

[REPUBLIC ACT NO. 2305, June 19, 1959]

**AN ACT GRANTING THE MUNICIPALITY OF CALUBIAN,
PROVINCE OF LEYTE, A FRANCHISE FOR AN ELECTRIC LIGHT,
HEAT AND POWER SYSTEM.**

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

SECTION 1. Subject to the terms and conditions established in Act Numbered Thirty-six hundred thirty-six, as amended by Commonwealth Act Numbered One hundred thirty-two, and to the provisions of the Constitution, there is granted to the Municipality of Calubian, Province of Leyte, hereinafter referred to as the grantee, for a period of twenty-five years from the approval of this Act, the right, privilege and authority to construct, maintain and operate an electric light, heat and power system, for the purpose of generating and distributing electric light, heat and/or power therein.

SEC. 2. *Rates for electricity—Limit of net profit.*—The rates for electricity shall be fixed so that the grantee obtains profit of not more than six *per centum per annum* of the rate base as denned herein: *Provided*, That the grantee shall not start operation unless the original rate wall have been previously approved by the Public Service Commission: *Provided, further*, That if the grantee shall reported profits in excess of six *per centum per annum* for the first year of its operation, it shall effect immediate reduction in its existing rates by a percentage which the reported profits in excess of six *per centum per annum* bear to the reported revenue in that year: *Provided, further*, That during each succeeding year, the grantee reporting profits still in excess of six *per centum per annum*, notwithstanding the rate reduction of the immediately preceding year, shall effect reduction in rates by a percentage which the reported profits in excess of six *per cenum per annum* during the preceding year bear to the reported revenue of the same year, such reduction to be made not later than April first of each year retro, active to January first of the same year: *Provided, further*, That where the applicable reduction to customers will mean less than one *per centum* reduction in the prevailing rates or will include such a fraction, no reduction in rates shall be made to the extent of such fraction but such amount shall be placed in a special fund of the grantee available only for the improvement and expansion of the system: *Provided, further*, That the reduction to be effected by the grantee in accordance with the next preceding proviso shall not be conclusive but may be further increased at such rates as shall be found justifiable in the verification that shall be undertaken by the Public Service Commission, with the cooperation of the General Auditing Office and such other agencies of the Government as the President may designate, of the rate base of the revenue, and of the operating expenses: *Provided, further*, That any violation of any provision of this section, including inflation of the rate base, padding of operating expenses and understatement of revenues, shall be penalized with dismissal from the service, and by imprisonment for not less than one year and not more than five years, of the

public officers and employees responsible for the violation, without prejudice to the civil liability of the grantee to the customers in double the amount of the overcharge plus attorneys fees and costs of litigation, which liability may be enforced independently of the criminal action arising from the same act.

The net profit obtained by the grantee shall not be used for any purpose other than the improvement and expansion of the system.

SEC. 3. *Records of assets, liabilities, capital. Income, etc.*—The grantee shall make and keep complete records of its assets, liabilities, capital, revenues, expenses, income and operations in accordance with a detailed system of accounts which shall embody the cost principle as defined in section five hereof, and which shall be prescribed by the Public Service Commission, and such accounting which shall conform to the system approved by the Auditor General. The grantee shall account for retirements replacements of, or additions to, its properties according to a classified list of units of property which the public Service Commission shall prescribe. Until the Public Service Commission prescribes the aforementioned lists of units of property, the grantee may adopt its own lists of properties which it shall submit to the Public Service Commission for approval.

SEC. 4. *Record, of amount of depreciation of depreciable property.*—The grantee shall record in its accounts at the end of each month the estimated amount of depreciation of every depreciable property for that month, computed according to the straight-line method, as defined in section five hereof. In estimating such accrued depreciation the grantee shall use its own judgment as to the estimated service lives and depreciation rates of its depreciable properties which it shall submit to the Public Service Commission for approval until such time as the Public Service Commission fixes the service lives and depreciation rates which the grantee shall be required to use thereafter.

SEC. 5. *Definition of terms.*—For purposes of this Act, the following terms are defined as follows:

"Cost" means the amount of money actually paid for Property or services or their cash value at the time of the transaction.

"Units of property" means those items of property which when retired, with or without replacement, are accounted for by crediting the book cost thereof to the Property account in which included.

"Straight-line method" of depreciation means the spread of depreciation of depreciable property in equal amounts monthly over its estimated service life.

"Rate base"-means the money honestly and prudently invested in the used and useful property and equipment less accrued depreciation plus one-twelfth of the annual cash operating expenses as working capital.

SEC. 6. *Limit of operating expenses quality of service.*—The grantee shall abide by the limit of operating expenses that the Public Service Commission may impose and shall comply with the safety rules and render the quality of service which said Commission may provide.

SEC. 7. *Power to borrow from government banking institutions.*—In order to finance its project, the grantee is empowered to borrow from any financial institution or