Benefits to Host Communities

Pursuant to Rule 29, of EPIRA-IRR

Legal Basis

- Section 5 (i) of Republic Act No. 7638, otherwise known as the “Department of Energy Act of 1992”
- Section 66 of Republic Act No. 9136, otherwise known as “Electric Power Industry Reform Act (EPIRA) of 2001,” as detailed in rule 29, Part A of the Implementing Rules and Regulations of EPIRA.

Policy Objectives

- To recognize and provide recompense for the contribution made by the host local government units or region.
- To lessen conflict of rights among host local government units, community and people affected, the energy resource developers or power producers, and the appropriate agencies of the national government.
- To promote harmony and cooperation among host local government units, the energy-resource developers or power producers and the appropriate agencies of the national government.

Nature of Benefits/Scope of Application

One-centavo per kilowatt-hour (P0.01/kWh) of the Electricity Sales which shall apply to Generation Facilities and/or energy resource development projects located in all barangays, municipalities, cities, provinces and regions.

Generation facility and/or energy resource located in non-highly urbanized city

- Electrification Fund (EF) at 50% of one centavo per kWh (P0.005/kWh)
- Development and Livelihood Fund (DLF) at 25% of one centavo per kWh (P0.0025/kWh)
- Reforestation, Watershed Management, Health and/or Environment Enhancement Fund (RWMHEEF) at 25% of one centavo per kWh (P0.0025/kWh)

Generation facility and/or energy resource located in highly urbanized city

- Electrification Fund (EF) at 75% of one centavo per kWh (P0.0075/kWh)
- Development and Livelihood Fund (DLF) at 12.5% of one centavo per kWh (P0.00125/kWh)
- Reforestation, Watershed Management, Health and/or Environment Enhancement Fund (RWMHEEF) at 12.5% of one centavo per kWh (P0.00125/kWh)
Priority shall be based on the following radiating order, namely:
(i) Resettlement Area, (ii) Host Barangay, (iii) Host Municipality,
(iv) Host Province, and (v) Host Region.

**Allocation of DLF and RWMHEEF**

For non-highly urbanized city
- Resettlement Area: 5%
- Host Barangay: 20%
- Host Municipality/City: 35%
- Host Province: 30%
- Host Region: 10%

For highly urbanized city
- Designated resettlement areas: 30%
- Host Barangays: 30%
- Host City/res: 60%

**Summary of Approved Projects**
*(as of August 15, 2006)*

1,202 Electrification Projects amounting to P888.08 Million
770 Development and Livelihood Projects amounting to P 459.78 Million
709 Reforestation, Watershed Management, Health and/or Environment Enhancement Projects amounting to P 698.34 Million

FLOW CHART OF ACTIVITIES FOR THE AVAILMENT OF THE NON-ELECTRIFICATION FUND (DLF & RWMHEEF)

By LGU/Region (Assisted by PP COMREL)
1. List of projects/Work program (Not later than March 15 of every year)
2. Sanggunian/RDC resolution
3. Project proposal (see page 9)
4. Required supporting documents (see page 8)

(Checking of fund availability)
Review/ evaluation of project proposal by NPC-PP/IPP/ NPC-PNOC/ERD and Endorsement to DOE-EPIIMB
*(Days = 13)*

Evaluation, Approval and Release of Fund by DOE

- Approval of projects and signing of DV are as follows:
  - > 5M - Secretary
  - > 1M < 5M - Undersecretary
  - < 1M - Director
  *(Days = 13)*

Signing of MOA

Release of funds to LGU/RDC

Project Implementation by LGU/RDC

Turn over of project to LGU/RDC / sanctions

Findings

Audit

PP COMREL - Power Plant Community Relations Office
ERD - Energy Resource Developer

The estimated number of days is based on the assumption all requirements have been completed. The whole process of obtaining signatures on the MOA takes 30 days.
Types of Funded Projects

### Development Projects
- Streetlighting
- Farm to Market Road
- Multi-Purpose Pavement
- Farm produce collection & buying station
- Rice/Com Milling
- Communal Irrigation System
- Small water impounding projects
- Fishports
- Seawalls
- Day care center
- School Building
- Public market
- Slaughter house
- Public drainage/sewerage system
- Bridge
- Flood control measures

### Livelihood Projects
- Food production/processing
- Ice Plant
- Livestock and poultry production
- Handicraft production
- Aquaculture
- Skills training for LGU-administered livelihood projects
- Vegetable seed farm
- Small-scale services livelihood projects:
  - Rice/Com Milling
  - Carpenter/Furniture Shop
  - Radio, Refrigerator, TV servicing
  - Garment weaving
  - Engine mechanic services
  - Electrical wiring and design
  - Dressmaking
  - Gold and silver trading and jewelry making
  - Blacksmith shop
  - Welding shop

### Environment Enhancement Projects
- Fire truck
- Waste Management Equipment
  - Garbage
  - Dump Truck
  - Bulldozer
  - Backhoe/Loader
- Construction/Installation of Waste Treatment Facility
- Sanitary Landfill Development
- Development of Waste Recovery Warehouse
- Construction of Concrete Sanitary Waste Water Collection Facility

### Reforestation and Watershed Management Projects
- Improvement of forest cover
- Vengineering measures
- Community-based forestry management
- Agro-forestry
- Conservation of Mangroves
- Seedling nursery

### Health Related Projects
- Water supply system
- Municipal Hospital
- Medical equipment/facilities
- Medicinal plant gardens

FLOW CHART OF ACTIVITIES FOR THE AVAILMENT OF THE ELECTRIFICATION FUND

1. Staking Sheets
2. Bill of materials/cost estimates/Potential Household connection
3. For NREs, project proposals, plans, designs & specifications

Submit requirements to DOE - EPIMB for review and evaluation (Days = 10)

Evaluation, Approval and Release of Fund by DOE

Approval of projects and signing of DV is as follows:
- ≥ 5M - Secretary
- > 1M < 5M - Undersecretary
- < 1M - Director
  (Days = 13)

Release of funds to FDU

Turn over of Project to FDU

Required Documents

1. Staking Sheets
2. Bill of materials/cost estimates/Potential Household connection
3. For NREs, project proposals, plans, designs & specifications

Evaluation, Approval and Release of Fund by DOE

Approval of projects and signing of DV is as follows:
- ≥ 5M - Secretary
- > 1M < 5M - Undersecretary
- < 1M - Director
  (Days = 13)

Release of funds to FDU

Sign of MOA

- DV - Disbursement Voucher
- FDU - Franchise Distribution Utility
### SUPPORTING DOCUMENTS FOR REFORESTATION, WATERSHED MANAGEMENT, HEALTH AND/OR ENVIRONMENT ENHANCEMENT PROJECT PROPOSALS

<table>
<thead>
<tr>
<th>DOCUMENTS</th>
<th>Nursery/Reforestation/Agroforestry</th>
<th>Erosion Structural Measures</th>
<th>Health Center/Medical Facility</th>
<th>Water Supply System</th>
<th>Communal Toilets</th>
<th>Solid Waste Management</th>
<th>Training</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Resolution from the concerned sanggunian endorsing the project identified during the LGU consultation</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
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<tr>
<td>2</td>
<td>Feasibility Study for projects 1</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
</tr>
<tr>
<td>3</td>
<td>Justification of the project to include the following which should be stipulated and/or attached in the project</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
</tr>
<tr>
<td>a</td>
<td>Total areas to be planted &amp; type and number of flora species to be planted</td>
<td>x</td>
<td></td>
<td></td>
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<tr>
<td>b</td>
<td>List of existing medical and/or health personnel in the area and existing proposed health and/or medical-related activities.</td>
<td>x</td>
<td></td>
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<tr>
<td>c</td>
<td>Certification from local water utility of the adequacy of water supply</td>
<td>x</td>
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<tr>
<td>d</td>
<td>Certification from DOH/local water utility for the potability of water</td>
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<tr>
<td>e</td>
<td>List of existing number of dump/garbage trucks</td>
<td>x</td>
<td></td>
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<tr>
<td>f</td>
<td>Certification from the LGU of the existing dump site</td>
<td>x</td>
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<tr>
<td>g</td>
<td>Average daily volume of garbage</td>
<td>x</td>
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<tr>
<td>h</td>
<td>Target beneficiaries</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
</tr>
<tr>
<td>i</td>
<td>Project location sketch map</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
</tr>
</tbody>
</table>

**1. as applicable**

**2. for projects with cooperative/association as project implementor**

**3. training as a component of a project or solely training**

<table>
<thead>
<tr>
<th>DOCUMENTS</th>
<th>Nursery/Reforestation/Agroforestry</th>
<th>Erosion Structural Measures</th>
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<th>Communal Toilets</th>
<th>Solid Waste Management</th>
<th>Training</th>
</tr>
</thead>
<tbody>
<tr>
<td>j</td>
<td>Disbursement schedule, detailed cost estimate/bill of materials/detailed specifications/program of work/plans/drawing duly signed by the Municipal/Provincial Engineer and Mayor/Governor</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
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<tr>
<td>k</td>
<td>Cooperative/association’s latest financial audit (6 mos. to 1 year prior to project application) 2</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
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<tr>
<td>l</td>
<td>Three - five - year projected income statement</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
</tr>
<tr>
<td>m</td>
<td>SEC/CDA/DOLE Certificate of Registration 2</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
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<tr>
<td>n</td>
<td>Training design</td>
<td>x</td>
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<tr>
<td>o</td>
<td>Notarized copy of Deed of Donation/Proof of Transfer of Private Property/Transfer Certificate of Title or equivalent legal documents justifying public ownership of lot/site</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
</tr>
<tr>
<td>p</td>
<td>Municipal Health Officer/DOH endorsement to manage the project and Certification that there is no existing health center in the area/feasibility &amp; standard of equipment/facilities.</td>
<td>x</td>
<td></td>
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<tr>
<td>q</td>
<td>Endorsement/Certification from the concerned DENR Office/Watershed Administrator as to the feasibility of the project.</td>
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<tr>
<td>r</td>
<td>Relevant permits from concerned agencies</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
</tr>
</tbody>
</table>

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1 as applicable

2 for projects with cooperative/association as project implementor

3 training as a component of a project or solely training
## REQUIREMENTS

<table>
<thead>
<tr>
<th>REQUIREMENTS</th>
<th>TYPE OF PROJECT</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Infrastructure</td>
</tr>
<tr>
<td>1 Resolution from the concerned Sanggunian endorsing the project identified during the LGU consultation</td>
<td>×</td>
</tr>
<tr>
<td>2 Feasibility study for projects&lt;sup&gt;1&lt;/sup&gt;</td>
<td>×</td>
</tr>
<tr>
<td>3 Sketch/location map of the project</td>
<td>×</td>
</tr>
<tr>
<td>4 Disbursement schedule, detailed cost estimates, bill of materials, plans, drawings, specifications, program of work duly signed by the Municipal/Provincial Engineer and Mayor/Governor</td>
<td>×</td>
</tr>
<tr>
<td>5 List of cooperative/association members/ borrowers with corresponding amount to be borrowed and purpose&lt;sup&gt;1&lt;/sup&gt;</td>
<td>×</td>
</tr>
<tr>
<td>6 Cooperative/association's latest financial statement (6 mos - 1 yr prior to project application)&lt;sup&gt;2&lt;/sup&gt;</td>
<td>×</td>
</tr>
<tr>
<td>7 Three-five-year projected income statement</td>
<td>×</td>
</tr>
<tr>
<td>8 Training design</td>
<td>×</td>
</tr>
<tr>
<td>9 Notarized copy of Deed of Donation/Proof of Transfer of Private Property/Transfer Certificate of Title or equivalent legal documents justifying public ownership of lot/site</td>
<td>×</td>
</tr>
<tr>
<td>10 Sanggunian resolution stipulating date of transfer of property, existing use of transferred property.</td>
<td>×</td>
</tr>
<tr>
<td>11 Certification of road classification from the concerned host LGU's engineer's office.</td>
<td>×</td>
</tr>
<tr>
<td>12 Certified True Copy of SEC/CDA/DOLE Certificate of Registration&lt;sup&gt;2&lt;/sup&gt;</td>
<td>×</td>
</tr>
<tr>
<td>13 Relevant permits from concerned agencies&lt;sup&gt;2&lt;/sup&gt;</td>
<td>×</td>
</tr>
</tbody>
</table>

1 as applicable
2 for projects with cooperative/association as project implementor
3 training as a component of a project or solely training
The LGUs hosting the national wealth shall have an equitable share in the proceeds derived from the utilization and development of national wealth, including sharing the same with the inhabitants by way of direct benefits.

Any government agency or government-owned or controlled corporation and private corporation or entities engaged in the utilization and development of the national wealth are required to provide share to the host LGUs, based on the preceding fiscal year of the proceeds, based on the following formula, whichever will produce a share higher for the LGU:

- One percent (1%) of the gross sales or receipts of the preceding calendar year; or
- Forty percent (40%) of the national wealth taxes, royalties, fees or charges derived by the government agency or government-owned and controlled corporation and privately-owned corporation or entities.

a.) Eighty percent (80%) of the proceeds shall be applied solely to lower the cost of the electricity either through subsidy or non-subsidy scheme or combination of both.

Non-subsidy scheme may take the form but not limited to electrification, technical upgrading and rehabilitation of distribution lines to reduce electricity losses, use of energy saving devices, and support of the infrastructure facilities servicing the needs of the public which can all redound to the reduction of the electricity rate of the area.

Subsidy scheme will be directly utilized to subsidize cost of power used by the consumers. This may be applied with or without ceiling or at graduated rates (per kWh per level of consumption) in the following form which the host LGU may choose from.

Subsidy per customer, an equal or predetermined level or rate of subsidy per qualified customer:

- All consumer types
- Residential consumer only, and
- Other preferred types of consumer combinations, such as commercial, industrial, public buildings, irrigation/communal water systems, streetlights, etc.

Subsidy of power consumption, which amount of subsidy depends on the magnitude of power consumption of qualified consumers:

- All consumer types
- Residential consumer only, and
- Other preferred types of consumer combinations, such as commercial, industrial, public buildings, irrigation/communal water systems, streetlights, etc.

b.) Twenty percent (20%) of the proceeds shall be utilized for the development and livelihood projects which shall be appropriated by their respective Sanggunian.

Allocation of Shares

For non-highly urbanized city
- Host Barangay - 38%
- Host Municipality/City - 45%
- Host Province - 20%

For highly urbanized city
- Host Barangays - 38%
- Host City/ties - 62%
For energy resource located in two (2) or more provinces, or in two (2) or more municipalities/cities or two (2) or more barangays, their respective shares shall be appropriated on the basis of the following:

- population - 70%
- land area - 30%

Where the land area is the area of the host barangays found within the technically delineated energy resource area and where the population refers to the population of host barangays found wholly or partially within the technically delineated energy resource.

Monitoring

a.) The Department of Interior and Local Government (DILG) shall monitor the compliance of host LGUs. To assist in the monitoring of compliance, all host LGUs of energy projects are required to submit the following:

- The scheme of electricity rate reduction adopted by the host LGU (with proper documentation) based on the prescription in the DILG-DOE Joint Circular 95-01 dated 31 October 1995 at the start of the use of fund or upon the amendment of scheme by the respective LGU councils; and
- Summary of transactions thirty (30) days after end of each quarter.

The DILG shall furnish the DOE the above information within fifteen (15) days from the date of the reporting period.

b.) The Commission on Audit (COA) shall conduct yearly audit of the national wealth proceeds consistent with its responsibility to examine all accounts pertaining to uses of funds and property owned or held in trust by the government or any of its agencies as mandated under Section 2 of Presidential Decree No 1445 of 1976.

c.) In the event of violation or non-compliance with the provisions of the DILG-DOE Joint Circulars 95-01 and 98-01, and other relevant issuances, the DILG may, upon prior notice and hearing, order the project proponent the non-remittance of the royalty payment to the host LGU concerned pending completion of the investigation of the concerned LGU if the project proponent is a government-owned and controlled corporation (GOCC); or notify the Department of Budget (DBM) regarding such violation and order the non-release of the LGU shares if the project proponent is a private company. The unremitted funds shall be deposited in a government bank under escrow.

For further information, please contact or visit us at...
## ACRONYMS

<table>
<thead>
<tr>
<th>Acronym</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>EPIRA</td>
<td>Electric Power Industry Reform Act</td>
</tr>
<tr>
<td>IRR</td>
<td>Implementing Rules and Regulations</td>
</tr>
<tr>
<td>EF</td>
<td>Electrification Fund</td>
</tr>
<tr>
<td>DLF</td>
<td>Development and Livelihood Fund</td>
</tr>
<tr>
<td>RWMHEEF</td>
<td>Reforestation, Watershed Management, Health and/or Environment Enhancement Fund</td>
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<tr>
<td>LGU</td>
<td>Local Government Unit</td>
</tr>
<tr>
<td>PP</td>
<td>Power Plant</td>
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<tr>
<td>COMREL</td>
<td>Community Relation Officer</td>
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<tr>
<td>RDC</td>
<td>Regional Development Council</td>
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<tr>
<td>NPC</td>
<td>National Power Corporation</td>
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<tr>
<td>IPP</td>
<td>Independent Power Producer</td>
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<tr>
<td>PNOC</td>
<td>Philippine National Oil Corporation</td>
</tr>
<tr>
<td>ERD</td>
<td>Energy Resource Developer</td>
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<tr>
<td>EPIMB</td>
<td>Electric Power Industry Management Bureau</td>
</tr>
<tr>
<td>MOA</td>
<td>Memorandum of Agreement</td>
</tr>
<tr>
<td>DV</td>
<td>Disbursement Voucher</td>
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<tr>
<td>FDU</td>
<td>Franchise Distribution Utility</td>
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<tr>
<td>DOH</td>
<td>Department of Health</td>
</tr>
<tr>
<td>SEC</td>
<td>Securities and Exchange Commission</td>
</tr>
<tr>
<td>CDA</td>
<td>Cooperative Development Authority</td>
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<tr>
<td>DOLE</td>
<td>Department of Labor and Employment</td>
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<tr>
<td>DENR</td>
<td>Department of Environment and Natural Resources</td>
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<tr>
<td>PO</td>
<td>People’s Organization</td>
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<tr>
<td>DILG</td>
<td>Department of Interior and Local Government</td>
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<tr>
<td>COA</td>
<td>Commission on Audit</td>
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<td>DOE</td>
<td>Department of Energy</td>
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