

**[ DOE DEPARTMENT CIRCULAR NO. 95-11-009,  
November 08, 1995 ]**

**GUIDELINES AND PROCEDURES FOR THE GRANTING OF  
FINANCIAL BENEFITS UNDER ENERGY REGULATIONS NO. 1-94**

Pursuant to Energy Regulations No. 1-94 implementing Section 5(i) of Republic Act No. 7638 (Department of Energy Act of 1992), the Department of Energy (DOE) adopts the following guidelines and procedures for the granting to the host local government unit (host LGU) financial benefits established under E.R. 1-94, as follows: electrification fund, development and livelihood fund; and reforestation, watershed management, health and/or government enhancement fund.

*SECTION 1. General Guidelines* - All energy resource developers and power producers covered by Section 3 of E.R. 1-94 (Scope of Application) shall be guided by the following:

- a. The effectivity of the grant of financial benefits, which shall be equivalent to one centavo per kilowatt-hour (kwh) of the total electricity sales of the energy-generating facility, shall be on 27 June 1994.
- b. The electrification fund, the development and livelihood fund, and the reforestation, watershed management, health and/or environment enhancement fund shall be kept in separate trust accounts in accordance with a Memorandum of Agreement to be entered into by and between the DOE and the energy resource developer and/or power producer.
- c. The financial benefits shall be based on electricity sales proceeds derived from the commercial operation of the energy generating facility, calculated in accordance with the power producer's regular billing cycle.

To provide a uniform basis for calculating the financial benefits for purposes of initially establishing the trust accounts, the electricity sales proceeds derived from the nearest full billing month shall be applied whenever the period of operation constitutes a fraction of a billing month. Thus, the initial trust accounts for 1994 shall be reckoned on the full billing month nearest to 27 June 1994, i.e. 25 June - 24 July 1994.

- d. Interest earned from the trust accounts shall be for the benefit of the trust.
- e. The administration of the funds shall be undertaken by any of the following:

1. the National Power Corporation (NPC), the Philippine National Oil Company (PNOC), and other Government-Owned and Controlled Corporations (GOCCs) that may be engaged in energy resource development projects and operation of energy generating facilities, for their respective energy generating projects/facilities and with respect to the development and livelihood, and

reforestation, watershed management, health and/or environment enhancement funds; and

2. the DOE, through its Financial Management Services, for and on behalf of energy generating projects/facilities owned and/or operated by private entities. The DOE shall also administer the electrification funds accruing from the NPC, PNOC and other GOCCs.

The funds can only be utilized to finance projects and work programs duly endorsed by the host LGU and can only be defrayed for actual costs authorized under projects and work programs duly approved by the DOE through the Energy Industry Administration Bureau (EIAB).

*SECTION 2. Establishment of Trust Accounts* - For purposes of establishing trust accounts for financial benefits accruing in 1994 and 1995, the energy resource developer and power producer shall be guided by the following procedures:

a. Within thirty (30) days after the effectivity of this Circular, the power producer shall submit to the EIAB separate Electricity Sales and Financial Benefits Report pertaining to the periods 27 June - 31 December 1994 and 1 January - 30 September 1995. This report shall contain the following data:

1. Actual generation, station service/own use, system loss, and electricity sales in kilowatt-hours (kWh) for the period;
2. Accrued benefits due to the host LGU derived from (1);
3. Details of benefits and/or financial assistance advanced to the host LGU, if any; and
4. Such other information which the DOE may deem necessary for review and audit purposes.

b. In addition in complying with Sec. 2 (a), the power producer shall submit a joint undertaking with the concerned energy developer or private sector participant showing their respective fund contributions in any of the following cases:

1. Geothermal resource development projects/power plants and hydro development projects/power plants which are integral to each other and therefore, the pertinent host LGU shall be entitled to one set of benefits.
2. Energy-generating projects/facilities which are implemented/operated through private sector participation via the Build-Operate-Transfer, Rehabilitate-Operate-Lease or other variants of these private power schemes.

c. Review of the Electricity Sales and Financial Benefits Report shall be made by the Financial Management Services (FMS) and Compliance Division of the DOE, in coordination with the EIAB.

d. Within thirty (30) days after the effectivity of this Circular, the energy resource developer and the power producer shall establish separate trust accounts for the electrification fund, the development and livelihood fund, and the reforestation, watershed management, health and/or environment enhancement fund which shall correspond to the accrued benefits of the host LGU for the period 27 June 1994 - 30 September 1995. The trust shall be established in any of the following government

depository banks: Development Bank of the Philippines; Philippine National Bank; or Land Bank of the Philippines.

Funds to be administered by the DOE including all funds accruing from energy generating facilities owned and/or operated by private entities and electrification funds accruing from the NPC, PNOC and other GOCCs shall be deposited in trust accounts in the name of the Department, as provided in a Memorandum of Agreement to be executed for the purpose by and between the DOE and such concerned energy resource developers and power producers.

e. Within ten (10) days after establishment of the trust accounts, the energy resource developer and the power producer shall submit to the FMS copies of documents as proof of establishment of said trust accounts, subject to further verification thereof by the FMS.

### *SECTION 3. Administration of Funds -*

a. For purposes of maintaining the funds in the respective trust accounts, the energy resource developer/power producer shall henceforth deposit to the trust accounts, on a quarterly basis, financial benefits accruing from a billing quarter, i.e. three full billing months within the given quarter.

The energy resource developer and/or power producer shall make the deposits not later than thirty (30) days after the given quarter, and shall forthwith submit the proper documentation thereof to the FMS.

b. The mechanism for crediting advances or incurred costs against the financial benefits shall be implemented by the DOE in accordance with the provisions of Section 6 of E.R. 1-94. For this purpose, any of the following may be undertaken:

1. The energy resource developer or power producer which has advanced benefits and/or financial assistance to the host LGU may request the DOE in writing to certify that the grant of said benefits and/or financial assistance complies with Section 5 (i) of RA 7638 and to credit such benefits against the financial benefits required under E.R. 1-94. Such request shall include the requirements prescribed under Annex D hereof.
2. The energy resource developer or power producer which has incurred costs to comply with environmental standards imposed under DENR Administrative Order Nos. 14 and 14A and which such other stricter emission, safety, health or environmental standards that may be imposed by any government agency in the future may request the DOE in writing to deduct such costs from the financial benefits. Such requests shall include the requirements prescribed under Annex D hereof.

c. Funds disbursement shall be consistent with the pertinent provisions of laws, rules on government spending and P.D. 1445 with respect to post-audit requirements of the Commission on Audit.

### *SECTION 4. Project Implementation -*

a. Within sixty (60) days after the effectivity of this Circular, the energy resource developer and power producer shall, after consultation with appropriate government agencies, submit to the EIAB a list of beneficiaries entitled to the financial benefits,