

AMENDING EXECUTIVE ORDER NO. 119 (S. 2002) AND FOR OTHER PURPOSES

EXECUTIVE ORDER NO. 460, September 02, 2005

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WHEREAS, Republic Act No. 9136, otherwise known as the "Electric Power Industry Reform Act of 2001" ("EPIRA") ordered all outstanding financial obligations of electric cooperatives to the National Electrification Administration ("NEA") and other government agencies incurred for the purpose of financing the rural electrification program to be assumed by the PSALM Corporation;

WHEREAS, pursuant to R.A. No. 9136, Executive Order No. 119 was issued on 28 August 2002 to provide for a restructuring program for electric cooperatives;

WHEREAS, this administration is committed to strengthening rural electric cooperatives in order to achieve reliable, secure and cheaper electricity for all consumers, particularly in rural areas, in line with the declared policies in EPIRA;

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. Section 5 of Executive Order No. 119 (s. 2002) is hereby amended to read as follows:

"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 subject to the following terms and conditions:

X X X

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.

X X X.

Nothing in this Section shall mean that the effectivity date of the loan condonation will commence on the day ERC issues to the ECs Provisional Authority to reduce rates, such loan condonation being effective on June 26, 2001 as provided for in EPIRA and assumption of which loan by PSALM having commenced on said date."

SECTION 2. Section 7 Executive Order No. 119 (s. 2002) is hereby amended to read as follows:

"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 the effectivity thereof. The assumption of the Rural Electrification Loans by PSALM shall retroact from the effectivity of the EPIRA.

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, NEA and 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.

SECTION 3. Repealing Clause. - All executive issuances, orders, rules and regulations or parts thereof inconsistent with the provisions of this Executive Order are hereby repealed or modified accordingly.

SECTION 4. Effectivity. - This Executive Order shall take effect immediately.

Adopted: 02 Sept. 2005

(SGD.) GLORIA MACAPAGAL-ARROYO

By the President:

(SGD.) EDUARDO R. ERMITA

Executive Secretary

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