

**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.

EPIRA-IRR



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
- Coal
- Geothermal
- Hydrothermal/
Hydro Resources
- Natural Gas
- Others
- Petroleum



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.**

ER No. 1-94



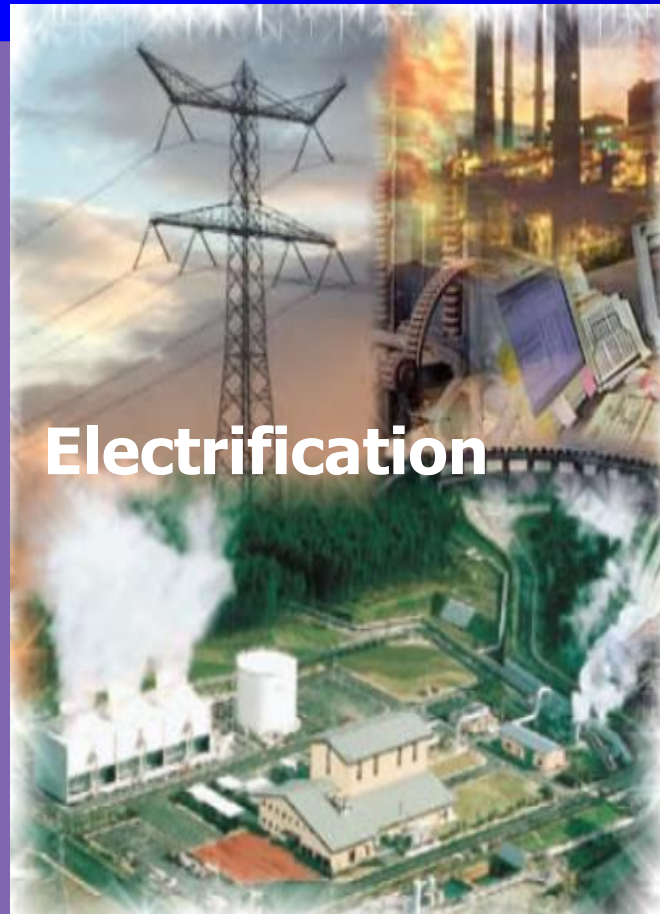
What is the “obligation of the power generating facilities and/or energy resource developers to host communities?”

➤ 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.*

SEC. 4, RULE 29 (A) EPIRA-IRR



What are the nature of this P0.01 financial benefits



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**

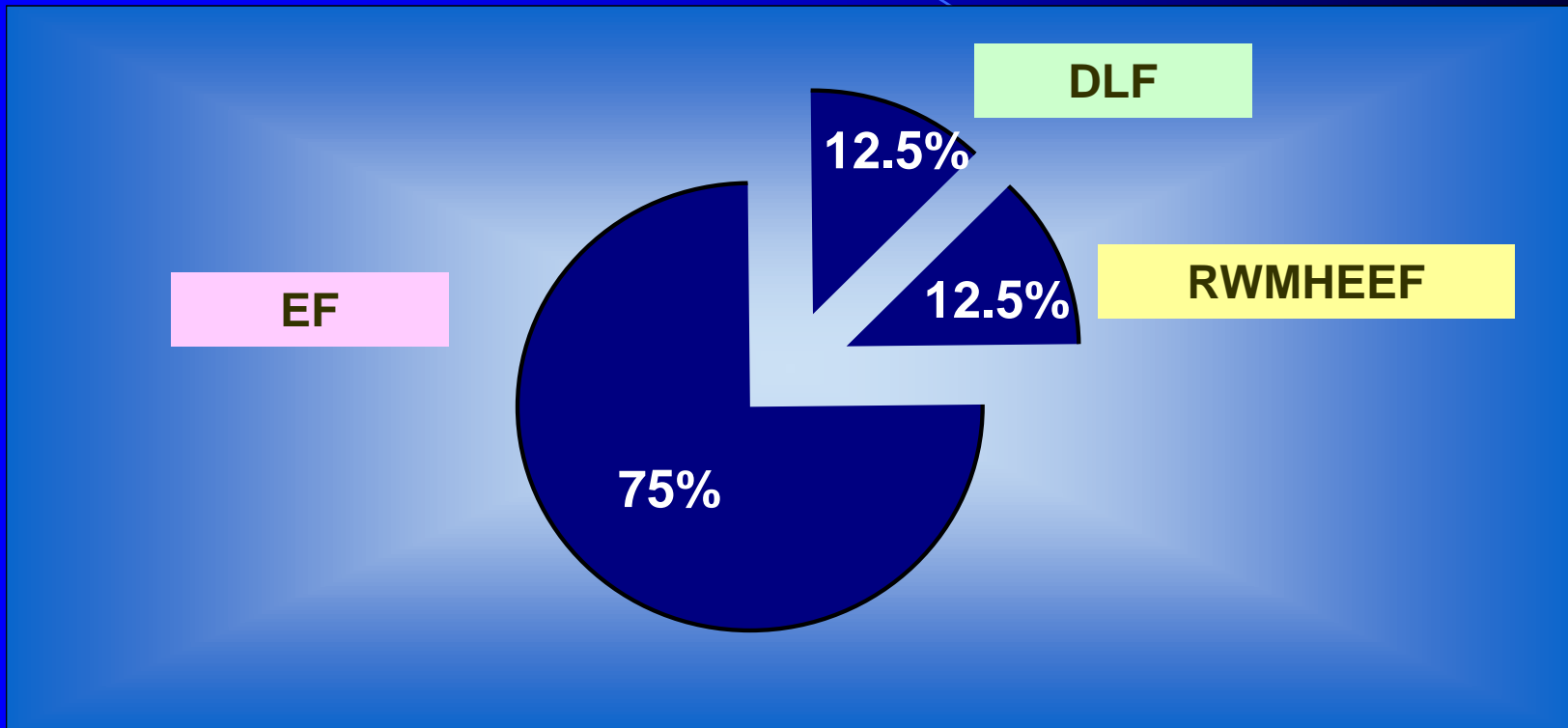
- Exempts from the coverage cash accounts owned by government-owned and/or controlled corporations and local government units.

- **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.



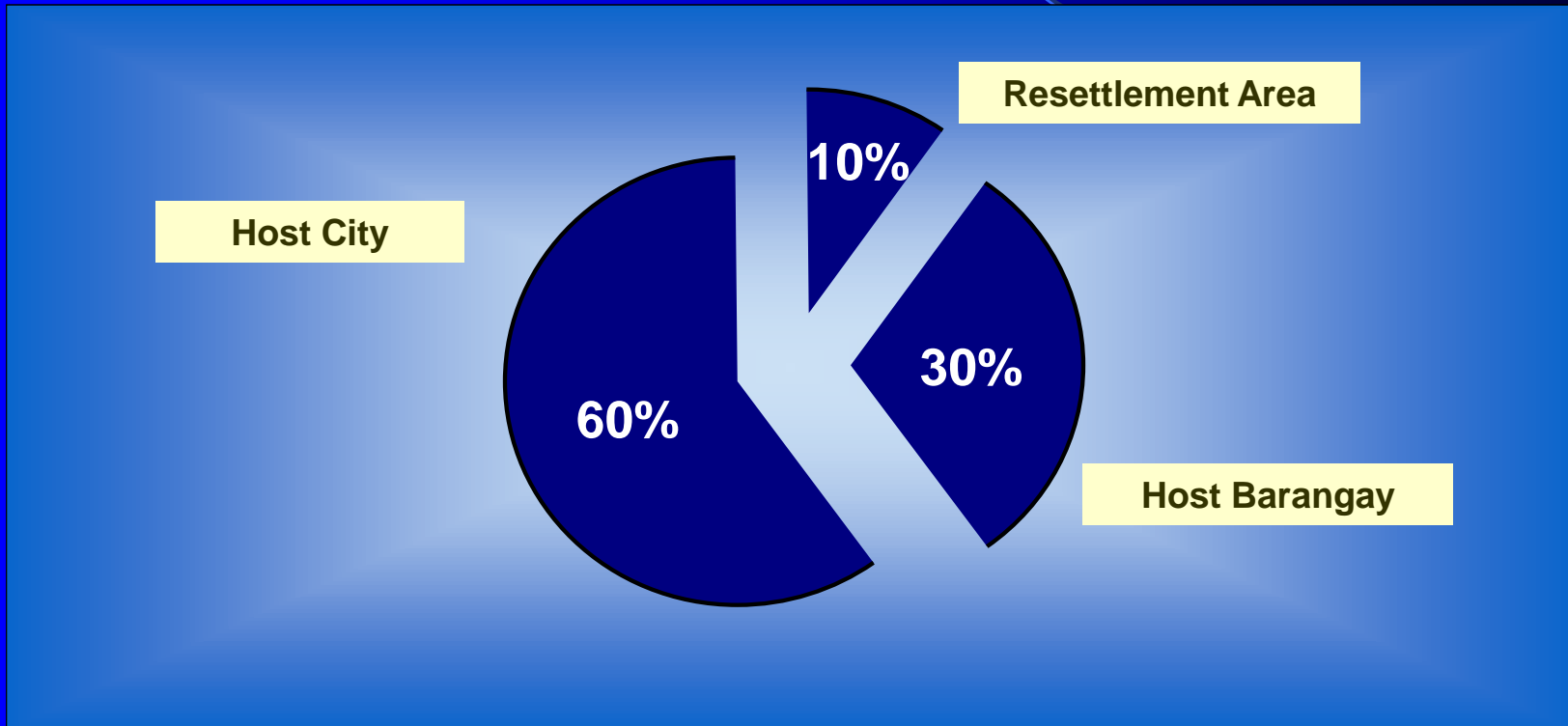
Allocation Scheme of P.01/kWh (Highly Urbanized Area)



Note: EF – Electrification Fund
DLF – Development and Livelihood Fund
RWMHEEF – Reforestation, Watershed Management, Health and/or Environment Enhancement Fund



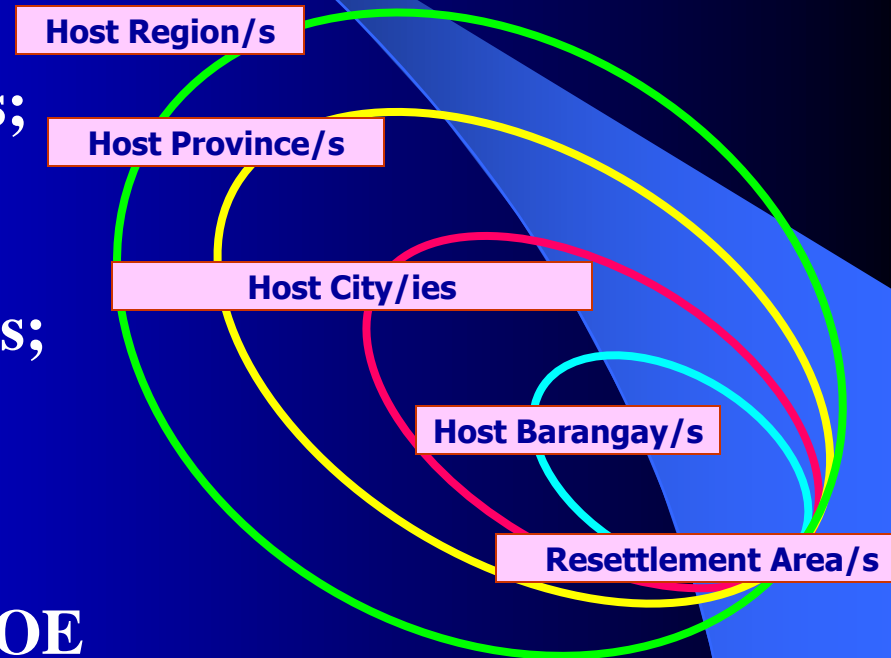
Application Scheme of 12.5% of P.01/kWh each for DLF & RWMHEEF (Highly Urbanized Area)



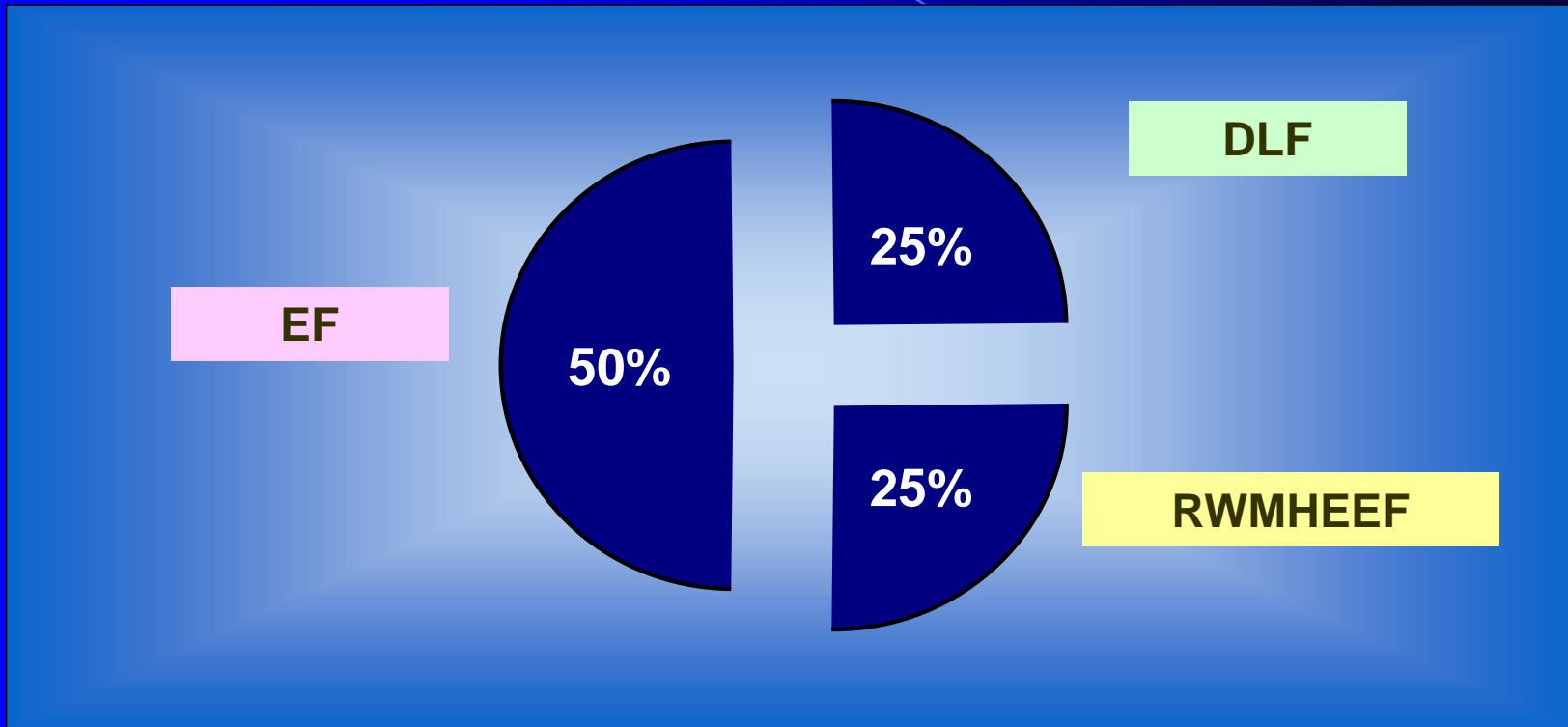
What is “radiating order of application” on Electrification Fund (EF)?

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



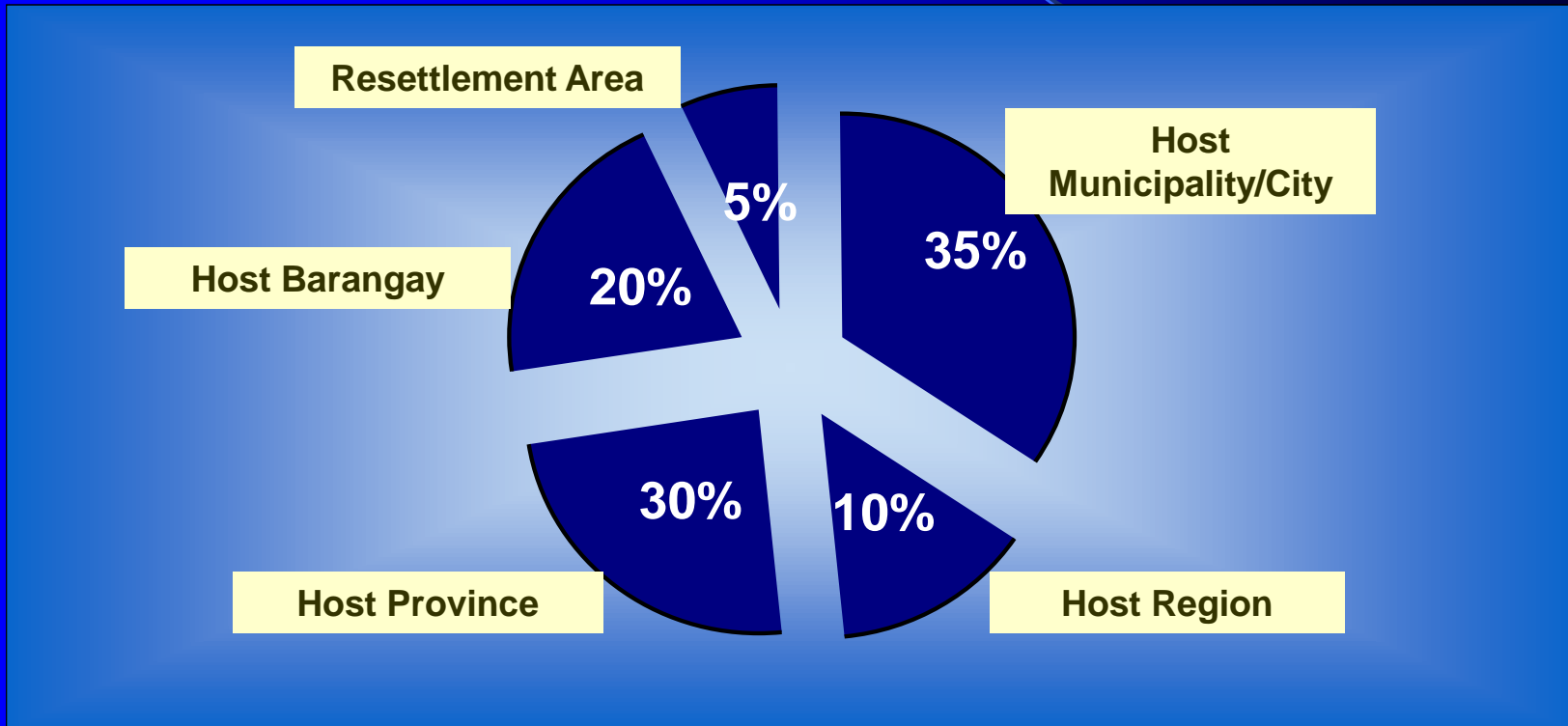
Allocation Scheme of P.01/kWh (Non-Highly Urbanized Area)



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)

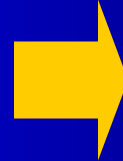


Process of Availment on EF

Case 1

DU

- Submits proposal/s
- Implements the project



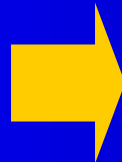
DOE

- 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

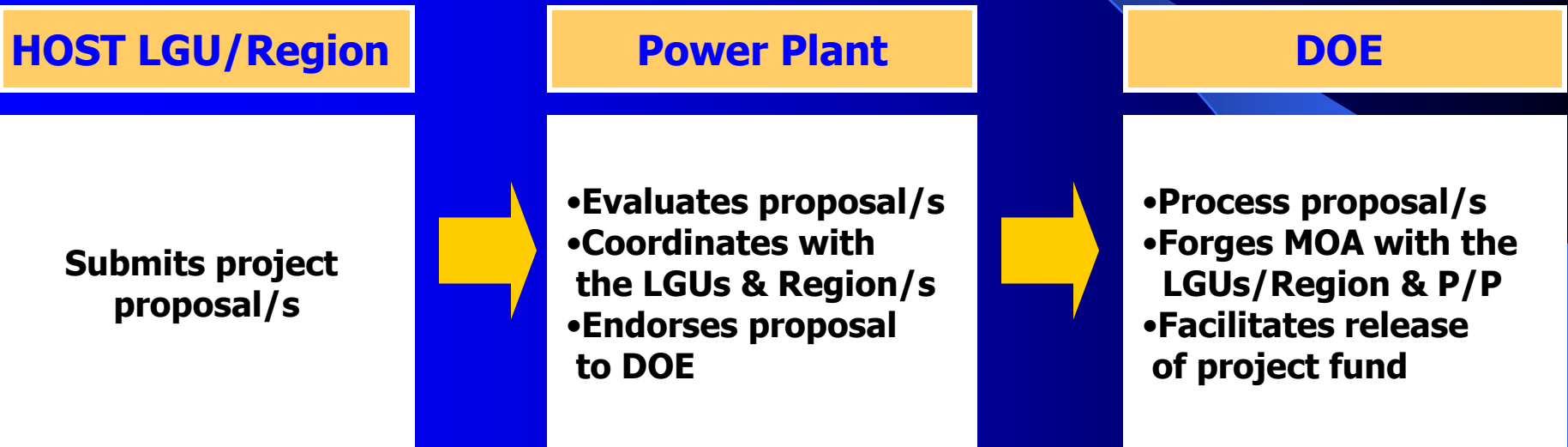
- Evaluates/Process proposal/s
- Releases Fund
- Audits disbursement
- Inspects project

- 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



Process of Availment on DLF & REFO

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**



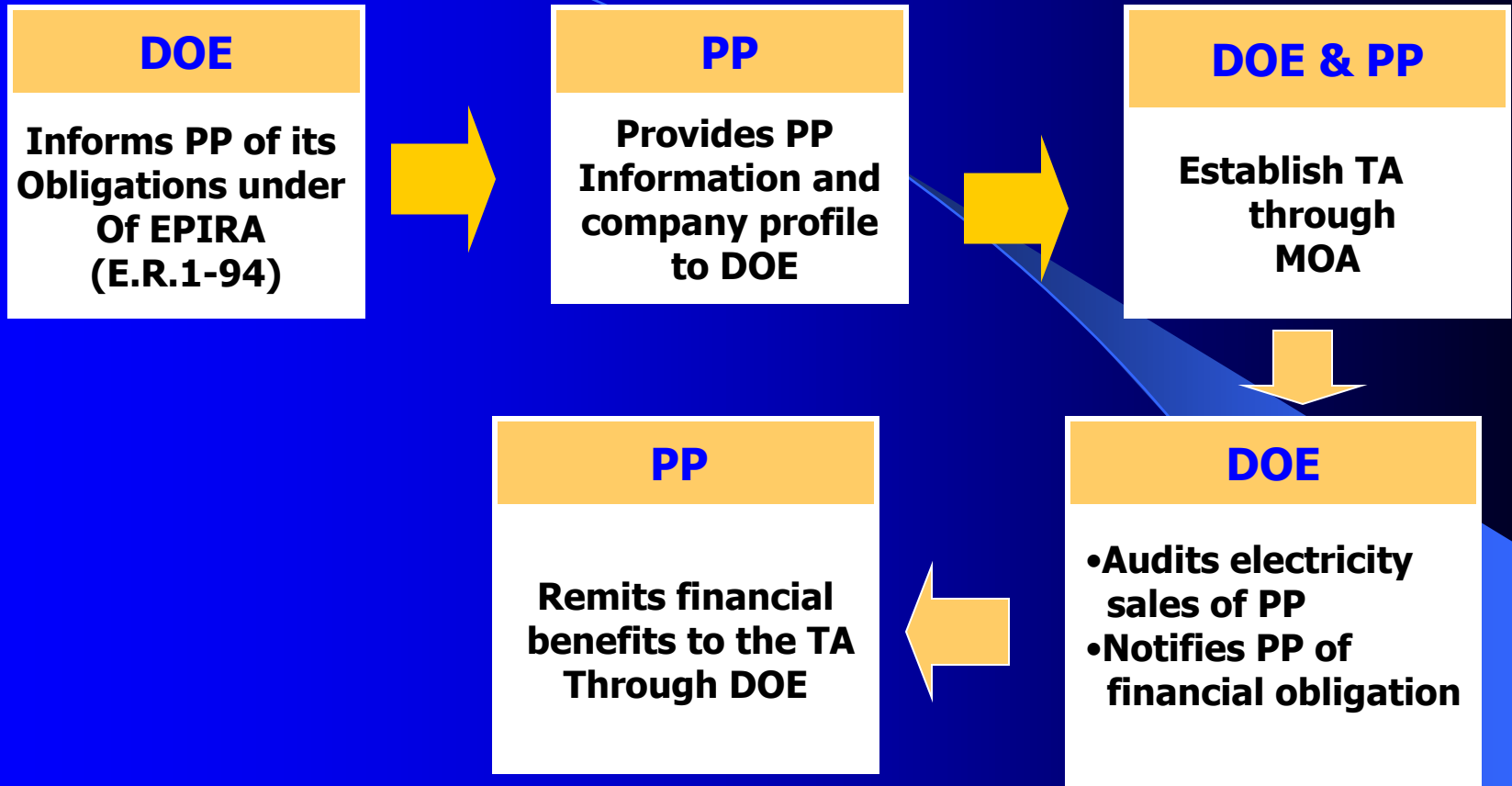
Audit of Financial Benefits

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.

SEC. 8, EPIRA-IRR



Remittance of FB to DOE Trust Accounts-IPP



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)



Uses of Funds

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

DLF

1	Region VI	Panay DPP 1	Rag Making Project in the Municipality of Dingle, Iloilo (First Batch)	Livelihood	38,000.00	7-Apr-96	None	Municipal Share
1	Region VI	Panay DPP 1	Rag Making Project in the Municipality of Dingle Iloilo, (2nd Batch)	Livelihood	30,000.00	10-Feb-97	None	Municipal Share
1	Region VI	Panay DPP 1	Training on Rag Making Brgy. Tabugon, Dingle, Iloilo	Training and Research Program	46,000.00	8-Dec-98	None	Municipal Share
1	Region VI	Panay DPP 1	Integrated Mainculture Farming in Banate Bay, Iloilo Province	Livelihood	412,745.00	22-Mar-10	DLF-2010-11	Barangay Share
1	Region VI	Panay Power Corp	Improvement of Facilities and Acquisition of Tools/Equipment of Technical Institute of Iloilo City	Equipment/Vehicle	631,071.00	19-Jun-09	DLF 2009-027	Municipal Share
1	Region VI	PB 103	Livestock Production (Acquisition of Piglets for Dispersal Program for the Municipality of Estancia Ilo-ilo	Livelihood	198,311.51	14-Sep-06	DLF2006-0124	Municipal Share
/2	Region VI	PB 103	Integrated Mainculture Farming in Banate Bay, Iloilo Province	Livelihood	23,479.71	25-Mar-10	DLF2010-013	Provincial Share
1	Region VI	PALM	ADVANCE FINANCIAL ASSISTANCE: Rehabilitation of Various Public Buildings in the Municipality of Concepcion, Iloilo	Development	5,000,000.00	25-Feb-14	DLF2014-013	Advance financial Assistance
1	Region VI	PB 101 (Iloilo)	Installation of Lighting System at Brgy. Obrero, Iloilo City	Streetlighting	116,094.07	30-Aug-12	DLF-2012-049	Barangay Share
/2	Region VI	PB 102 (Iloilo)	Installation of Lighting System at Brgy. Obrero, Iloilo City	Streetlighting	211,521.04	30-Aug-12	DLF-2012-049	Barangay Share
/2	Region VI	PB 104 (Iloilo)	Installation of Lighting System at Brgy. Obrero, Iloilo City	Streetlighting	69,222.59	30-Aug-12	DLF-2012-049	Barangay Share

RWMHEEF

1	Region VI	Panay DPP I	Establishment of Botanical Garden Phase I in Bulabog Puti-An National Park	Reforestation	576,411.47	17-Apr-06	RWMHEEF2006-0041	Municipal share
1	Region VI	Panay Power	Health and Environment Enhancement Project Purchase of 2 Units of Light Dump Trucks	Environment Enhancement	799,800.00	19-Feb-2007	RWMHEEF2007-191	Barangay Share
1	Region VI	Panay Power	Mangrove Reforestation Project for Ingore Lapaz, Iloilo City,		700,000.00	23-Aug-2007	RWMHEEF2007-251	Provincial Share
1	Region VI	Panay Power	Bamboo Plantation for Riverbank Rehabilitation, Protection and Stabilization of Tigum River w/in Maasin Watershed Forest Reservoir (MWFR)	Watershed Management	995,000.00	12-Oct-09	RWMHEEF2009-041	Municipal Share
1	Region VI	PB 103	Acquisition of Multipurpose Vehicle	Refo Equipment	135,000.00	09-Jun-06	RWMHEEF2006-0065	Municipal Share
1	Region VI	PB 103	Development of Water Recovery Warehouse/ Materials Recovery Facilities thru the Purchase of 2 Units Shreder Machine	Water System	200,000.00	21-Nov-06	RWMHEEF2006-139	Municipal share
1	Region VI	PB 103	Acquisition of 100 units of toilet bowls for Brgy. Botongon, Estancia, Iloilo	Sanitation	60,000.00	30-Aug-12	RWMHEEF2012-043	Barangay Share

Summary of Available Accrued Financial Benefits in Region VI

As of 29 May 2014

POWER PLANTS	Clasification	Barangays		Municipalities		Cities		Provinces		Regions	
		DLF	RWMHEEF	DLF	RWMHEEF	DLF	RWMHEEF	DLF	RWMHEEF	DLF	RWMHEEF
Panay DPP 1	Non-HUC	Tabugon & Tinucuan		Dingle				Iloilo		VI	
		163,207.08	502,031.62	361,297.07	126,432.74			36,191.50	602,437.94	251,378.69	200,812.64
Panay DPP 3	Non-HUC			Dingle				Iloilo		VI	
		316,236.92	316,236.92	442,731.68	442,731.68			379,484.29	379,484.29	126,494.76	126,494.76
Trans-Asia DPP	Non-HUC	San Miguel		Jordan				Guimaras		VI	
		24,085.97	24,085.97	33,720.36	33,720.36			28,903.17	28,903.17	9,634.39	9,634.39
Panay Power Corp. (72MW)	HUC	Ingore				Iloilo City					
		1,639,366.22	939,366.22			895,235.57	896,249.32				
Panay Power Corp. 2 (20MW)	HUC	Ingore				Iloilo City					
		100,610.98	100,610.98			150,916.46	150,916.46				
Panay Energy Dev't. Corp.	HUC	Ingore				Iloilo City					
		1,096,556.65	1,096,556.65			1,644,834.97	1,644,834.97				
Power Barge 101	HUC	Obrero				Iloilo City					
		4,349.66	120,443.73			180,665.60	180,665.60				
Power Barge 102	HUC	Obrero				Iloilo City					
		18,625.72	230,146.76			345,220.14	113,220.14				
Power Barge 103	Non-HUC	Botongon		Estancia				Iloilo		VI	
		307,604.65	112,604.65	232,335.00	230,646.51			345,645.87	369,125.58	123,041.86	123,041.86
Panay Power Corp. New Washington	Non-HUC	Mabilo		New Washington				Aklan		VI	
		16,804.20	16,804.20	23,525.88	23,525.88			20,165.04	20,165.04	6,721.68	6,721.68
Panay Power Corp. Nabas	Non-HUC	Unidos		Nabas				Aklan		VI	
		60,298.85	60,298.85	84,418.39	84,418.39			72,358.62	72,358.62	24,119.54	24,119.54
Northern Negros Geothermal PP	Non-HUC	Minoyan		Murcia				Negros Occidental		VI	
		41,348.09	41,348.09	57,887.32	57,887.32			99,235.40	99,235.40	33,078.47	33,078.47
	HUC	Mailum				Bago City					
		41,348.09	41,348.09			57,887.32	57,887.32				

Total Region VI Shares **574,469.39** **523,903.34**

End of Presentation

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