



Republic of the Philippines
DEPARTMENT OF ENERGY

DEPARTMENT CIRCULAR NO. DC2014-09-0017

AMENDING CERTAIN PROVISIONS OF DEPARTMENT CIRCULAR NO.
DC2013-07-0015, OR THE IMPLEMENTING RULES AND REGULATIONS OF
REPUBLIC ACT NO. 10531 OTHERWISE KNOWN AS THE NATIONAL
ELECTRIFICATION REFORM ACT OF 2013

WHEREAS, Section 16 of Republic Act No. (R.A.) 10531, otherwise known as the "National Electrification Administration (NEA) Reform Act of 2013" or "RA 10531" provides that the Department of Energy (DOE) is tasked to formulate the Implementing Rules and Regulations (IRR);

WHEREAS, Section 6 of RA 10531 provides that NEA is empowered to replace any or all of the members of the board of directors and officers of the electric cooperative and appoint independent board of directors in the Electric Cooperative (EC), as the NEA may deem fit and necessary, to attain the objectives of RA 10531;

WHEREAS, on 29 July 2013, the DOE issued Department Circular No. DC-2013-07-0015 or the "Implementing Rules and Regulations of the Republic Act No. 10531" which took effect on 13 August 2013;

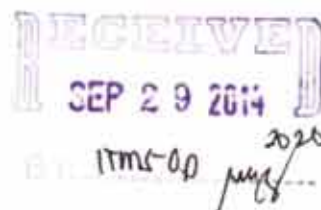
WHEREAS, on 08 January 2014, the DOE promulgated Department Circular No. DC2014-01-0002, amending certain provisions of Department Circular No. DC2013-07-0015 concerning among others, qualifications and disqualifications of Board of Directors of an EC;

WHEREAS, since the passage of the amendment, the DOE and NEA has received requests for interpretation of some provisions of RA 10531 and its IRR particularly on the qualifications and disqualifications of the Board of Directors of an EC and it was reported that there remained a lack of qualified candidates to run in the election of Board of Directors and therefore may affect the governance and operations of the EC;

WHEREAS, on 21 July 2014, a public consultation with ECs was held on proposed amendments to clarify provisions of the NEA IRR to address the foregoing concerns; and

WHEREAS, under existing laws and jurisprudence, the Implementing Rules and Regulations may be amended in pursuit to clarify and carry out the objectives of the law;

NOW THEREFORE, pursuant to its authority under the R.A. 10531, the DOE hereby issues, adopts and promulgates the following amendments to Department Circular No. 2013-07-0015:



Section 1. Amendments to the IRR of RA 10531. The following provisions are hereby amended as follows:

- a. Paragraph i. of e) of Section 14 of Rule III is hereby amended to read -

RULE III
ELECTRIC COOPERATIVES

xxx xxx xxx

Section 14. Qualifications of a Director and Officer.

xxx xxx xxx

e) He or she is a member of the EC in good standing for the last five (5) years immediately preceding the election or appointment and shall continue to be a member in good standing during his or her incumbency;

For purpose of this IRR, a member of good standing shall mean that said member has no unsettled or outstanding obligations to the EC whether personal or through commercial or industrial connections of which he or she is the owner/co-owner three (3) months prior to the time of filing of the certificate of candidacy: *Provided*, That for incumbent members of the EC Board who will seek re-election, unsettled or outstanding obligation shall be deemed to include power bills, cash advances, disallowances (including NEA audit findings) and materials and equipment issuances reckoned from the time of filing of certificate of candidacy. (Amendments in bold)

xxx xxx xxx

- b. Section 16 of Rule III is hereby amended to read -

RULE III
ELECTRIC COOPERATIVES

xxx xxx xxx

Section 16. Continuing Qualification Requirement. To ensure that the management and operations of the ECs are carried out with due regard to its economic viability, the NEA shall prescribe, pass upon and review the qualifications and disqualifications of individuals appointed or elected as EC director or officer and disqualify those found unfit.

An EC director or officer, in order to remain as such, must continue to possess all the qualifications and none of the disqualifications throughout his/her term or tenure of office. To this end, no EC Director shall be allowed to stay in office in a hold-over capacity if he/she fails to meet all the qualifications or is deemed disqualified under the two (2) preceding sections: *Provided*, That for the purposes of this section, members of the EC

Board shall be deemed to have no unsettled or outstanding obligation including power bills, cash advances, disallowances (including NEA audit findings) and materials and equipment issuances: *Provided further*, That at any given time during his membership in the EC, he or she must be totally free of any unsettled or outstanding obligations and/or disallowances with the EC. (Amendments in bold)

xxx xxx xxx

c. A new section is hereby added as Section 16-A of Rule III as follows -

RULE III.
ELECTRIC COOPERATIVES

xxx xxx xxx

Section 16-A. Continuity of Board of Directors. The NEA shall direct the holding of elections of ECs for the disqualified board seat/s or instances where there are no qualified candidates within thirty (30) days from the disqualification of the director or from the failure of election.

To ensure the smooth operations of ECs, the NEA may appoint Interim Representatives to the EC Board of Directors to serve in place of any disqualified director. The NEA may likewise appoint Interim Representatives within the district to the EC Board of Directors in instances of failure of election or where there are no qualified candidate for director after the holding of one regular and one special election: *Provided*, That Interim Representatives appointed under this section shall hold office for a term of not less than six (6) months but not more than one (1) year or until the election of a qualified director whichever comes first. (Amendments in bold)

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Section 2. Separability Clause. If any provision of this Circular is declared invalid or unconstitutional, the other provisions not affected thereby shall remain valid and subsisting.

Section 3. Effectivity. This amendments in this Circular shall take effect immediately from its publication in at least two newspapers of general circulation and shall remain in effect until otherwise revoked.

Issued in Energy Center, Bonifacio Global City, Taguig City on SEP 01 2014.


CARLOS JERICHO L. PETILLA
Secretary

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IN REPLYING PLS CITE:
SOE-JLP-14005816

