

REPUBLIC ACT NO. 8997

AN ACT GRANTING FIRST GAS HOLDINGS CORPORATION A FRANCHISE TO CONSTRUCT, INSTALL, OWN, OPERATE AND MAINTAIN A NATURAL GAS PIPELINE FOR THE TRANSPORTATION AND DISTRIBUTION OF NATURAL GAS TO DIFFERENT AREAS IN THE ISLAND OF LUZON

Section 1. Nature and Scope of Franchise. - Subject to the provisions of the Constitution and applicable laws, rules and regulations, there is hereby granted to First Gas Holdings Corporation, its successors or assigns, hereunder referred to as the grantee, a franchise to construct, install, own, operate and maintain for commercial purposes and in the interest of the public, natural gas pipeline system including pumping and compressing stations, metering and measurement facilities, storage tanks, gas tanks, power plants, shops, storehouses and other buildings, water supply and communication systems, roads and such other equipment or facilities as may be needed from time to time for the purpose of transporting and distributing natural gas throughout the Island of Luzon.

Section 2. Prior Approval of the Department of Environment and Natural Resources and the Department of Energy. - The grantee shall secure from the Department of Environment and Natural Resources (DENR), the Department of Energy (DOE) or any other government agency which has jurisdiction over the operation of the herein franchise, the appropriate permits and licenses for the construction, installation, ownership, operation and maintenance of the said natural gas pipeline system. The DENR, the DOE and other concerned government agencies shall not unreasonably withhold or delay the grant of any such authority.

Section 3. Authority to the End Consumer and the Environment. - The grantee shall at all times provide adequate, reliable and safe service to the end consumers and shall conform to the highest environment and safety standard as may be prescribed by the DOE, the DENR with regards to Palawan gas, the Palawan Council for Sustainable Development and such other appropriate agencies of the government.

Section 4. Right of Way and Construction. - For the purpose of constructing, installing, operating and maintaining the pipeline system, it shall be lawful for the grantee to make excavations and laypipes in any of the public lands, waters and properties, including highways, streets, bridges and public works in any city or municipality throughout the Island of Luzon: *Provided*, That any public land, water and property, including highways, streets, bridges and public works disturbed, altered or changed thereby shall be repaired, restored and replaced in workmanlike manner by the grantee to the satisfaction of the Department of Public Works and Highways (DPWH) or the local engineering office, as the case may be, and in accordance with existing laws and rules on excavation and reconstitution of such public works.

Section 5. Easement Over Public Land. - When rights or easements of temporary occupancy over public land, water or property including highways, roads, bridges and other public works are needed by the grantee for the purpose of carrying out work essential to its operation, such right shall be granted by the DPWH who shall see to it that such easement or temporary occupancy shall cause the least inconvenience to the general public: whenever rights or easement of temporary occupancy over public land without existing infrastructure, including foreshore lands are needed by the grantee in its operation, such rights or permit for the use or occupation of said public lands shall be granted by the DENR.

Section 6. Easement Over Private Land. - When easement or temporary occupancy over private lands are needed by a grantee for the purpose of carrying out work essential to its operations, the grantee may enter into the necessary agreement with owner or legal occupant of such private lands. If no agreement could be reached, or if the owner or legal occupant refuses to grant such

easement, or in general, when any obstacle of whatever nature exist the immediate and certain acquisition of the necessary area, or of any right indispensable to the grantee for the purpose of the franchise, the regional trial court of the city or province where the land is situated shall, upon application and posting of the necessary bond therefor, authorize the grantee to use and occupy the land needed by it in its operations, pending final determination of the case which shall include among others the reasonable value or rental of the land to be occupied and the compensation for any resulting damage that the landowner or legal occupant may suffer as a result of such operation.

Section 7. Eminent Domain. - The grantee may acquire such private property or portion thereof as is actually necessary for the realization of the purposes for which this franchise is granted: *Provided* , That in case the owner refuses to sell or allow the use thereof, the proper proceedings shall be instituted by the grantee, posting therefor a bond as may be fixed and approved by the regional trial court of the city or province where the land is situated. The court shall issue an order allowing such right pending the final determination of the proper amount that shall be paid by the grantee to the landowner or legal occupant.

Section 8. Term of Franchise. - This franchise shall be for a term of twenty-five (25) years from the date of effectivity of this Act, unless sooner revoked or cancelled. This franchise shall be deemed ipso facto revoked, in the event the grantee fails to commence the exercise of any privileges granted herein within five (5) years from the effectivity hereof.

Section 9. Acceptance and Compliance. - Acceptance of this franchise shall be given in writing within sixty (60) days after the effectivity of this Act. Upon giving such acceptance, the grantee shall exercise the privileges granted under this Act. Nonacceptance shall render the franchise void.

Section 10. Tax Provisions. - The grantee, its successors or assigns, shall be subject to the payment of all taxes, duties, fees or charges and other impositions under the National Internal Revenue Code (NIRC) of 1997, as amended, and other applicable laws: *Provided*, That nothing herein shall be construed as repealing any specific tax exemptions, incentives or privileges granted under any relevant law: *Provided*, further, That all rights, privileges, benefits and exemptions accorded to existing and future natural gas distribution system franchises shall likewise be granted to the grantee.

The grantee shall file the return with the city or province where its facility is located, and pay the taxes due thereon to the Commissioner of Internal Revenue or his duly authorized representatives in accordance with the NIRC and the return shall be subject to audit by the Bureau of Internal Revenue.

Section 11. Warranty in Favor of National and Local Government. - The grantee shall hold the national, provincial and municipal governments of the Philippines harmless from all claims, accounts, demands or actions arising out of accidents or injuries, whether to property or to persons, caused by the construction, installation, operation and maintenance of the pipeline system.

Section 12. Sale, Lease, Transfer, Usufruct, Etc. - The grantee shall not lease, transfer, grant the usufruct of or sell this franchise or the rights and privileges acquired thereunder to any person, firm, company, corporation or other commercial or legal entity, nor merge with any other corporation or entity, nor shall the controlling interest of the grantee be transferred, whether as a whole or in parts, and whether simultaneously or contemporaneously, to any such person, firm, company, corporation or entity without the prior approval of the Congress of the Philippines, except to a wholly-owned subsidiary of the grantee or to a corporation owned or controlled by persons holding the controlling interest in the grantee. Any person or entity to which this franchise

is sold, transferred or assigned, shall be subject to the same conditions, terms, restrictions and limitations of this Act.

Section 13. Separability Clause. - If any of the sections or provisions of this Act is held invalid, all the other provisions not affected thereby shall remain valid.

Section 14. Repealability and Nonexclusivity Clause. - This franchise shall be subject to amendment, alteration or repeal by the Congress of the Philippines when the public interest so requires and shall not be interpreted as an exclusive grant of the privileges herein provided for.

Section 15. Effectivity. - This Act shall take effect fifteen (15) days from the date of its publication, upon the initiative of the grantee, in at least two (2) newspapers of general circulation in the Philippines.

Approved,

Franklin M. Drilon , President of the Senate

Manuel B. Villar Jr. , Speaker of the House of Representatives

This Act which originated in the House of Representatives was finally passed by the House of Representatives and the Senate on October 18, 2000 and October 10, 2000, respectively.

Oscar G. Yabes , Secretary of the Senate

Roberto P. Nazareno , Secretary General of the House of Representatives

Approved:

Joseph E. Estrada , President of the Philippines