



Republic of the Philippines  
**National Electrification Administration**

30 June 2008

**LEGAL ADVISORY NO. 15**

**TO : ALL ELECTRIC COOPERATIVES  
ALL NEA OFFICES CONCERNED**

**SUBJECT : LAWS AND EXECUTIVE ORDERS GOVERNING  
REGISTRATION OF AN ELECTRIC COOPERATIVE  
UNDER THE COOPERATIVES DEVELOPMENT ACT**

The following are the provisions of laws and Executive Orders that are relevant on the issue of registration of an electric cooperative under the Cooperatives Development Act:

1. Section 57 of Republic Act No. 9136 (EPIRA) (Annex "A")
2. Article 3 of Republic Act No. 6938 (Annex "B")
3. Article 96 of Republic Act No. 6938 (Annex "C")
4. Article 97 of Republic Act No. 6938 (Annex "D")
5. Article 128 of Republic Act No. 6938 (Annex "E")
6. Section 3e of Republic Act No. 6939 (Annex "F")
7. Section 9 of Republic Act No. 6939 (Annex "G")
8. Section 17 of Republic Act No. 6939 (Annex "H")
9. Executive Order No. 119 (Annex "I")
10. Executive Order No. 622 (Annex "J")
11. Presidential Decree No. 269, as amended

On the basis of the foregoing provisions, the following are crystal clear:

1. There is presently only one legal way for an electric cooperative previously/currently operating under Presidential Decree No. 269, as amended, to register under the provisions of the Cooperative Code: This is pursuant to the provisions of Section 57 of Republic Act No. 9136.
2. Section 57 of Republic Act No. 9136 gave Electric Cooperatives (ECs) the option to convert into a stock cooperative under the Cooperatives Development Act. Pursuant to Section 7c of Rule 7 of the EPIRA Implementing Rules and Regulation (IRR), this means that ECs are given the

option to convert into Stock Cooperatives under the Cooperative Development Authority (CDA). It is therefore clear that conversion into a stock cooperative is a condition *sine qua non* for the registration of an electric cooperative (as defined by Section 3 of Presidential Decree No. 269) with the CDA.

3. The Cooperative Code (Republic Act No. 6938) and the CDA Charter (Republic Act No. 6939) both gave the electric cooperatives already operating under the provisions of P.D. 269, as amended by P.D. 1645, three (3) years within which to qualify and register with the CDA. After the expiration of such three (3) year period, CDA no longer has any authority whatsoever to register ECs already existing and operating under PD 269, as amended. CDA's power to register ECs was only revived with the passage of EIPRA pursuant to Section 57 therein but only after EC has complied with the conversion requirements of the said law.
4. The power of CDA to register newly organized electric cooperatives or newly organized service cooperatives involved in electricity distribution is set forth in Section 3 and 9 of RA 6939 and Article 97 of RA 6938. As can be seen in these provisions, CDA has the sole power to register cooperatives. But this power does not include the power to register pre-existing electric cooperatives since the Cooperative Code has a special provision for electric cooperatives in its Transitory Provisions. And certainly CDA has no power to extend such three (3) year deadline set by the law. Such power to amend the law is vested solely with Congress.
5. The last paragraph of Article 128 of RA 6938, by its clear and categorical language, applies only to those ECs which registered within the three (3) year period fixed by RA 6938 and RA 6939. That is why the provision of Sections 3 and 5 of PD 1645 shall continue to apply to any EC which registers with the CDA pursuant to the provisions of EPIRA.
6. ECs and officers/directors of such ECs which register with the CDA in violation of any of the foregoing provisions of Republic Act Nos. 6938, 6939 and 9136 shall suffer the consequences of such violations. On the part of officers and directors of such ECs, they shall be personally liable and answerable administratively, civilly and/or criminally for such violations, *ultra-vires* or unauthorized acts or the consequences of such unlawful acts. Such registration with the CDA shall be null and void and the condonation of the ECs debt may also be revoked or rendered ineffective pursuant to provisions of Section 5e of Executive Order No. 119 as reinstated by Executive Order No. 622 and/or the provisions of Section 60 of the EPIRA itself. Officers and directors of the EC who signed/approved the resolution to register with CDA in violation of the said laws may and should be held personally answerable for

the resulting damages caused the EC and the EC consumers and members by reason of such violations.

7. Section 5 and 5e of Executive Order No. 119 categorically provides:

“Section 5. ASSUMPTION OF RURAL ELECTRIFICATION LOANS. To ensure that the implementation of the Program is in accordance with law which requires that only Rural Electrification Loans shall be assumed by PSALM, and to further protect consumer welfare, the assumption of Rural Electrification Loans shall be effective upon compliance with the following terms and conditions:

xxx e. Each EC shall at all times comply with all NEA policies governing the ECs relationship with NEA, pursuant to Presidential Decree No. 269, as amended by Presidential Decree No. 1645, and its implementing guidelines, rules and regulations.”  
(underscoring supplied for emphasis)

Hence, its is very clear that the assumption of Rural Electrification Loans is not effective for any EC that fails to comply at all times with ALL NEA policies, guidelines, rules and regulations.

8. Upon the due and lawful registration of an electric cooperative with CDA, the government assistance to the cooperative, exemption from taxes, imposts, duties, fees, and assistance from the National Power Corporation as provided in Section 39 of PD 269, shall no longer be applicable. Instead the provisions of Articles 61 and 62 of the Cooperative Code shall apply together with the strict and stringent requirements provided therein. All the other provisions of RA Nos. 6938 and 6939 shall also govern the said ECs. Hence, the EC shall now be governed by, among others, the following provisions of the Cooperative Code:

- a) Article 18 on the requirement of two-thirds (2/3) vote of all the members with voting rights for the amendment of the coop's article of cooperation and by-laws, without prejudice to the right of the dissenting members to exercise their right to withdraw their membership under Articles 31 and 32; (Such requirement is a virtual impossibility for any cooperative whose membership exceeds Ten Thousand (10,000). Hence, this has the potential to cause the stagnation of the EC which is very untimely in the face of open competition).
- b.) Article 34 on the powers of the general assembly;
- c.) Article 38 on the two (2) year term of a director and the three (3) consecutive term limitation.
- d.) Chapter XII; and

**Republic Act No. 9136**

**Section 57. Conversion of Electric Cooperatives.** – Electric cooperatives are hereby given the option to convert into either stock cooperative under the Cooperatives Development Act or stock corporation under the Corporation Code. Nothing contained in this Act shall deprive electric cooperatives of any privilege or right granted to them under Presidential Decree No. 269, as amended, and other existing laws.

**Republic Act No. 6938**

**ARTICLE 3. General Concepts.** – A cooperative is a duly registered association of persons, with a common bond of interest, who have voluntarily joined together to achieve a lawful common social or economic end, making equitable contributions to the capital required and accepting a fair share of the risks and benefits of the undertaking in accordance with universally accepted cooperative principles.

**Republic Act No. 6938**

**ARTICLE 96. Definition and Coverage.** – A public service cooperative, within the meaning of this Code, is one organized to render public services as authorized under the franchise or certificate of public convenience and necessity duly issued by the appropriate government agency. Such services may include the following:

- (1) Power generation, transmission, and/or distribution;
- (2) Ice plants and cold storage services. Electric cooperatives created under Presidential Decree No. 269 shall be governed by this Chapter if they qualify as cooperatives under the provisions of this Code;
- (3) Communications services including telephone, telegraph, and telecommunications;
- (4) Land, sea, and air transportation cooperative for passenger and/or cargo. Transport cooperatives organized under the provisions of Executive Order No. 898, Series of 1983, shall be governed by this Chapter;
- (5) Public markets, slaughterhouses and other similar services; and
- (6) Such other types of public services as may be engaged in by any cooperative. Such cooperative shall be primarily governed by this Chapter and the general

provisions of this Code insofar as they may be applicable unless they are inconsistent herewith.

**Annex "D"**

**Republic Act No. 6938**

**ARTICLE 97. Registration Requirements.** – No public service cooperative shall be registered unless it satisfies the following requirements:

- (1) It has the favorable endorsement of the proper government agency authorized to issue the franchise of certificate of public convenience and necessity;
- (2) Its articles of cooperation and bylaws provide for the membership of the users and/or producers of the service of such cooperatives; and
- (3) It satisfies such other requirements as may be imposed by the other pertinent government agencies concerned. In case there are two (2) or more applicants for the same public service franchise or certificate of public convenience and necessity all things being equal, preference shall be given to a public service cooperative.

**Annex "E"**

**Republic Act No. 6938**

**ARTICLE 128. Transitory Provisions.** – All cooperatives registered under Presidential Decree Nos. 175 and 775 and Executive Order No. 898, and all other laws shall be deemed registered with the Cooperative Development Authority: **Provided, however,** That they shall submit to the nearest Cooperative Development Authority office the certificate of registration, copies of the articles of cooperation and bylaws and their latest duly audited financial statements within one (1) year from the effectivity of this Act, otherwise their registration shall be cancelled: **Provided, further,** That cooperative created under Presidential Decree No. 1645, shall be given three (3) years within which to qualify and register with the Authority: **Provided, finally,** That after these cooperatives shall have qualified and registered, the provisions of Sections 3 and 5 of Presidential Decree No. 1645 shall no longer be applicable to said cooperatives.

**Republic Act No. 6939**

**SECTION 3. Powers, Functions and Responsibilities Authority.** - The Authority shall have the following powers, functions and responsibilities:

- (e) Register all cooperatives and their federations and unions, including their division, merger, consolidation, dissolution or liquidation. It shall also register the transfer of all or substantially all of their assets and liabilities and such other matters as may be required by the Authority;

**Republic Act No. 6939**

**SECTION 9. Power Register Cooperatives.** - The power to register cooperatives shall be vested solely on the Authority. The functions of the following departments and agencies relating to the registration of cooperatives as such are hereby transferred to the Authority:

- a) The Department of Agriculture;
- b) The Bureau of Agricultural Cooperatives Development;
- c) The Department of Transportation and Communications;
- d) The Sugar Regulatory Administration;
- e) The National Electrification Administration; and
- f) Any other pertinent government agency.

The Bureau of Agricultural Cooperatives Development created under Executive Order No. 116, Series of 1987, is hereby abolished and its qualified employees are hereby absorbed by the Cooperative Development Authority, in accordance with its staffing pattern, subject to Civil Service rules and regulations and rules of the Office of Compensation and Position Classification: Provided, That the Regional Cooperative Development Assistance Offices of Regions IX, XII, created under Executive Order No. 634, are also hereby abolished and their employees shall be given preference for employment with the Cooperative Development Authority in accordance with its staffing pattern, subject to Civil Service rules and regulations. Provided, finally, That those who are not absorbed shall be given separation pay computed at one and one-fourth (1 ¼) months of salary for every year of service. Service of six (6) months or more shall be considered as one (1) year in computing the years of service for severance pay and, whenever applicable, other retirement benefits under existing laws.

**Republic Act No. 6939**

**SECTION 17. Transitory Provisions.** --- All cooperatives registered under Presidential Decree Nos. 175, and 775, and Executive Order No. 898 shall be deemed registered with the Cooperative Development Authority: Provided, however, that they shall submit to the nearest Cooperative Development Authority office their certificates of registration, copies of their articles of incorporation and by-laws, and their latest duly audited financial statements within one (1) year from effectivity of this Act, otherwise, their registration shall be cancelled. Provided, further, That cooperatives created under Presidential Decree No. 269, as amended by the Presidential Decree No. 1645, shall be given three (3) years within which to qualify and register with the Authority: Provided, finally, That after these cooperatives shall have qualified and registered, the provisions of Sections 3 and 5 of Presidential Decree No. 1645 shall no longer applicable to the said cooperatives.

MALACANANG  
MANILA

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FROM: SEC. NORIONG ORA

**EXECUTIVE ORDER NO. 119**

**RESTRUCTURING PROGRAM FOR ELECTRIC COOPERATIVES**

**WHEREAS**, the Congress of the Philippines enacted Republic Act No. 9136, otherwise known as the "Electric Power Industry Reform Act of 2001" (EPIRA), for the purpose of restructuring the electric power industry, including the restructuring of electric cooperatives (ECs);

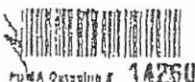
**WHEREAS**, Section 60 of EPIRA provides:

"Sec. 60. *Debts of Electric Cooperatives.* -- Upon the effectivity of this Act, all outstanding financial obligations of electric cooperatives to NEA and other government agencies incurred for the purpose of financing the rural electrification program shall be assumed by the PSALM Corporation in accordance with the program approved by the President of the Philippines within one (1) year from the effectivity of this Act which shall be implemented and completed within three (3) years from the effectivity of this Act. The ERC shall ensure a reduction in the rates of electric cooperatives commensurate with the resulting savings due to the removal of the amortization payments of their loans. Within five (5) years from the condonation of the debt, any electric cooperative which shall transfer ownership or control of its assets, franchise or operations shall repay PSALM Corp. the total debts including accrued interest thereon." (Underlining supplied);

**WHEREAS**, Rule 31 of the Implementing Rules and Regulations of EPIRA, as approved by the Joint Congressional Power Commission (JCPC) and promulgated by the Department of Energy (DOE), reiterates that said outstanding financial obligations of ECs shall be assumed by the Power Sector Assets and Liabilities Management Corporation (PSALM) in accordance with the program approved by the President of the Philippines;

**WHEREAS**, Rule 31 of the Implementing Rules and Regulations of EPIRA likewise defines the outstanding financial obligations which shall be assumed by PSALM as those incurred by ECs for the purpose of financing the Rural Electrification Program;

**WHEREAS**, the assumption by PSALM of such outstanding financial obligations of ECs shall result in the reduction in the rates of ECs commensurate with the resulting savings due to the removal of the amortization payment on said loans;





**WHEREAS**, Section 58 of EPIRA mandates the National Electrification Administration (NEA) to strengthen the technical capability and financial viability of rural ECs as electric utilities, and to prepare said ECs to operate and compete in the deregulated electricity market, specifically in an environment of open access and retail wheeling;

**WHEREAS**, the assumption by PSALM of the outstanding financial obligations of ECs incurred for the purpose of financing the Rural Electrification Program entails substantial government support that must come hand in hand with meaningful and lasting reforms, both mandated and self-imposed, among the ECs, for the purpose of achieving reliable, secure and cheaper electricity for all consumers, particularly in the rural areas, in line with the declared policies in EPIRA;

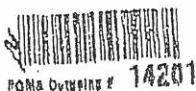
**WHEREAS**, DOE, Department of Finance (DOF), NEA and PSALM, have recommended a program for the restructuring of ECs through the assumption by PSALM of the outstanding financial obligations of ECs incurred for the purpose of financing the Rural Electrification Program, with a view to reducing the spiraling cost of electricity (hereinafter referred to as the "Program");

**NOW, THEREFORE, I, GLORIA MACAPAGAL-ARROYO**, President of the Philippines, by virtue of the powers vested in me by law and upon the recommendation of DOE, DOF, NEA and PSALM, do hereby order:

**SECTION 1. DECLARATION OF POLICY.** The Program adheres to the following declared policies in EPIRA:

- a. To ensure and accelerate the total electrification of the country;
- b. To ensure the quality, reliability, security and affordability of the supply of electric power;
- c. To ensure transparent and reasonable prices of electricity in a regime of free and fair competition and full public accountability to achieve greater operational and economic efficiency and ensure the competitiveness of Philippine products in the global market;
- d. To encourage the efficient use of energy and other modalities of demand side management; and
- e. To protect the public interest as it is affected by the rates and services of electric utilities and other providers of electric power.

**SECTION 2. COVERAGE.** As specified under Section 60 of EPIRA, the Program for PSALM to assume the outstanding financial obligations incurred by ECs covers only those obligations incurred for the purpose of financing the Rural Electrification Program. The Implementing Rules and Regulations of EPIRA, as approved by JCPC and promulgated by DOE, defines "Financing for Rural Electrification" as referring to loans and grants extended to ECs, for the construction or acquisition, operation and maintenance of distribution,



generation, and subtransmission facilities for the purpose of supplying electric service, and those loans for the restoration, upgrading and expansion of such facilities, in areas which are considered rural at the time of the grant of such loans (hereinafter referred to as "Rural Electrification Loans").

Thus, the Program shall comprise the following:

- a. Financial, institutional, technical and managerial restructuring of ECs, pursuant to Section 58 of EPIRA;
- b. Assumption by PSALM of Rural Electrification Loans, pursuant to Section 60 of EPIRA;
- c. Amortization of payments to NEA and/or other government creditor agencies for Rural Electrification Loans assumed by PSALM, pursuant to Section 60 of EPIRA; and
- d. Reorganization of NEA to enable it to perform its additional mandates under Section 58 of EPIRA, and in accordance with Section 5(a)(5) of Presidential Decree No. 269, as amended by Presidential Decree No. 1645.

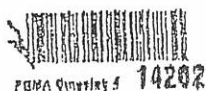
**SECTION 3. NEA REORGANIZATION PLAN.** In order to better achieve the objectives of EPIRA and to suit the organizational staffing pattern of NEA to its additional mandates therein, NEA shall submit, within thirty (30) calendar days from the effectivity of this Executive Order, a reorganization plan containing NEA's redefined institutional, technical and financial functions for the approval of DOE and the Department of Budget and Management (DBM).

Upon approval of NEA's reorganization plan, DBM shall release the necessary funds to implement the reorganization plan.

DOE shall monitor the implementation of NEA's reorganization plan and shall submit a report thereon to the Office of the President.

**SECTION 4. EC RESTRUCTURING.** Within thirty (30) calendar days from the effectivity of this Executive Order, NEA shall likewise submit to DOE a plan of action: (a) to implement and comply with Section 58 of EPIRA, specifically to prepare ECs to operate and compete under the deregulated electricity market, and to strengthen the technical and managerial capability and financial viability of rural ECs; and (b) to ensure full compliance with Section 5 of this Executive Order.

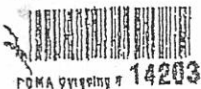
**SECTION 5. ASSUMPTION OF RURAL ELECTRIFICATION LOANS.** To ensure that the implementation of the Program is in accordance with law which requires that only Rural Electrification Loans shall be assumed by PSALM, and to further protect consumer welfare, the assumption of Rural Electrification Loans shall be effective upon compliance with the following terms and conditions:



- a. Each Rural Electrification Loan must be (a) duly recorded in the books of NEA and/or the corresponding creditor government agencies; (b) validated by the Commission on Audit; and (c) confirmed by the concerned EC as due and outstanding.
- b. Each Rural Electrification Loan shall be audited for verification purposes by PSALM, in accordance with generally accepted accounting and auditing practices.
- c. ERC shall have approved the reduction in the EC's rates commensurate with the resulting savings due to the removal of the amortization payments on the Rural Electrification Loan/s. At all times, the assumption by PSALM of the Rural Electrification Loan/s shall take effect only upon such ERC approval, given that all other terms and conditions stated herein have been complied with.
- d. Each EC must be current and continue to be current in the payment of its obligations to the National Power Corporation (NPC) to be eligible for the assumption by PSALM of its Rural Electrification Loan/s.

In the event that an EC is not current in the payment of its obligations to NPC, such EC must first submit to NEA a duly executed agreement with NPC, containing a sustainable payment arrangement acceptable to NPC, before such EC may be eligible for the assumption by PSALM of its Rural Electrification Loan/s.

- e. Each EC shall at all times comply with all NEA policies governing the EC's relationship with NEA, pursuant to Presidential Decree No. 269, as amended by Presidential Decree No. 1645, and its implementing guidelines, rules and regulations.
- f. Each EC shall cooperate with NEA in order for NEA to effectively prepare them for operating and competing under the deregulated electricity market within five (5) years from the effectivity of EPIRA, specifically in an environment of open access and retail wheeling, as envisioned and mandated under Section 58 of EPIRA.
- g. Within thirty (30) calendar days from the effectivity of this Executive Order, the NEA Board shall issue guidelines for the submission by ECs of a Performance Improvement Program (PIP) and/or a Rehabilitation and Efficiency Plan (REP). Consistent with Section 10 of Presidential Decree No. 269, as amended by Presidential Decree No. 1645, said guidelines shall include



preventive and/or disciplinary measures, as may be warranted, prior to the assumption by PSALM of the Rural Electrification Loan/s of the concerned EC.

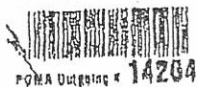
The PIP and/or REP shall cover institutional, technical, financial and managerial reforms, including financial restructuring, needed to achieve prescribed levels of efficiency, including but not limited to, system losses, collections, electric and customer service, cost control, tariff rate competitiveness, and adequacy in capital and/or financing structure. The PIP and/or REP shall provide for specific yearly targets and shall cover at least the five-(5) year period prescribed under Section 60 of EPIRA.

- b. Within thirty (30) calendar days from the issuance of such PIP/REP guidelines, each EC shall submit its PIP and/or REP for NEA's approval. NEA shall approve or disapprove the PIP and/or REP of each electric cooperative within the period prescribed in its guidelines.

**SECTION 6. REDUCTION IN EC RATES.** Pursuant to Section 60 of EPIRA, the ERC shall ensure a reduction in the rates of ECs commensurate with the savings due to the removal of the amortization payments on their Rural Electrification Loan/s assumed by PSALM pursuant to this Executive Order. For this purpose, NEA shall assist ECs in their rate formulation and application to ERC.

**SECTION 7. ASSUMPTION AND PAYMENT BY PSALM OF RURAL ELECTRIFICATION LOANS.** Pursuant to Section 60 of EPIRA, PSALM shall assume all Rural Electrification Loans upon compliance by the concerned EC with Section 5 of this Executive Order, and thereupon, such EC shall cease to be a debtor of NEA or of other creditor government agencies.

Thereafter, PSALM and NEA or other creditor government agencies shall enter into contracts and/or agreements, necessary and proper, to undertake the payment of the assumed Rural Electrification Loans through an amortization schedule to be agreed upon between PSALM on the one hand, and NEA or other creditor government agencies, on the other. Where necessary, such contracts and/or agreements may include mutual stipulations on the modification and/or amendments of existing contracts of mortgage and other security between ECs and NEA or other creditor government agencies. *Provided, however,* That any such contracts of mortgage and other security with respect to the Rural Electrification Loans assumed by PSALM shall not be released by NEA and/or other creditor government agencies without the written consent of PSALM.



**SECTION 8. REVOCATION.** The assumption by PSALM of the Rural Electrification Loan/s of an EC shall be revoked for failure to continually comply with Section 5 of this Executive Order or if within five (5) years from the assumption by PSALM of the Rural Electrification Loan/s, an EC transfers ownership or control of its assets, franchise or operations, as provided under Section 60 of EPIRA.

Upon revocation, such EC must repay PSALM the total Rural Electrification Loan/s, including interest thereon, assumed by PSALM; *Provided, however,* That with the consent of NEA, an EC may enter into loan or financing agreements to allow flexibility in sourcing funds and improvement of management system for needed rehabilitation and modernization programs; *Provided, further,* That such loan or financing agreements shall not involve any permanent transfer or control of the assets, franchise and operations of such EC; *Provided, finally,* That DOE and NEA shall jointly issue the necessary guidelines to protect the member-consumers of ECs in situations involving such loan or financing agreements.

**SECTION 9. SEPARABILITY CLAUSE.** In the event that any of the provisions of this Executive Order is declared unconstitutional with finality by a court of competent jurisdiction, the validity of the other provisions shall not be affected by such declaration.

**SECTION 10. EFFECTIVITY.** This Executive Order shall take effect on the fifteenth (15<sup>th</sup>) day from the date of its publication in at least two (2) newspapers of general circulation.

DONE in the City of Manila, this 28<sup>th</sup> day of August, in the year of our Lord, Two Thousand and Two:-

*[Handwritten signature]*



By the President:

*[Handwritten signature of Alberto G. Romulo]*  
**ALBERTO G. ROMULO**  
Executive Secretary



MALACAÑANG  
MANILA

BY THE PRESIDENT OF THE PHILIPPINES

EXECUTIVE ORDER NO. 622

REPEALING EXECUTIVE ORDER NO. 460 DATED SEPTEMBER 2, 2005,  
ENTITLED "AMENDING EXECUTIVE ORDER NO. 119 (S. 2002) AND  
FOR OTHER PURPOSES"

WHEREAS, Section 60 of Republic Act (R.A.) No. 9136, otherwise known as the "Electric Power Industry Reform Act of 2001 (EPIRA)" provided that all outstanding financial obligations of electric cooperatives (ECs) to the National Electrification Administration (NEA) and other government agencies incurred for the purpose of financing the rural electrification program (REP) shall be assumed by the Power Sector Assets and Liabilities Management Corporation (PSALM) in accordance with the program approved by the President of the Philippines;

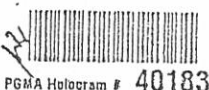
WHEREAS, Rule 31, Section 6, of the Implementing Rules and Regulations (IRR) of EPIRA provided that "nothing in this Rule however, shall mean that ECs are not obliged to pay the NEA with respect to all outstanding financial obligations assumed by PSALM, if the amortization cost component of the EC's tariff is still collected from the consumers";

WHEREAS, pursuant to Section 60 of EPIRA, Executive Order (E.O.) No. 119 was issued on August 28, 2002 which provided for the assumption by PSALM of all outstanding rural electrification (RE) loan obligations of ECs;

WHEREAS, E.O. No. 119 provides under Section 5 thereof that the assumption by PSALM of the RE loans shall be effective only upon compliance with the terms and conditions enumerated therein which include, among others, the approval by the Energy Regulatory Commission (ERC) of the reduction in the EC rates commensurate with the resulting savings due to the removal of the amortization payments on the RE loans;

WHEREAS, on September 2, 2005, E.O. No. 460, amending E.O. No. 119, was issued mandating that the effective date of the assumption of the RE loans by PSALM shall retroact to the date of effectivity of EPIRA on June 26, 2001;

WHEREAS, the ERC issued on October 11, 2002, its "Guidelines for the Implementation of the Reduction in Rates of the EC due to the Condonation



of Debt," which was amended on November 15, 2002, which governs the applications of the ECs with the ERC for the approval of the reduction in rates in compliance with Section 60 of EPIRA and E.O. No. 119 with prayer for provisional authority ("PA");

**WHEREAS**, the ERC has issued during the period from March 3, 2003 to January 2004, the corresponding PAs to reduce rates to each and every EC, or a total of one hundred eighteen (118) ECs, thereby making the date of issuance thereof as the effective date of the assumption by PSALM of the RE loans of the said ECs to NEA and other creditor government agencies;

**WHEREAS**, to strengthen the financial viability of the ECs, it is best to maintain that the assumption by PSALM of the RE loans shall be effective upon approval by the ERC of the reduction in the EC rates commensurate with the resulting savings due to the removal of the amortization payments on RE loans or upon the issuance by the ERC of the PAs to reduce rates to each and every EC;

**NOW, THEREFORE, I, GLORIA MACAPAGAL-ARROYO**, President of the Republic of the Philippines, by virtue of the powers vested in me by law, do hereby order:

**SECTION 1.** Executive Order No. 460 dated September 2, 2005 is hereby repealed. The provisions of Executive Order No. 119 dated August 28, 2002 which were earlier amended by Executive Order No. 460 are thus hereby reinstated.

**SECTION 2.** All orders, issuances, rules and regulations or parts thereof inconsistent with this Executive Order are hereby repealed or modified accordingly.

**SECTION 3.** This Executive Order shall take effect immediately.

**DONE** in the City of Manila, this 9<sup>th</sup> day of May, in the year of Our Lord, Two Thousand and Seven.

*Gloria M. Arroyo*



By the President:

*Eduardo R. Ermita*

**EDUARDO R. ERMITA**  
Executive Secretary



PGMA Hologram # 40184

**CERTIFIED COPY:**

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**MARIANITO M. DIMAANDAL**  
DIRECTOR III  
MALACANANG RECORDS OFFICE

*2005-12-19*