

Republic of the Philippines
Congress of the Philippines
Metro Manila
Nineteenth Congress
Third Regular Session

Begun and held in Metro Manila, on Monday, the twenty-second day of July, two thousand twenty-four.

[REPUBLIC ACT NO. 12144]

AN ACT INCLUDING TAGUM CITY, THE ISLAND GARDEN CITY OF SAMAL, AND THE MUNICIPALITIES OF ASUNCION, KAPALONG, NEW CORELLA, SAN ISIDRO, AND TALAINGOD IN THE PROVINCE OF DAVAO DEL NORTE, AND THE MUNICIPALITIES OF COMPOSTELA, LAAK, MABINI, MACO, MARAGUSAN, MAWAB, MONKAYO, MONTEVISTA, NABUNTURAN, NEW BATAAN, AND PANTUKAN IN THE PROVINCE OF DAVAO DE ORO TO THE FRANCHISE AREA OF THE DAVAO LIGHT AND POWER COMPANY, INC., AMENDING FOR THE PURPOSE REPUBLIC ACT NO. 11515, ENTITLED "AN ACT EXTENDING FOR ANOTHER TWENTY-FIVE (25) YEARS THE FRANCHISE GRANTED TO THE DAVAO LIGHT AND POWER COMPANY, INC., UNDER REPUBLIC ACT NO. 8960, ENTITLED 'AN ACT FURTHER EXTENDING THE TERM OF THE FRANCHISE GRANTED TO DAVAO LIGHT AND POWER COMPANY, INC. TO CONSTRUCT, OPERATE AND MAINTAIN AN ELECTRIC LIGHT, HEAT AND POWER SYSTEM IN DAVAO CITY AND THE MUNICIPALITIES OF CARMEN, PANABO, DUJALI, AND SANTO TOMAS, PROVINCE OF DAVAO DEL NORTE, FOR A PERIOD OF TWENTY-FIVE (25) YEARS AND FOR OTHER PURPOSES'"

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

SECTION 1. Section 1 of Republic Act No. 11515 is amended to read as follows:

“SECTION 1. *Nature and Scope of Franchise.* – Subject to the provisions of the Constitution and applicable laws, rules and regulations, the franchise granted to the Davao Light and Power Company, Inc., hereunder referred to as the Grantee, its successors, or assignees, under Republic Act No. 8960, to construct, install, establish, operate, and maintain for commercial purposes and in the public interest, an electric, light, heat, and power system for the conveyance, distribution, and sale of electric power to the end users in Davao City, Panabo City, Tagum City, the Island Garden City of Samal, and the Municipalities of Carmen, Dujali, Santo Tomas, Asuncion, Kapalong, New Corella, San Isidro, and Talaingod in the Province of Davao del Norte, and the Municipalities of Compostela, Laak, Mabini, Maco, Maragusan, Mawab, Monkayo, Montevista, Nabunturan, New Bataan, and Pantukan in the Province of Davao De Oro is hereby extended for another twenty-five (25) years after the expiration date of the franchise under Republic Act No. 8960.

As used in this Act, ‘distribution system’ refers to the system of wires and associated facilities, including subtransmission lines belonging to or used by a franchised distribution utility, extending between the delivery point on the national transmission system or generating facility and the metering point or facility of the end user.”

SEC. 2. Section 2 of Republic Act No. 11515 is amended to read as follows:

“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 a superior 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 any other government agency concerned, to modify, improve, and change the facilities or systems in such a manner and to such extent as the progress in science and improvements in the electric power services may render reasonable and proper: *Provided*, That the Grantee shall comply with all relevant technical standards, rules, and regulations of the DOE and the ERC.

Whenever practicable and for purposes of maintaining order, safety, and aesthetics along highways, roads, streets, alleys, or right of way, the Grantee may allow the use of free spaces in its poles, facilities or right of way by interested parties upon reasonable compensation to the Grantee, considering the cost incurred to accommodate and administer the use of the Grantee's facilities by such parties. The ERC shall decide in case of dispute or disagreement between parties."

SEC. 3. Section 5 of Republic Act No. 11515 is amended to read as follows:

"SEC. 5. *Responsibility to the Public.* – The Grantee shall provide universal service and supply electricity to its captive market in urban and rural portions of its franchise area, including unviable areas, in the least cost manner and in accordance with Republic Act No. 11646, otherwise known as the "Microgrid Systems Act", and its implementing rules and regulations. 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 power rates in a least cost manner for its services to all types of consumers within its franchised areas.

The Grantee shall have the obligation to provide open and non-discriminatory 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 other activities that will hinder competitiveness of business 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. 4. A new section denominated as Section 21-A is inserted after Section 21 of the same Act, to read as follows:

"SEC. 21-A. *Transition of Operations.* – To ensure the uninterrupted supply of electricity, Northern Davao Electric Cooperative (NORDECO) is, in the interim, authorized to operate the existing distribution system and implement its existing power supply agreements with generation companies that are provisionally or finally approved by the ERC until the Grantee establishes or acquires its own distribution system and fully takes over its operations. NORDECO may operate for a period not longer than two (2) years from the approval of the expanded territory of this legislative franchise.

Upon compliance with the rules, the ERC shall grant NORDECO a provisional Certificate of Public Convenience and Necessity (CPCN) covering the transition period. The ERC shall determine the applicable generation rate.

The Grantee shall conduct a Competitive Selection Process (CSP) for the electricity requirements in its expanded franchise area: *Provided*, That persons or entities that are supplying electricity to NORDECO, pursuant to supply agreements approved or provisionally approved by the ERC, or those allowed to be immediately

implemented pursuant to laws, rules, or regulations, on the date the expansion of the Grantee's franchise area is enacted into law, shall have an opportunity to improve any offer made by the winning bidder in the Grantee's CSP over its expanded franchise area: *Provided, further,* That such offer should be proportionate to the capacity of such person's or entity's existing supply agreement with NORDECO.

The provisional authority to operate granted to NORDECO during the transition period shall not prevent the Grantee from exercising the right of eminent domain as provided under Section 9 of this Act.

Furthermore, to assist NORDECO in its economic recovery:

(a) The Grantee shall have the option to purchase the distribution system assets NORDECO owns, located in the expanded franchise area, when such sale or other disposition is (1) priced at book value, using Philippine accounting standards, which shall be considered in the setting of rates for the benefit of the consumers in accordance with Republic Act No. 9136 and its implementing rules and regulations, and (2) consented by the NEA and any other lending source which then holds a lien on any of NORDECO's properties, in lieu of the requirements set under Presidential Decree No. 269, Section 36(b): *Provided,* That the Grantee shall place the purchase price of the distribution system assets in an escrow account of a third-party banking institution, with the purpose of servicing the outstanding debts and liabilities of NORDECO to its creditors.

(b) NORDECO shall be allowed to avail of loans prior to the Grantee's takeover of its franchise area, to settle its outstanding debts and liabilities to its legitimate creditors, in accordance with existing laws and regulations: *Provided,* That the same escrow account will be used to settle the loaned amount: *Provided, further,* That in the absence of an escrow account pursuant to the sale or disposition of properties as set in paragraph (a), one shall

be made to administer the amounts loaned pursuant to this section, for the purpose of servicing the outstanding debts and liabilities of NORDECO.

In any case, if the ERC determines that no escrow account has been created pursuant to paragraph (a) or (b), or if the amount in the escrow account is insufficient to cover the outstanding debts and liabilities of NORDECO, including any outstanding loan availed pursuant to paragraph (b), the Grantee shall be allowed to collect an additional charge to be determined by the ERC within three (3) months from the determination of insufficiency, failing which, the Grantee may collect twenty (20) centavos per kilowatt-hour from the customers within the expanded franchise area, and place the same in an escrow account created for the purpose of servicing the outstanding debts and liabilities of NORDECO, including those availed under this section, until such debts and obligations are served and settled with finality: *Provided*, That this additional charge shall be exempt from value-added tax, corporate income tax, and other local and national taxes.

To shorten the transition period, the ERC and all agencies issuing the requisite licenses shall prioritize all applications of the Grantee relevant to the establishment and operation of the distribution system under its expanded franchise area.

In the hiring of employees upon commencement of business operations in its new franchise area, the Grantee shall, as far as practicable and subject to certain qualification standards, give preference to former employees of NORDECO.

NORDECO shall ensure that affected employees neither hired by the Grantee nor retained by NORDECO shall, to the extent eligible, receive all separation or retirement benefits in accordance with applicable laws.

An information dissemination campaign regarding public services and operations of the Grantee shall be made to all end users in the franchise area.

During the transition, the DOE shall ensure that the supply of electricity in the existing franchise area is uninterrupted.

The Grantee shall comply with the system loss cap prescribed for private distribution utilities and within the transition period as determined by the ERC: *Provided*, That such transition period for compliance with the system loss cap prescribed for private distribution utilities shall not exceed five (5) years from the grant of the Grantee's CPCN for the expanded franchise area: *Provided, further*, That within six (6) months from the issuance of the CPCN, the Grantee shall submit to the ERC, a proposed implementation strategy including the estimated rate impact on consumers to achieve the prescribed system loss cap within such transition period."

SEC. 5. If any provision or part of this Act is declared invalid or unconstitutional, such declaration shall be confined in its operation to the clause, sentence, paragraph, or part thereof directly involved, and the parts or provisions not affected thereby shall remain in full force and effect.

SEC. 6. 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. 7. This Act shall take effect immediately after its publication in the *Official Gazette* or in a newspaper of general circulation.

Approved,

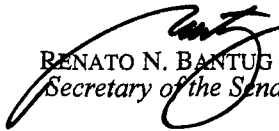


FRANCIS "CHIZ" G. ESCUDERO
President of the Senate




FERDINAND MARTIN G. ROMUALDEZ
Speaker of the House
of Representatives

This Act, which originated in the House of Representatives, was passed by the House of Representatives on December 10, 2024, amended by the Senate of the Philippines on February 3, 2025, and which amendments were concurred in by the House of Representatives on February 4, 2025.



RENATO N. BANTUG JR.
Secretary of the Senate



REGINALD S. VELASCO
*Secretary General
House of Representatives*

Approved:

Enacted into law on APR 06 2025
without the signature of the President, in accordance with Article VI, Section 27 (1) of the Constitution.

FERDINAND ROMUALDEZ MARCOS JR.
President of the Philippines