BRIEFER ON
ENERGY REGULATIONS NO. 1-94

Benefits to Host Communities

By:
Rural Electrification Administration and Management Division
Electric Power Industry Management Bureau
Department of Energy
Legal & Operational Basis

- Section 5 (i) R. A. No. 7638, “DOE Act of 1992
- Section 66 of R. A. No. 9136, “EPIRA of 2001
- Attendant Rules and Procedures
  - Energy Regulations No. 1-94
  - Department Circular No. 95-11-009
  - Energy Regulations No. 1-94-A
  - Department Circular No. 96-08-009
  - Department Circular No. 98-05-007
  - Department Circular No. 98-11-010
  - Department Circular No. 2000-03-003
  - Department Circular No. 2000-10-011
  - Rule 29, Part A of EPIRA-IRR
  - Department Order No. 2002-06-007
Policy Objectives

✓ To recognize the contributions made by the communities and people affected;

✓ To lessen conflict of rights; and

✓ To promote harmony and cooperation among the LGUs/Region and the energy resource developers and/or power producers.

SEC. 5 (i), R.A. 7638
What is Energy Regulations No. 1-94?

It is the implementing rules and regulations of Section 5 (i) of R. A. No. 7638, or the “DOE Act of 1992”

Sec. 5(i) of R.A. 7638 provides,

That the Department shall “devise ways and means of giving direct benefits to the province, city, or municipality, especially the community and people affected, and equitable preferential benefit to the region that hosts the energy resource and/or energy-generating facility: Provided, however, that the other provinces, cities, municipalities, or regions shall not be deprived of their energy requirements”.

Sec. 66 of R.A. 9136 provides,

That the provision of financial benefits to host communities and the obligations of the power generating facilities and/or energy resource developers as defined in R.A. 7638 and its IRR shall continue.

ER 1-94 is part of the rate imposed on the electricity end-users, duly approved by ERC.
What is a generating-facility?

- **Hydro Facility** – a power plant which utilizes kinetic energy of falling or running water to generate electricity.

- **Geothermal Facility** – a power plant which utilizes geothermal steam or brine to generate electricity.

- **Other types**

  Power plant constructed/operated to supply electricity: Coal-Fired, Diesel, Thermal, Gas Turbine, Natural Gas, etc.
What is an energy resource?

It is an energy source that is used to produce power which can be classified as conventional or non-conventional, imported or indigenous. Examples are:

- Biomass
- Geothermal
- Natural Gas
- Petroleum
- Coal
- Hydrothermal/Hydro Resources
- Others
What is a host community?

- A local government unit (barangay, municipality, city or province) where the energy resource and/or energy generating facility is physically located.

- A region where the energy resource and/or energy generating facility is physically located.
Who are the “community and people affected” being referred to under this program?

➢ These are the bonafide/legitimate residents of a host LGU and who were relocated, as a result of the construction, and/or operation of an energy generating facility or the development of an energy resource projects, to official resettlement site/s.
What is the “obligation of the power generating facilities and/or energy resource developers to host communities?”

- The Generation Company and/or energy resource developer should set aside one centavo per kilowatt hour (P0.01/kWh) of the total electricity sales as financial benefits to host communities.
What are the nature of this P0.01 financial benefits

Electrification

Development & Livelihood

Reforestation, Watershed Management, Health and/or Environment Enhancement

SEC. 4, RULE 29 (A) EPIRA-IRR
How shall the P0.01/kWh financial benefits be monitored?

- Trust accounts shall be established specific for EF, DLF, and RWMHEEF in the name of DOE and the Generation Company.

  - Sec. 5 of the EPIRA-IRR provides,
    - The DOE shall establish trust accounts specific for EF, DLF and RWMHEEF in the name of DOE and the Generation Facilities or Generation Company and/or energy resource developer.

  - Sec. 8(a) of the EPIRA-IRR provides,
    - The DOE shall review and audit the source of fund, particularly on the total electricity sales of the Generation Facility to determine the financial benefits due to the host LGUs and host Regions.
Who is the “administrator” of the P0.01/kWh financial benefits?

- The administration of EF, DLF, and RWMHEEF shall be undertaken by the DOE.

- Sec. 7 of EPIRA-IRR provides,
  - The administration of EF, DLF, RWMHEEF shall be undertaken by the DOE. All funds administered by NPC with regard to DLF and RWMHEEF shall be transferred to DOE for administration within 120 days from the effectivity of these Rules.

- Item 2.2.4 of the Joint DOF-DBM-COA Circular No. 1-97
  - Exempts from the coverage cash accounts owned by government-owned and/or controlled corporations and local government units.

- COA Decision No. 2002-240
  - The DOE is allowed directly to apply the Trust and its income for the purpose for which it was created.
Allocation Scheme of P.01/kWh
(Highly Urbanized Area)

Note:

EF – Electrification Fund
DLF – Development and Livelihood Fund
RWMHEEF – Reforestation, Watershed Management, Health and/or Environment Enhancement Fund
Application Scheme of 12.5% of P.01/kWh each for DLF & RWMHEEF (Highly Urbanized Area)
What is “radiating order of application” on Electrification Fund (EF)?

This means that the EF shall be applied in the following manner:

- Designated resettlement area/s;
- Host barangay/s;
- Host municipality/ies of city/ies;
- Host region/s
- And other areas as maybe determined/prioritized by the DOE
Allocation Scheme of P.01/kWh (Non-Highly Urbanized Area)

Note: EF – Electrification Fund
            DLF – Development and Livelihood Fund
            RWMHEEF – Reforestation, Watershed Management, Health and/or Environment Enhancement Fund
Application Scheme of 25% of P.01/kWh each for DLF & REFO (Non-Highly Urbanized Area)
**Process of Availment on EF**

**Case 1**

**DU**
- Submits proposal/s
- Implements the project

**DOE**
- Evaluates/Process proposal/s
- Releases Fund
- Audits disbursement
- Inspects project

**Case 2**

**HOST LGU/PP**
- Submits project proposal/s

**DU**
- Reviews/submits proposal/s
- Implements project

**DOE**
- Evaluates/Process proposal/s
- Releases Fund
- Audits disbursement
- Inspects project

**Note:**
- MOA is entered into by and between the DOE and FDU
- The project fund to be released shall be based on the result of public bidding/canvass by FDU
- All project funds shall be subject to liquidation prior to the approval of succeeding project/s
The Host Communities submits project proposal/s duly supported by a Resolution from the Sanggunian with the necessary documents and endorsed by the Power Plant and/or energy resource developer to DOE for evaluation/approval.

**Note:**
- MOA is entered into by and among the DOE, P/P, and LGU/Region
- The project fund to be released shall be based on the result of public bidding/canvass (under R.A. 9184)
- All project funds shall be subject to liquidation prior to the approval of succeeding project/s
Criteria on Projects to be Funded under DLF & REFO

- Availability of Funds
- Has the capacity to increase income levels and generate employment opportunities
- Uplift the living condition of the beneficiaries
- No adverse environmental effects
- Promote a more equitable share of benefits
- Demonstrate the capacity for effective and successful implementation
Audit of Financial Benefits

The Department shall conduct audit of recorded/reported electricity sales of the Power Plant on a quarterly basis to determine the financial benefits due to the LGUs/Region/s.
Remittance of FB to DOE Trust Accounts-IPP

**DOE**
- Informs PP of its Obligations under Of EPIRA (E.R.1-94)

**PP**
- Provides PP Information and company profile to DOE

**DOE & PP**
- Establish TA through MOA

**PP**
- Remits financial benefits to the TA Through DOE

**DOE**
- Audits electricity sales of PP
- Notifies PP of financial obligation
Uses of Funds

Electrification Projects

A. Undertaken by Contractor
   [ Subcontracted by Electric Cooperative (EC) ]

➢ **Original Copies of the following:**

1. Report of Disbursements duly certified by the EC Accountant and verified by the EC Internal Auditor
2. Certificate of Completion and Acceptance signed by EC Manager and attested by the following
   (a) EC Technical Manager,
   (b) Concerned Barangay,
   (c) National Power Corporation (NPC) / PNOC – Energy Development Center / Independent Power Producer (IPP) representatives
3. Certificate of Joint & Final Inspection signed by DOE, NPC / PNOC-EDC / IPP, EC and LGU representatives
4. Project photos showing the installed permanent marker
Uses of Funds

Electrification Projects

- Authentic copies of the following:

1. Contract or Agreement between EC and the Contractor
2. Approved and paid Disbursement Vouchers including supporting documents:
   * Official Receipt of the Contractor
   * Accomplishment Report
   * Purchase Order, Delivery Receipts, Supplier’s Invoices
   * Bill of Contractor
   * Bid documents (Abstract of Bids/Notice of Award, Notice to Proceed of EC to Contractor indicating actual date of receipt)
Electrification Projects

- Authentic copies of the following:

  2. Bank Statements
  3. As-Built Staking Sheets
  4. As-Built Bill of Materials
  5. Summary of Construction Assembly Unit (CAU)
  6. Materials Charge Ticket (MCT)
  7. Materials Returned Receipt (MRR)
  8. EC / Contractor affidavit stating materials used and labor employed on the project have been paid
  9. Contractor’s duly notarized affidavit of quit claim
  10. Certificate of Completion by the Contractor
Uses of Funds

Electrification Projects

B. By Administration (Undertaken by EC)

1. All of the above to include the following:
   a. Material / Labor / Overhead Cost Summary
   b. Journal Voucher(s) / Check Voucher(s)
   c. Overhead Distribution to Work Order
   d. Approved Payroll
Uses of Funds

Development & Livelihood and Reforestation, Watershed Management, Health and or Environmental Enhancement Projects

➢ To be Submitted by the Local Government Unit (LGU) - Original Copies

1. Report of Disbursements duly certified by the Provincial / Municipal Accountant and verified by the Resident COA Auditor

2. Certificate of Completion and Acceptance signed by the concerned LGUs (Governor / Municipal Mayor); Provincial / Municipal / Engineer, Host Barangay(s) and NPC / IPP representatives
Uses of Funds

Development & Livelihood and Reforestation, Watershed Management, Health and or Environmental Enhancement Projects

➢ To be Submitted by the Local Government Unit (LGU) - Original Copies

3. Certificate of Joint & Final Inspection signed by DOE, NPC / IPP and LGU representatives

4. Project photos showing the installed permanent marker
### APPROVED PROJECTS UNDER ENERGY REGULATIONS NO. 1-94 IN REGION VI

**As of 29 May 2014**

<table>
<thead>
<tr>
<th>DLF</th>
<th>Region VI</th>
<th>Project Description</th>
<th>Category</th>
<th>Amount (₱)</th>
<th>Date</th>
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<td>Rag Making Project in the Municipality of Dingle, Iloilo (First Batch)</td>
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<td>Mangrove Reforestation Project for Ingope Lapaz, Iloilo City</td>
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<td>Bamboo Plantation for Riverbank Rehabilitation, Protection and Stabilization of Tigum River w/in Maasin Watershed Forest Reservoir (MWFR)</td>
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<td>Development of Water Recovery Warehouse/ Materials Recovery Facilities thru the Purchase of 2 Units Shreder Machine</td>
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<td>Acquisition of 100 units of toilet bowls for Brgy. Botongon, Estancia, Iloilo</td>
<td>Sanitation</td>
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## Summary of Available Accrued Financial Benefits in Region VI

As of 29 May 2014

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<th>POWER PLANTS</th>
<th>Classification</th>
<th>Barangays</th>
<th>Municipalities</th>
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| **Total Region VI Shares**    |                |                            |                     |                            |                |         |
|                               |                | 574,469.39                 | 523,903.34          |                            |                |         |
End of Presentation

Maraming Salamat Po!