

Department Circular 2000-10-011

PROVIDING REVISED RULES AND PROCEDURES TO IMPLEMENT ELECTRIFICATION PROGRAM FUNDED THROUGH ENERGY REGULATIONS NO. 1-94, IMPLEMENTING SECTION 5(i) OF REPUBLIC ACT NO. 7638, OTHERWISE KNOWN AS THE DEPARTMENT OF ENERGY ACT

Whereas, Energy Regulations (E.R.) No. 1-94 promulgated by the Department on 24 May 1994, prescribed the provision of direct benefits to pertinent Local Government Units (LGUs) hosting energy generating facilities and/or energy resource development projects within their jurisdiction pursuant to Section 5(i) of Republic Act (R.A.) No. 7638;

Whereas, Department Circular (D.C.) No. 95-11-009 and D.C. 96-08-009, issued by the Department on 08 November 1995 and 09 August 1996, respectively, prescribed the guidelines and procedures for granting of financial benefits required under E.R. 1-94;

Whereas, D.C. No. 2000-03-003 issued on 17 March 2000, amended certain provisions of E.R. 1-94 and its attendant rules and procedures;

Whereas, pursuant to the policy of the state to ensure total electrification of the country, the Department seeks to achieve full electrification of all barangays by year 2004 as embodied in its Rural Electrification Program (REP);

Whereas, in the interest of exigency of public service and to further accelerate the implementation of the REP to ensure the implementation and completion of the project on time, there is an urgent need to institute summary procedures in the approval and subsequent release of the electrification fund to the franchised distribution utility or project implementor, as the case may be;

Wherefore, premises considered, the Department hereby adopts and promulgates the following summary procedures in the utilization and implementation of electrification projects funded under E.R. 1-94:

SECTION 1. EVALUATION AND APPROVAL OF ELECTRIFICATION PROJECTS

- (a) Priority shall be given to unenergized areas of the following:
 - (i) Official Resettlement Areas;
 - (ii) Host Barangays; and
 - (iii) Host Municipalities/Host Cities.
- (b) After electrification has reached the municipal or city level, the electrification fund of each energy generating facility in the same province or region, as the case maybe, shall be combined to finance unenergized areas in the host province or host region, as the case maybe;
- (c) The National Electrification Administration (NEA) shall provide support to the

Department in the identification of electrification projects including submission by the concerned franchised distribution utility of the staking sheets or single line diagram, and cost estimates;

(d) All concerned franchised distribution utilities shall submit to the Department the corresponding staking sheets or single line diagram detailing the design of the project including the estimated cost estimates and completion date of the project; and

(e) The Department, with the assistance of the (NEA), shall evaluate initial documents submitted by the franchised distribution utilities and the reasonableness of the cost estimates.

SECTION 2. RELEASE OF FUNDS AND PROJECT IMPLEMENTATION

(a) A Memorandum of Agreement (MOA) shall be forged among the Department, relevant franchised distribution utility or project implementor, power producer and/or energy resource developer, NEA and the concerned LGU/s to effect the implementation of the project/s. In cases where the electrification project lacks necessary information and documentation, the MOA shall stipulate specific time frame or date for the franchised electric distribution utility to comply with the submission, among others, cost estimates, proposed work program, target date of project completion;

(b) The Department shall make the necessary fund allocation and forthwith release the funds to the franchised distribution utility or project implementor within fifteen (15) days upon accomplishment of the MOA;

(c) For projects to be undertaken by contract, initial release of fund shall be equivalent to fifteen percent (15%) of the total project cost. Subsequent release of fund balance shall be based on the result of the qualified lowest bid cost;

(d) For projects to be undertaken by administration, total project cost shall be released upon accomplishment of the MOA;

(e) The NEA or other government agencies shall ensure compliance by the franchised distribution utility or project implementor to the provisions of the MOA to facilitate post-audit by the Department upon completion of the projects;

(f) All electrification projects shall be completed or energized consistent on the time or date specified in the MOA;

(g) All electrification projects shall be undertaken in a least-cost manner. The concerned franchised distribution utility or project implementor may either adopt the conventional line design or utilize indigenous and renewable energy sources to energize the area; and

(h) In case where the electrification project is implemented by entity other than the relevant franchised distribution utility, the project implementor shall turn-over said project to the relevant franchised distribution utility for operation and

maintenance.

SECTION 3. POST PROJECT IMPLEMENTATION

(a) The franchised distribution utility or project implementor shall, in writing, inform the Department of the project completion along with the submission of the pertinent documents, such as but not limited to, as-built staking sheets, documents detailing costs incurred and the number of potential households connected or to be connected, and completion date of the project;

(b) In the event that the franchised distribution utility or project implementor incurred additional cost in implementing the project, recovery shall be allowed subject to the following:

- (i) The additional or extra works and/or change order are necessary to complete the project;
- (ii) Submission of Certificate of Completion and Certificate of Acceptance from the franchised distribution utility if the project shall be undertaken by contract. If the project shall be undertaken by the administration of franchised distribution utility, a Certificate of Completion is sufficient;
- (iii) Audit report detailing the additional or extra works done;
- (iv) All provisions in the MOA have been strictly complied with, in accordance with the commitment of the franchised distribution utility;
- (v) Electrification project is completed within the specified time frame or date specified in the MOA; and
- (vi) Availability of electrification fund from the relevant energy generating facility.

Provided, however, that the amount to be recovered shall not exceed 20 percent (20%) of the total estimated project cost as specified in the MOA.

(c) The Department shall conduct audit of the expenses incurred as well as technical inspection of the facilities installed. Accordingly, the financial and technical teams of the Department shall prepare their respective reports detailing their respective findings of the project completed. The as-built staking sheets and documents submitted by the franchised distribution utility shall serve as reference or initial basis for audit.

SECTION 4. OTHER PROVISIONS.

(a) This Circular shall be amended, replaced or repealed in due time as may be deemed necessary by the Department to rationalize the implementation of the REP of the Department.

(b) This Circular shall only apply to barangay electrification projects of the Department, utilizing electrification fund and interest earnings under E.R. 1-94.

(c) All previous pertinent orders, resolutions or memorandum circulars inconsistent herewith are hereby superseded, modified or amended accordingly.

(d) This Circulars shall take effect immediately.

Fort Bonifacio, Taguig, Metro Manila, 02 October 2000.

(sgd.)

MARIO V. TIAOQUI

Secretary