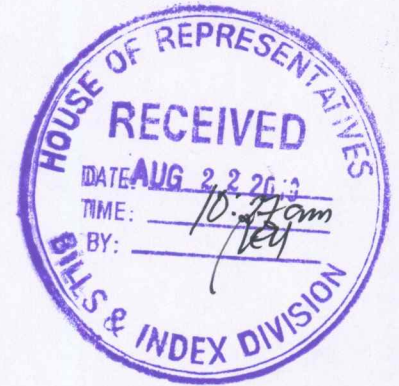


Republic of the Philippines  
**HOUSE OF REPRESENTATIVES**  
Quezon City, Metro Manila

**EIGHTEENTH CONGRESS**

First Regular Session

HOUSE BILL NO. 4101



---

**INTRODUCED BY REPRESENTATIVE JOSEPH STEPHEN S. PADUANO**

---

**EXPLANATORY NOTE**

Panay Electric Company, Inc. ("PECO") traces its roots to 1921, when Act No. 2983 granted Mr. Esteban de la Rama a 50-year franchise to install, operate, and maintain an electric light, heat, and power system in the municipalities of Iloilo, La Paz, Jaro, and Arevalo in the Province of Iloilo. Thereafter, Act No. 3035 and Act No. 3665 granted Mr. de la Rama the authority to transfer his franchise to PECO to construct, maintain, and operate an electric light, heat, and power system in Iloilo, La Paz, Jaro, and Arevalo and further added the franchise to operate in the towns of Santa Barbara and Pavia in the Province of Iloilo.

In 1927, the PECO investors, who together owned more than 99% of the capital stock, sold all their stockholdings to Mrs. Candelaria Cacho, thereby making PECO the first 100% Filipino-owned private enterprise in Iloilo City.

Iloilo was left in ruins after the destruction of World War II. Approximately 80% of the distribution lines of PECO were damaged, while the remaining power generators could only generate approximately 60% of their rated capacities. However, crisis was averted when then general manager Mariano Cacho (son of Candelaria Cacho) opted to use the available funds of PECO to repair and restore the ruined distribution lines and the ailing power generators rather than to distribute the same as dividends to stockholders.

In 1967, Jose Maria Cacho succeeded his father, Mariano Cacho, as general manager of PECO. Thereafter, before the expiration of PECO's franchise, the Congress repealed Act No. 2983 and passed Republic Act No. 5360 in 1968, which granted PECO a new 25-year franchise to operate in Iloilo City, Santa Barbara, and Pavia. However, in 1974, under Martial Rule, the services in Santa Barbara and Pavia were turned over to other electric cooperatives.

Subsequently, on 19 January 1994, prior to the expiration of its franchise under RA No. 5360, the National Electrification Commission (NEC) extended PECO's franchise to establish, operate, and maintain an electric light, heat, and power system in the City of Iloilo for another 25 years.

Jose Maria Cacho retired as general manager in 2006 and was replaced by his son Luis Miguel Cacho. The following year, Mariano Cacho, Jr. became the chairman of the PECO Board of Directors.

In 2017, Rep. Xavier Jesus Romualdo filed House Bill No. 6023 before the House of Representatives to extend PECO's franchise, which was set to expire on 18 January 2019. The undersigned being one of the Co-Author of the said measure has religiously attending and actively participated in the deliberations of the proposed bill in the Committee on



Legislative Franchises. During the committee deliberations, the proponent submitted the manifesto and petition of various stakeholders to show their support for the consideration and subsequent approval of the proposed bill. However, for lack of material time, the 17<sup>th</sup> Congress was unable to act on House Bill No. 6023, thereby causing PECO's franchise to expire. Despite the expiration of the franchise, PECO was able to obtain a Certificate of Public Convenience and Necessity from the Energy Regulatory Commission to continue the operation of its facilities until 2021.

As of today, PECO has been working on numerous internal and external improvements to match the boom occurring in Iloilo City. The Power Distribution Set-Up explains the latest developments of PECO's operations as it grows in a healthy manner. Major investors such as the Mega World, Ayala, and Gaisano groups are currently investing heavily in Iloilo, and the power demand has dramatically increased by 5 to 10 megawatts yearly since 2014. PECO has been highly active in catering to the city's power needs and has a bright future mapped out with all the recent positive events in Iloilo City.

Considering that PECO has appropriately used its previous franchise, has complied with the provisions thereof, has invested significantly in its distribution facilities and equipment, and intends to continue its operations, the issuance of a franchise to PECO by Congress to establish, operate, and maintain a distribution system for the conveyance of electric power to end users in the City of Iloilo is apt.

The support of the members of Congress for the prompt and timely passage of this measure is earnestly sought.



**REP. JOSEPH STEPHEN S. PADUANO**

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

**EIGHTEENTH CONGRESS**  
First Regular Session

HOUSE BILL NO. 4101

---

INTRODUCED BY REPRESENTATIVE JOSEPH STEPHEN S. PADUANO

---

**AN ACT**  
**GRANTING THE FRANCHISE OF THE PANAY ELECTRIC COMPANY, INC.**  
**ORIGINALLY GRANTED UNDER ACT NO. 2983 AND REPUBLIC ACT NO. 5360**  
**AND EXTENDED BY THE NATIONAL ELECTRIFICATION COMMISSION TO**  
**ESTABLISH, OPERATE, AND MAINTAIN A DISTRIBUTION SYSTEM FOR THE**  
**CONVEYANCE OF ELECTRIC POWER TO END USERS IN THE CITY OF ILOILO**

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

- 1    **SECTION 1. *Nature and Scope of the Franchise.*** – Subject to the provisions of the  
2    Constitution and applicable laws, rules, and regulations, there is hereby granted to  
3    the Panay Electric Company, Inc., hereinafter referred to as the Grantee, its  
4    successors or assigns, a franchise to establish, operate, and maintain, for commercial  
5    purposes and in the public interest, a distribution system for the conveyance of electric  
6    power to end users in the City of Iloilo.
- 7    **SEC. 2. *Manner of Operation of Facilities.*** – All electric distribution facilities, lines,  
8    and systems for electric services owned, or operated by the Grantee shall be operated  
9    and maintained at all times in the best manner. It shall be the duty of the Grantee,  
10    whenever required to do so by the Energy Regulatory Commission (ERC) or its legal  
11    successor, Department of Energy or its legal successor, or any other government  
12    agency concerned, to modify, improve, and change such facilities or systems in such  
13    a manner and to such extent as the progress in science and improvements in the



1 electric power service industry may render reasonable and proper. Whenever  
2 practicable and for purposes of maintaining order, safety, and easthetics along  
3 highways, roads, streets, or easements, the Grantee may allow the use of its poles,  
4 facilities, or easements by interested parties upon reasonable compensation. The  
5 ERC shall resolve disputes or disagreement between the parties concerned.

6 **SEC. 3. *Certificate of Public Convenience and Necessity.*** – The Grantee shall  
7 secure from the ERC, or any other governemnt agency which has jurisdiction over the  
8 operations of the Grantee, the necessary certificate of public convenience and  
9 necessity and other appropriate permits and licenses for the construction and  
10 operation of its electric distribution system.

11 **SEC. 4. *Excavation and Restoration Works.*** – For the purpose of erecting and  
12 maintaining poles and other supports for wires or other conductors, the Grantee is  
13 authorized to make excavations or lay conduits in any of the public places, roads,  
14 highways, streets, lanes, alleys, avenues, sidewalks, or bridges of the City of Iloilo,  
15 subject to prior approval of the Department of Public Works and Highways (DPWH) or  
16 the City Government of Iloilo (CGI); *Provided, however,* That any public place, road,  
17 highway, street, lane, alley, avenue, sidewalk, or bridge disturbed, altered, or changed  
18 by reason of the erection of poles or other supports or the underground laying of wires,  
19 other conductors or conbduits, shall be repaired or replaced in workmanlike manner  
20 at the expense of the Grantee in accordance with the standards set by the DPWH or  
21 the CGI. Should the Grantee after the 10-day notice from the DPWH or the CGI fail to  
22 repair or replace any part of public place, road, highway, street, lane, alley, avenue,  
23 sidewalk, or bridge disturbed, altered, or changed, the DPWH or the CGI shall have  
24 the right to have the same repaired or replaced in good order and condition and charge



1 the Grantee twice the amount of the costs and expenses for such repair or  
2 replacement.

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

13 **SEC. 6. *Responsibility to the Public.*** – The Grantee shall supply electricity in its  
14 franchise area in the least costly manner. In the interest of the public good and as far  
15 as feasible and whenever required by the ERC, the Grantee shall modify, improve, or  
16 change its facilities, poles, lines, systems, and equipment for the purpose of providing  
17 efficient and reliable service and reduced electricity costs. The Grantee shall charge  
18 reasonable and just power rates for its services to all types of end users within its  
19 franchise area. The Grantee shall provide open and non-discriminatory access to its  
20 distribution system and services to any end users within its franchise area consistent  
21 with Republic Act (RA) No. 9136, otherwise known as the *Electric Power Industry*  
22 *Reform Act of 2001*. The Grantee shall not engage in any activity that will constitute  
23 an abuse of market power such as unfair trade practices, monopolistic schemes, and  
24 any other activities that will hinder competitiveness in its industry.

25 **SEC. 7. *Service Rates.*** – the retail rates and charges for the distribution of electric



1 power by the Grantee to end users shall be regulated by and subject to the approval  
2 of the ERC or its legal successor. The Grantee shall identify and itemize in the  
3 electricity bills it issues to end users the components of its retail rate pursuant to RA  
4 No. 9136. The rates charged by the Grantee to end users shall be made public and  
5 transparent. The Grantee shall implement the lifeline rate to marginalized end users,  
6 as mandated by RA No. 9136.

7 **SEC. 8. *Customer Complaints.*** – The Grantee shall establish and maintain a  
8 customer desk that will handle complaints from end users and ensure adequate  
9 protection of their interests. The Grantee shall act with dispatch on all such complaints  
10 brought before it.

11 **SEC. 9. *Right of the Government during Emergencies.*** – A special right is hereby  
12 reserved to the President of the Philippines, in times of war, rebellion, public peril,  
13 disturbance of peace and order, calamity, disaster, or emergency to temporarily take  
14 over and operate the distribution system of the Grantee, to temporarily suspend its  
15 operations, or authorize the temporary use and operation thereof by any agency of the  
16 government, with the payment of due compensation for the use of said distribution  
17 system during the period when this shall be so used.

18 **SEC. 10. *Term of the Franchise.*** – This franchise shall be valid and operative for a  
19 period of 25 years from the effectivity of this Act, unless sooner revoked or cancelled.  
20 This franchise shall be deemed revoked in the event that the Grantee fails to operate  
21 continuously for two years.

22 **SEC. 11. *Sale, Lease, Transfer, Grant of Usufruct, or Assignment of the***  
23 ***Franchise.*** – The Grantee shall not sell, lease, transfer, grant the usufruct of, nor  
24 assign this franchise or the rights and privileges acquired thereunder to any person,  
25 firm, company, corporation, or other commercial or legal entity, nor merge with any



1 other corporation or entity, nor shall transfer the controlling interest of the Grantee,  
2 whether as a whole or in parts, and whether simultaneously or contemporaneously, to  
3 any such person, firm, company, corporation or entity, without the prior approval of the  
4 Congress of the Philippines. Any person or entity to which this franchise is sold,  
5 transferred, or assigned, shall be subject to the same conditions, terms, restrictions,  
6 and limitations of this franchise. The sale, lease, transfer, grant of the usufruct, or  
7 assignment of this franchise or the merger of the Grantee with another entity or the  
8 transfer of its controlling interest without the prior approval of the Congress shall  
9 render the transaction null and void and shall be a ground for the revocation of this  
10 franchise.

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

16 **SEC. 13. *Liability for Damages.*** – The Grantee shall be liable for any injury to  
17 persons and damage to property arising from or caused by reason of any defective  
18 construction under this franchise or of any neglect or omission to keep its poles and  
19 wires in safe condition.

20 **SEC. 14. *Annual Report to the Congress.*** – The Grantee shall submit an annual  
21 report to the Congress of the Philippines, through the Committee on Legislative  
22 Franchise of the House of Representatives and the Committee of Public Services of  
23 the Senate, on its compliance with the terms and conditions of the franchise and on  
24 its operations on or before the thirtieth of April of every year. Such report shall include  
25 an update on the development or expansion of the Grantee's business, the Grantee's

1 audited financial statements, as certified by the Securities and Exchange Commission,  
2 and the Grantee's latest general information sheet. Reportorial compliance  
3 certifications issued by the House of Representatives and the Senate shall be required  
4 before any application or petition by the Grantee is accepted by the ERC.

5 **SEC. 15. *Fine.*** – The Grantee shall be penalized with a fine of P500.00 for every day  
6 that it shall fail to submit its annual report to the Congress of the Philippines. Such fine  
7 shall be collected by the ERC, which shall be separate and distinct from the penalties  
8 it imposes for non-compliance with its reportorial requirements.

9 **SEC. 16. *Compliance with Existing Laws.*** – The Grantee shall comply with and be  
10 subject to the provisions of Commonwelath Act No. 146, otherwise known as the  
11 *Public Service Act*, as amended, and RA No. 9136.

12 **SEC. 17. *Repealability and Non-Exclusivity.*** – This franchise shall be subject to  
13 amendment, alteration, or repeal by the Congress of the Philippines when the public  
14 interest so requires and shall not be interpreted as an exclusive grant to the privileges  
15 provided herein.

16 **SEC. 18. *Separability Clause.*** – If any of provision of this franchise is declared invalid  
17 or unconstitutional, the other provisions not affected thereby shall remain in full force  
18 and effect.

19 **SEC. 19. *Repealing Clause.*** – All laws, decrees, executive orders and issuances,  
20 rules and regulations, and other issuances, or parts thereof, that are inconsistent with  
21 the provisions of this Act are hereby repealed or modified accordingly.

22 **SEC. 20. *Effectivity Clause.*** – This Act shall take effect 15 days after its publication  
23 in the Official Gazette or in a newspaper of general circulation.

24 **Approved.**