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## **Benefits to Host Communities**

Pursuant to Rule 29, of EPIRA-IRR



**Department of Energy**

Please visit our web site: [www.doe.gov.ph](http://www.doe.gov.ph)

## A. Benefits to Host Communities Pursuant to ER 1 - 94, As Amended

<b>Legal Basis</b>	<ul style="list-style-type: none"> <li>Section 5 (i) of Republic Act No. 7638, otherwise known as the "Department of Energy Act of 1992"</li> <li>Section 66 of Republic Act No. 9136, otherwise known as "Electric Power Industry Reform Act (EPIRA) of 2001," as detailed in rule 29, Part A of the Implementing Rules and Regulations of EPIRA.</li> </ul>
<b>Policy Objectives</b>	<ul style="list-style-type: none"> <li>To recognise and provide recompense for the contribution made by the host local government units or region.</li> <li>To lessen conflict of rights among host local government units, community and people affected, the energy resource developers or power producers, and the appropriate agencies of the national government.</li> <li>To promote harmony and cooperation among host local government units, the energy-resource developers or power producers and the appropriate agencies of the national government.</li> </ul>
<b>Nature of Benefits/ Scope of Application</b>	One-centavo per kilowatt-hour (P0.01/kWh) of the Electricity Sales which shall apply to Generation Facilities and/or energy resource development projects located in all barangays, municipalities, cities, provinces and regions.

For energy resource located in two (2) or more provinces, or in two (2) or more municipalities/cities or two (2) or more barangays, their respective shares shall be appropriated on the basis of the following:

- population - 70%
- land area - 30%

Where the land area is the area of the host barangays found within the technically delineated energy resource area and where the population refers to the population of host barangays found wholly or partially within the technically delineated energy resource.

### Monitoring

- The Department of Interior and Local Government (DILG) shall monitor the compliance of host LGUs. To assist in the monitoring of compliance, all host LGUs of energy projects are required to submit the following:
  - The scheme of electricity rate reduction adopted by the host LGU (with proper documentation) based on the prescription in the DILG-DOE Joint Circular 95-01 dated 31 October 1995 at the start of the use of fund or upon the amendment of scheme by the respective LGU councils; and
  - Summary of transactions thrity (30) days after end of each quarter.

The DILG shall furnish the DOE the above information within fifteen (15) days from the date of the reporting period.
- The Commission on Audit (COA) shall conduct yearly audit of the national wealth proceeds consistent with its responsibility to examine all accounts pertaining to uses of funds and property owned or held in trust by the government or any of its agencies as mandated under Section 2 of Presidential Decree No 1445 of 1976.
- In the event of violation or non-compliance with the provisions of the DILG-DOE Joint Circulars 95-01 and 98-01, and other relevant issuances, the DILG may, upon prior notice and hearing, order the project proponent the non-remittance of the royalty payment to the host LGU concerned pending completion of the investigation of the concerned LGU if the project proponent is a government-owned and controlled corporation (GOCC); or notify the Department of Budget (DBM) regarding such violation and order the non-release of the LGU shares if the project proponent is a private company. The unremitted funds shall be deposited in a government bank under escrow.

#### Generation facility and/or energy resource located in non-highly urbanized city

- Electrification Fund (EF) at 50% of one centavo per kWh (P0.005/kWh)
- Development and Livelihood Fund (DLF) at 25% of one centavo per kWh (P0.0025/kWh)
- Reforestation, Watershed Management, Health and/or Environment Enhancement Fund (RWMHEEF) at 25% of one centavo per kWh (P0.0025/kWh)

#### Generation facility and/or energy resource located in highly urbanized city

- Electrification Fund (EF) at 75% of one centavo per kWh (P0.0075/kWh)
- Development and Livelihood Fund (DLF) at 12.5% of one centavo per kWh (P0.00125/kWh)
- Reforestation, Watershed Management, Health and/or Environment Enhancement Fund (RWMHEEF) at 12.5% of one centavo per kWh (P0.00125/kWh)

### Subsidy Scheme

Subsidy scheme will be directly utilized to subsidize cost of power used by the consumers. This may be applied with or without ceiling or at graduated rates (per kWh per level of consumption) in the following form which the host LGU may choose from.

Subsidy per customer, an equal or predetermined level or rate of subsidy per qualified customer:

- All consumer types
- Residential consumer only; and
- Other preferred types of consumer combinations, such as: commercial, industrial, public buildings, irrigation/communal water system, streetlights, etc.

Subsidy of power consumption, which amount of subsidy depends on the magnitude of power consumption of qualified consumers:

- All consumer types
- Residential consumer only; and
- Other preferred types of consumer combinations, such as: commercial, industrial, public buildings, irrigation/communal water system, streetlights, etc.

b.) Twenty percent (20% of the proceeds shall be utilized for the development and livelihood projects which shall be appropriated by their respective Sanggunian.

### Allocation of Shares

For non-highly urbanized city

- Host Barangay - 35%
- Host Municipality/City - 45%
- Host Province - 20%

For highly urbanized city

- Host Barangays - 35%
- Host City/ies - 65%

### Application of Electrification Fund

Priority shall be based on the following radiating order, namely: (i) Resettlement Area, (ii) Host Barangay, (iii) Host Municipality, (iv) Host Province, and (v) Host Region.

### Allocation of DLF and RWMHEEF

For non-highly urbanized city		For highly urbanized city	
• Resettlement Area	- 5%	• Designated resettlement areas	- 10%
• Host Barangay	- 20%	• Host Barangays	- 30%
• Host Municipality/City	- 35%	• Host City/ies	- 60%
• Host Province	- 30%		
• Host Region	- 10%		

### Summary of Approved Projects

(as of December 31, 2003)

691	Electrification Projects amounting to P589.28 Million
433	Development and Livelihood Projects amounting to P 262.08 Million
384	Reforestation, Watershed Management, Health and/or Environment Enhancement Projects amounting to P 497.62 Million

*Note : Excluding Mirant Projects and advanced financial assistance*

## Types of Funded Projects

### Development Projects

- Streetlighting
- Farm to Market Road
- Multi-Purpose Pavement
- Farm produce collection & buying station
- Rice/Corn Milling
- Communal Irrigation System
- Small water impounding projects
- Fish ports
- Seawalls
- Day care center
- School Building
- Public market
- Slaughter house
- Public drainage/sewerage system
- Bridge
- Flood control measures

### Environment Enhancement Projects

- Fire truck
- Waste Management Equipment
  - ◊ Garbage
  - ◊ Dump Truck
  - ◊ Bulldozer
  - ◊ Backhoe/Loader
- Construction/Installation of Waste Treatment Facility
- Sanitary Landfill Development
- Development of Waste Recovery Warehouse
- Construction of Concrete Sanitary Waste Water Collection Facility

### Livelihood Projects

- Food production/processing
- Ice Plant
- Livestock and poultry production
- Handicraft production
- Aquaculture
- Skills training for LGU-administered livelihood projects
- Vegetable seed farm
- Small-scale services livelihood projects:
  - ◊ Rice/Corn Milling
  - ◊ Carpentry/Furniture Shop
  - ◊ Radio, Refrigerator, TV servicing
  - ◊ Garment weaving
  - ◊ Engine mechanic services
  - ◊ Electrical wiring and design
  - ◊ Dressmaking
  - ◊ Gold and silver trading and jewelry making
  - ◊ Blacksmith shop
  - ◊ Welding shop

### Reforestation and Watershed Management Projects

- Improvement of forest cover
- Vengineering measures
- Community-based forestry management
- Agro-forestry
- Conservation of Mangroves
- Seedling nursery

### Health Related Projects

- Water supply system
- Municipal Hospital
- Medical equipment/facilities
- Medicinal plant gardens

## B. Benefits to Host Communities Pursuant to Local Government Code

### Legal Basis

- Chapter II, Section 289 to 294 of the Local Government Code.
- Section 66 of Republic Act No. 9136, otherwise known as "Electric Power Industry Reform Act of 2001," as detailed in rule 29, Part B of the IRR of EPIRA.

### Scope of Application

The LGUs hosting the national wealth shall have an equitable share in the proceeds derived from the utilization and development of national wealth, including sharing the same with the inhabitants by way of direct benefits.

### Amount of Share of Local Government Units

Any government agency or government-owned or controlled corporation and private corporation or entities engaged in the utilization and development of the national wealth are required to provide share to the host LGUs, based on the preceding fiscal year of the proceeds, based on the following formula, whichever will produce a share higher for the LGU:

- One percent (1%) of the gross sales or receipts of the preceding calendar year; or
- Forty percent (40%) of the national wealth taxes, royalties, fees or charges derived by the government agency or government owned and controlled corporation and privately-owned corporation or entities.

### Nature of Benefits

- Eighty percent (80%) of the proceeds shall be applied solely to lower the cost of the electricity either through subsidy or non-subsidy scheme or combination of both.

### Non-subsidy Scheme

Non-subsidy scheme may take the form but not limited to electrification, technical upgrading and rehabilitation of distribution lines to reduce electricity losses, use of energy saving devices, and support of the infrastructure facilities servicing the needs of the public which can all redound to the reduction of the electricity rate of the area.