings in which the cooperative may be a party; (b) of all taxes, duties, fees, imposts, and all other charges imposed directly or indirectly by the Republic of the Philippines, its provinces, cities, municipalities and other government agencies and instrumentalities, on all foreign goods, equipment, petroleum products used by the electric cooperatives in the generation, transmission, utilization, distribution of electric power and its operation.

**SECTION 38. Exemption from Securities and Exchange Commission.** The provisions of the Securities Act shall not apply to any note, bond or other evidence of indebtedness issued by electric cooperatives or to any mortgage, deed or trust, indenture or other instrument executed to secure the mortgage.

**SECTION 39. Government Assistance.** The government shall continuously provide the Electric Cooperatives financial assistance in the form of government subsidies in the implementation of the government's project for total electrification. Towards this end, and for purposes of easing the burden of continuing imposition of penalties in the nature of interests and surcharges imposed by the Power Sector Assets and Liabilities Management Corporation (PSALM) and the National Power Corporation (in cases of cooperatives under the Small Power Utilities Group-NPC) on powers purchased by cooperatives prior to the effectivity of this Act and remained unsettled, are hereby condoned, and cooperatives shall pay only the principal amount accruing as of the effectivity of this Act.

The PSALM and NPC are hereby directed to allow cooperatives to restructure their accounts to the least payment scheme so as not to unduly burdened the cooperatives and its member-consumers. The operation of the cooperatives being vested with public interest, in no case shall power curtailment be resorted to by PSALM or NPC in the event of disagreement in the terms and conditions of the repayment scheme.

**SECTION 40.- National Electrification Authority; Nature of Supervision.** All Electric Cooperatives, whether stock or non-stock, shall be under the supervision of the National Electrification Authority (NEA). Electric Cooperatives under the Small

Power Utilities Group (SPUG) of the National Power Corporation shall be transferred totally to the NEA upon effectivity of this Act, including its current budgetary allocation.

Disciplinary actions for erring officers and employees, except the members of the board of directors and the General Manager, shall pertain to the cooperative in accordance with the disciplinary and grievance processes installed for the purpose. Cooperatives are directed to promulgate disciplinary rules and regulations pursuant to the NEA regulations within thirty (30) days from effectivity.

Decisions of the disciplinary and grievance committee may be reviewed only by the judiciary.

#### **SECTION 41. Furnishing Electric Service Without a Franchise Prohibited.**

No person, natural or juridical, shall furnish or extend electricity service to the public within any area for which person has not been granted a franchise or after such franchise has been repealed and cancelled or so conditioned or altered as to prohibit service therein; Provided, that such service may be continued and extended herein, and the NEA, after affording opportunity for hearing to any interested party, may by order require that it be so continued and extended, until service to the customers of such person is made available by a public service entity lawfully authorized to service therein.

### **CHAPTER IV. LEAGUE OF ELECTRIC COOPERATIVES**

**SECTION 42. Purposes.** For purposes commonly beneficial to its operation, sustainability, and ventilating issues affecting the cooperatives and securing solutions through appropriate means, cooperatives may organize and create a League of Electric Cooperatives which shall be the only national organization of electric cooperatives to be recognized and accredited by the Authority.

The League may set up regional, inter-regional and national chapters to conveniently oversee the needs of the members of the league and shall recognize and accredit organizations of member-consumer-owners (MCOs), and of various services of the cooperative such as technical, finance and information services.

**SECTION 43. Representation.** Every cooperative shall be represented in the league by the President or in his absence by the Vice-President or the General Manager, who shall attend all meetings and participate in the deliberations of the league.

**SECTION 44. Powers, Functions and duties of the League.** The League of the Cooperatives shall:

- (a) Render assistance in the formulation of policies, programs and projects of the cooperatives;
- (b) Adopt measures for the promotion of the welfare of the cooperatives, its officials and employees;

- (c) Encourage consumers participation in order to promote united and concerted action for the attainment of nationwide cooperatives' development goals;
- (d) Serve as forum for crystallizing and expressing ideas, seeking the necessary assistance of the government in the promotion of the welfare of the cooperatives;
- (e) Exercise such other powers and perform such other duties and functions as the league may prescribe for the welfare of the cooperatives.

## **CHAPTER VII. FINAL PROVISIONS**

**SECTION 45. Repealing Clause.** (a) Presidential Decree No. 269 and its amendatory laws are hereby repealed; (b) Section 193 of R.A 7160, paragraph 3, Article 132 of R.A. 9520 are repealed, amended or modified in part in so far as the electric cooperatives are concerned and in so far as it is inconsistent with the provisions of this Act; (c) Republic Act 10531 is hereby repealed; (d) Section 27 (Franchising Power in the Electric Power Sector) of RA 913 is hereby repealed; and (e) all general and special laws, acts, decree, executive orders, proclamations and administrative regulations, or part or parts thereof which are inconsistent with any of the provisions of this Act are hereby repealed or modified accordingly.

**SECTION 46. Separability Clause.** If, for any reasons, any part or provision of this Act shall be held to be unconstitutional or invalid, other parts or provisions hereof which are not affected thereby shall continue to be in full force and effect.

**SECTION 47.** This Act shall take effect on the fifteenth (15<sup>th</sup>) day following its publication in at least two (2) newspapers of general circulation.

**APPROVED,**