

**[DOE DEPARTMENT CIRCULAR NO. 2000-03-003,
March 17, 2000]**

**FURTHER AMENDING THE PROVISIONS OF ENERGY
REGULATIONS 1-94, ENTITLED "RULES AND REGULATIONS
IMPLEMENTING SECTION 5 (I) OF REPUBLIC ACT NO. 7638,
OTHERWISE KNOWN AS THE DEPARTMENT OF ENERGY ACT OF
1992" AND ITS ATTENDANT RULES AND PROCEDURES**

WHEREAS, Energy Regulations (E.R.) No. 1-94, promulgated on May 24, 1994 by the Department of Energy (DOE) prescribed the provisions of direct benefits to pertinent local government units (LGUs) hosting energy resource development projects and/or energy generating facilities within their territorial jurisdiction, pursuant to Section 5 (i) of Republic Act No. 7638 (Department of Energy Act of 1992);

WHEREAS, E.R. No. 1-94 required energy resource developers and/or power producers to provide, among others, a set of financial benefits equivalent to one centavo per kilowatt-hour from electricity sale proceeds of their energy projects or energy-generating facilities;

WHEREAS, under Section 6 of E.R. No. 1-94, the host LGUs and host regions are entitled to the following benefits from the energy resource developer and/or power producer:

- a. 25% of one-centavo (P0.0025) per kilowatt-hour for electrification fund;
- b. 25% of one-centavo (P0.0025) per kilowatt-hour for development and livelihood fund; and
- c. 50% of one-centavo (P0.005) per kilowatt-hour for reforestation watershed management, health and/or environment enhancement fund;

WHEREAS, Department Circular No. 95-11-009 and Department Circular No. 96-08-009, issued on November 8, 1995 and August 9, 1996, respectively, prescribed the guidelines and procedures for the granting of the financial benefits required under E.R. No. 1-94 and established Trust Accounts for the electrification fund, the development and livelihood fund and reforestation, watershed management, health and/or environment enhancement fund for the benefit of LGUs which are hosts to energy generating facilities and/or energy resource;

WHEREAS, E.R. No. 1-94-A, issued on July 13, 1996 prescribed the amendments to certain provisions of E.R. No. 1-94 to extend corresponding benefits to host LGUs of energy generating facility fired by natural gas, including liquefied natural gas (LNG);

WHEREAS, full implementation of the grant of financial benefits has been hampered by concerns and issues requiring clarification of certain provisions of the aforesaid

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3. With respect to integrated energy generating facilities, the host LGU or region is that where the energy-generating facilities and energy resources are located.

4. With respect to energy-generating facilities and/or energy resource located in a special economic zone, the host LGU or region is that where the special economic zone is located.”

SECTION 3. Amendments to Section 6 of E.R. No. 1-94 on Nature of Benefits —

a. In line with the thrust of the government to improve access of electricity services to rural and non-viable areas and the high demand for electrification projects, the DOE finds it more beneficial to increase the fund allocation for electrification.

(i) *Section 6.a.(1)* of E.R. No. 1-94 is hereby amended to read as follows:

“Section 6.a.(1) Electrification

a. The power producer and/or energy resource developer shall set aside fifty percent of one-centavo (P0.005) per kilowatt-hour of the total electricity sales of the energy-generating facilities as an electrification fund to be applied in the following radiating manner: (i) the official resettlement or relocation sites of the community and people affected; (ii) the host barangay; and (iii) the host municipality or city.

After electrification has reached the municipal or city level, fifty percent (50%) of the said electrification fund or P0.0025 per kilowatt-hour of total electricity sales shall be utilized for the electrification of barangays within the host province and region with priority given to areas identified in the provincial/regional development plan or energization plan. The remaining fifty percent (50%) of the electrification fund or P0.0025 per kilowatt-hour of total electricity sales shall be utilized for energy-intensive development plan or energization plan. The remaining fifty percent (50%) of the electrification fund or P0.0025 per kilowatt-hour of total electricity sales shall be utilized for energy-intensive development and livelihood projects or reforestation, watershed management, health and or environment enhancement projects of the host communities following the proportion in Sec. 6.e and Sec. 6.f of E.R. No. 1-94 as amended by Sec. 3(a) (ii) and Sec. 3 (a) (iii) hereof.

b. In implementing said order or radiating benefit, priority shall be given to the more populous barangay that is nearer in distance to the power plant and thereafter to the more populous barangay that is nearer in distance to the energy resource. Any dispute regarding the sequence of electrification of barangays shall be settled through a final determination by the DOE after due consultation with the affected parties. In settling such disputes, the DOE shall give due weight to the relative population density and proximity of the energy-generating facilities to the contending host LGUs, as well as proximity to the nearest tapping point of the franchised distribution utility.

c. Electrification of host LGUs or region shall be undertaken by the relevant franchised distribution utility or any of its duly accredited contractor/s, herein referred to as the project implementor. To accelerate, however, energization of host LGUs or region, the power producer or

d. In order to achieve and maintain efficient, reliable and adequate supply of electricity, the total electrification fund may be utilized to defray the cost of necessary capital expenditures other than distribution lines such as but not limited to power transformers, substations and other power line equipment devices, and associated operating expenses such as repairs and maintenance, subject to the evaluation of the DOE.

(ii) Section 6.e is hereby amended to read as follows :

X X X

- a. Resettlement Area — 5%
- b. Host Barangay — 20%
- c. Host Municipality/City — 35%
- d. Host Province — 30%
- e. Host Region — 10%

For funds allocated to the host province and host region, preferential benefits shall be given to communities hosting the areas traversed by transmission lines and substations or similar facilities.”

"Section 6.f. Reforestation, Watershed Management, Health and/or Environment Enhancement Fund

One-fourth of one centavo (P0.0025) per kilowatt-hour of the total electricity sales of the energy-generating facilities shall be set aside by the power producer and/or energy resource developer to be used for reforestation watershed management, health and/or environment enhancement which shall be allocated as follows:

- | | | |
|----|------------------------|-------|
| a. | Resettlement Area | — 5% |
| b. | Host Barangay | — 20% |
| c. | Host Municipality/City | — 35% |
| d. | Host Province | — 30% |
| e. | Host Region | — 10% |

Provided , that in the absence of official any resettlement area, funds allocated for the resettlement shall form part of the allocation of the host barangay.

Reforestation and watershed management projects shall be prioritized by the following:

- a. Concerned DOE attached agencies for energy reservations; and
 - b. DENR Regional Office for non-energy reservation areas.”
- b. The following additional paragraphs are hereby incorporated after section 6.f. of E.R. No. 1-94, to read as follows:

“The foregoing paragraph notwithstanding, financial benefits required from power producer and/or energy resource under Sec. 6.e and Sec. 6.f of E.R. No. 1-94 as amended in Sec. 3(a)/(ii) hereof, with respect to energy-generating facilities located within the Metropolitan Manila, Metropolitan Cebu (Cebu City, Lapu-lapu City, and Mandaue City), Metropolitan Davao and other highly urbanized cities shall be set aside into one account to finance electrification projects and thereafter, any development, livelihood, reforestation, watershed management, health and/or environment enhancement projects deemed beneficial to any host barangay, host municipality/city and host province.

Electrification of host LGUs shall be based on the following priority areas:

- a. resettlement area, host barangay and host city of the energy generating facilities and/or energy resource;
- b. host communities of other facilities and/or energy resource with insufficient accrued electrification fund;
- c. areas traversed by transmission lines and sub-stations or similar facilities;
- d. areas not directly connected to the grid or national transmission system which include isolated or remote communities.

In the case of an integrated energy generating facility where the generating facility is located within a highly urbanized city and the corresponding resource is located outside the said highly urbanized city, the financial benefits shall be utilized in accordance with Sec. 6.e. and Sec. 6.f E.R. No. 1-94 as amended in Sec. 3 (a) (ii) and Sec. 3 (a) (iii) hereof.