



Republic of the Philippines
DEPARTMENT OF ENERGY
(Kagawaran ng Enerhiya)

DEPARTMENT ORDER NO. DO2019-01-0001

**PROVIDING THE INTERNAL GUIDELINES AND PROCEDURES
FOR THE TRANSFER OF EXISTING FUNDS IN RELATION TO THE
FINANCIAL BENEFITS UNDER ER 1-94**

WHEREAS, the DOE promulgated Department Circular No. DC2018-08-0021 entitled "*Providing for the Amendments to Rule 29 Part (A) of the Implementing Rules and Regulations of Republic Act No. 9136*", which took effect on 23 August 2018, to provide the rules and Guidelines for the effective implementation of the Financial Benefits to the Host Communities;

WHEREAS, pursuant to Section 12 of the said Circular, the DOE adopts the following Guidelines and procedures for the transfer of the existing funds to the concerned Distribution Utilities (DUs), Host Local Government Units (LGUs), identified Beneficiaries using the Regional Share;

WHEREAS, the National Power Corporation – Small Power Utility Group (NPC-SPUG) provides power generation and its associated facilities and monitors the delivery of power in various missionary areas that are not connected with the transmission system;

NOW, THEREFORE, for and consideration of the foregoing premises, the following are hereby ordered:

TITLE I. GENERAL PROVISIONS

Section 1. Scope and Purpose

This internal Guidelines and procedures is issued to facilitate the transfer of the existing ER 1-94 funds to qualified DUs and host communities.

This also covers the National Power Corporation-Small Power Utilities Group (NPC-SPUG), its generating facilities and designated host communities.

Section 2. Definition of Terms

For the purpose of this Guidelines, the terms herein are defined as follows:

- 2.1 Authorized Government Depository Bank (AGDB)** - refer to a bank where government agencies are allowed by law to deposit government funds and maintain deposit.

- 2.2 Designated Beneficiaries** – refer to the Host LGUs such as the Host Resettlement Areas, Barangays, Cities/Municipalities, and Provinces including the identified Non-Host LGUs by the Regional Development Councils (RDC) for the Regional Share.
- 2.3 Existing Funds**– refer to the available Electrification Fund (EF), Development and Livelihood Fund (DLF), and Reforestation, Watershed Management and/or Environment Enhancement Fund (RWMHEEF), ER 1-94 Interest Account, and Highly Urbanized City (HUC) Account, administered by the DOE as of August 23, 2018.
- 2.4 Trust Accounts**- refer to EF, DLF, and RWMHEEF and ER 1-94 Interest accounts established by the DOE, under the name of Generation Company and/or Energy Resource Developer (GenCo and/or ERD) and the DOE as well as the trust accounts to be established by the DUs, host beneficiaries and the NPC-SPUG.
- 2.5 Unliquidated Project Funds** – refer to the project fund released to the proponent/s who implemented the approved projects but have yet to submit complete liquidation documents and/or yet to be validated by the DOE to cause the project close out, including but not limited to, refunds/excess/unused project funds.

TITLE II. PROCESSES FOR THE FUND TRANSFER OF EXISTING ACCOUNTS

Section 3. Determination and Verification of Cash/Trust Accounts Balances

The Financial Services, through the Accounting Division (AD) and the Power Compliance Division (PCD), the Administrative Services (AS), through the Treasury Division (TD) and the Internal Audit Division (IAD) shall reconcile the respective records as to the validated, collected, utilized and outstanding/existing funds for each power plant facility per trust fund account, as follows:

3.1 Cash

3.1.1 Trust Accounts with regular transactions

The available cash deposited at the Development Bank of the Philippines or Land Bank of the Philippines under the active trust accounts of the DOE- GenCo and/or ERD which are maintained and administered by the DOE.

3.1.2 Trust Accounts of GenCos and/or ERDs that did not operate commercially

For the GenCos and/or ERDs with trust accounts intended for ER 1-94 funds but their power plant facilities were not constructed nor have they commenced commercial operations, such amount shall be returned to said GenCos and/or ERDs.

3.1.3 Trust Accounts of Closed or Decommissioned GenCos and/or ERDs

For closed or decommissioned GenCos and/or ERDs, the available funds shall be transferred to the trust accounts of the DUs and designated beneficiaries in accordance with Section 4 of this Guidelines.

3.1.4 ER 1-94 Interest Account

Accumulated interest earned from EF, DLF and RWMHEEF shall be allocated in accordance with Section 6 of this Guidelines.

3.2 Accounts Receivables

Accounts Receivables are financial benefits based on the audited electricity sales of the GenCos and/or ERDs which are due for remittance to the DOE.

Section 4. Allocation of Available Cash and Accounts Receivables

Based on the AD's final reconciled list of available cash balances and accounts receivables, the Rural Electrification Administration Management Division (REAMD) shall allocate the funds due to the concerned DUs, the NPC-SPUG and/or the designated beneficiaries as provided hereunder:

4.1 EF

The allocation for EF shall be as follows:

- 4.1.1 DU covering the Resettlement Area, Host Barangays and the Host City/Municipality - 60%
- 4.1.2 DU serving the Host Province excluding the DU that serves the Host Resettlement Area, Barangay and City/Municipality - 30%
- 4.1.3 DU serving the Host Region excluding the DUs that serves the Host Resettlement Area, Barangay and City/Municipality and host Province - 10%.

Should there be more than one (1) DU beneficiary, the allocation shall be prorated on the basis of the household population (70%) based on latest available and official Census and land area (30%) covered by concerned DUs.

4.2 DLF and RWMHEEF

- 4.2.1 The share for DLF and RWMHEEF shall be allocated to the Designated Beneficiaries in the following manner:

Resettlement Area	- 5%
Host Barangay/s	- 20%
Host Municipality/ies or City/ies	- 35%
Host Province/s	- 30%
Host Region	- 10%

4.2.2 In the absence of Resettlement Area, the allocated share shall be added to the Host Barangay/s.

4.2.3 For the Regional Share, allocation shall be made to the identified beneficiaries based on the amount endorsed by the Regional Development Council (RDC) as reflected in the AWP submitted by the latter to the GenCos and/or ERDs.

For accounts receivables, DUs, the NPC-SPUG and/or the designated beneficiaries will initiate collection process and may seek legal remedies, if necessary.

Section 5. Allocation regarding the NPC-SPUG Facilities

Considering that most power plants of the NPC-SPUG have relatively smaller contracted capacity at shorter cooperation period and do not generate sufficient financial benefits to fund a significant community-based project eligible under the ER 1-94 Program, the DOE shall transfer all existing ER 1-94 funds accruing from the NPC-SPUG operations to the NPC-SPUG. The latter shall duly acknowledge the transfer by issuing an official receipt. The NPC-SPUG shall undertake the allocation and distribution of these funds to the concerned DUs and host beneficiaries consistent with Section 4 of this Guidelines.

Section 6. Allocation of Interest Account

All interest earnings from EF, DLF and RWMHEEF shall be allocated by REAMD for the electrification projects of the communities in the following order of priority:

- 6.1 Direct host barangay/s, and host municipality/ies or city/ies with insufficient accrued EF;
- 6.2 Areas traversed by transmission lines, and sub-stations or similar facilities;
- 6.3 Areas not directly connected to the Grid or national transmission system which include isolated or remote communities; and
- 6.4 Other areas as may be prioritized/determined by the DOE.

Section 7. Requirements for the Transfer of Existing Funds

Except for NPC-SPUG beneficiaries and designated beneficiaries with pending unliquidated project funds, transfer of existing funds will be processed by the DOE upon completion and submission of the following documentary requirements:

7.1 AGDB Certification

Certification from any AGDB of the trust accounts established for ER 1-94, bearing an account name of:

- | | |
|--|---|
| 7.1.1 DU EF Share | - <u>DU-GenCo/ERD-EF</u> (ER 1-94) |
| 7.1.2 Host LGU
Beneficiaries of DLF -
and RWMHEEF
Share | - HLGU-GenCo-DLF (ER 1-94)
- HLGU-GenCo-RWMHEEF (ER
1-94) |
| 7.1.3 Non-Host
Beneficiaries of
the Regional DLF
and RWMHEEF
Share | - The LGU will not be required
to establish trust accounts, but
will submit a certification from
their AGDB on the existing
general fund account. |

7.2 Name and contact details of the authorized person to be notified on the transfer of funds and is responsible to comply with the post-transfer requirements mentioned in Section 8.2 (c) of this Guidelines.

The abovementioned requirements must be submitted to REAMD.

Section 8. Process Flow of the Transfer of Funds

To facilitate transfer of funds, the following procedures must be followed:

8.1 Upon receipt of the documentary requirements stated in Section 7 of this Guidelines, the REAMD shall prepare a transmittal memorandum to the AD, attaching the pertinent documents and voucher. Thereafter, the AD shall process the request for transfer of funds and once approved, the AD will forward it to the TD.

8.2 Upon receipt of the approved DV, the TD shall undertake the following:

8.2.1 Check preparation;

8.2.2 Once signed, deposit the funds to the established trust accounts indicated in the Certificate.

8.2.3 Notify the authorized person identified in Section 7.2 of this Guidelines of the said transfer and direct him/her for the issuance of an Official Receipt (OR) within 24 hours in favor of the DOE for the funds received. The OR must be transmitted thereafter to the TD.

8.2.4 Prepare a summary of the transferred fund/s, which shall contain, among others, the following information:

- 8.2.4.1 Date of the transfer of fund was made;
- 8.2.4.2 Reference number of the check payment;
- 8.2.4.3 Payee; and
- 8.2.4.4 Amount paid/transferred classified per existing trust accounts

Copies of the aforesaid summary shall be provided to the Resident COA, the REAMD, the AD and the PCD, for proper documentation.

8.2.5 After the fund transfer, shall facilitate the closing of the existing account maintained by the DOE, in coordination with the AD.

Section 9. Prioritization for Transfer of Existing Funds

Processing of transfer of funds shall be made on a "first-come-first-serve" basis. Beneficiaries that will submit the requirements mentioned in Section 7 of this Guidelines and with no pending unliquidated project funds shall be given priority.

Section 10. Transfer to NPC-SPUG

Pursuant to Section 5 of this Guidelines, the NPC-SPUG shall submit to the DOE a Certification from its AGDB of trust accounts established for ER 1-94 funds bearing the account names as follows:

- NPC-SPUG-EF (ER 1-94)
- NPC-SPUG-DLF (ER 1-94)
- NPC-SPUG-RWMHEEF (ER 1-94)

Transfer of funds shall be made following the procedures in Section 8 of this Guidelines. The NPC-SPUG is required to post the list of identified beneficiaries and their allocated share of financial benefits in the NPC-SPUG Website.

For remittance to the host beneficiaries in the NPC-SPUG areas, the NPC-SPUG shall provide the DOE with the proof of remittance made on the said beneficiaries.

TITLE III. PROCESS FOR APPROVED PROJECTS WITH PENDING FUND TRANSFER

Section 11. Approved Projects with Pending Fund Release

All approved projects where the accomplished MOA and complete bidding documents were received by the DOE on or before 31 October 2018 will be processed for fund release until 28 December 2018.

Section 12. Approved Projects with Pending Liquidation

All approved and funded projects by the DOE should first be liquidated prior to the transfer of the remaining funds. The concerned DUs and Host LGUs/Beneficiaries shall submit a completion report and letter request for the conduct of a Joint Technical/Physical Inspection to the DOE.

12.1 Conduct of Technical/Physical Inspection

A Joint Technical/Physical Inspection of completed projects shall be conducted by representatives of the REAMD, the GenCos and/or ERDs and the concerned DUs and Host LGUs/Beneficiaries.

A Certificate of Joint Technical/Physical Inspection, duly signed by all representatives mention herein, shall be issued and forwarded to the PCD as part of its requirement for the Financial Audit of the completed projects.

12.2 Conduct of Financial Audit

The Financial Audit of the completed projects shall be conducted by the PCD based on the requirements as prescribed in the MOA. Excess/Unused Funds shall be deposited within the period prescribed by the DOE on its Audit Report of the said projects.

In cases of failure to comply within the prescribed period as indicated in the MOA, the DOE shall give the proponent a non-extendible grace period which should not exceed thirty (30) days from receipt of notice, to submit its liquidation. Otherwise, all existing funds due to the concerned DUs and Host LGUs/Beneficiaries shall be remitted to the National Treasury. Such project fund/s can still be accessed through the submission of appropriate documents to the Department of Budget and Management, including DOE's certification that there are no unliquidated project funds.

TITLE IV. OTHER PROVISIONS

Section 13. Treatment of Deferred Remittance to the DOE due Transitory Activities

All GenCos and/or ERDs with audited electricity sales but with outstanding financial benefits to be remitted to the DOE as of the effectivity date of DC No. 2018-08-0021, shall establish a separate trust accounts for EF, DLF and RWMHEEF and deposit the amounts to the separate trust accounts. Thereafter, the GenCos and/or ERDs shall remit the EF directly to the designated DUs and the DLF & RWMHEEF to the designated beneficiaries, as soon as the latter established their own trust accounts.

Section 14. Settlement of Disputes

All concerns, queries and clarifications arising from the transfer of existing funds to the DUs/host beneficiaries as provided in this DO shall be resolved by the DOE .

Section 15. Information, Education and Communication Activities

Upon effectivity of this DO, the DOE shall undertake Information, Education and Communication activities to the concerned stakeholders to ensure proper implementation.

Section 16. Separability Clause

If for any reason, any provision of this DO is declared unconstitutional or invalid, such part not affected shall remain in full force and effect.

Section 17. Repealing Clause

All issuances inconsistent with the provisions of this DO are hereby repealed or amended accordingly.

Section 18. Effectivity.

This DO shall take effect immediately after its posting in the DOE website.

Signed at the DOE Building, Energy Center, Rizal Drive, Fort Bonifacio Global City, Taguig City, this DEC 28 day of 2018.


ALFONSO G. CUSI
Secretary



Republic of the Philippines
DEPARTMENT OF ENERGY
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