

**Republic of the Philippines**  
**DEPARTMENT OF ENERGY**

**DEPARTMENT CIRCULAR NO. DC2005-06-005**

**DIRECTING ALL DISTRIBUTION UTILITIES TO FILE PETITION  
WITH THE ENERGY REGULATORY COMMISSION FOR  
APPROVAL OF REVISED LIFELINE RATE STRUCTURE**

WHEREAS, Section 73 of Republic Act No. 9136, otherwise known as the Electric Power Industry Reform Act of 2001 ("EPIRA"), provides for the setting by the Energy Regulatory Commission ("ERC") of a socialized pricing mechanism to be called the lifeline rate for the marginalized end-users;

WHEREAS, Section 4(j), Rule 7 and Section 3(b), Rule 20 of the Implementing Rules and Regulations of EPIRA ("EPIRA-IRR") provides for the obligation of Distribution Utilities to file the necessary petition with the ERC recommending the level of consumption (kWh per month) to be qualified for the lifeline rate to be applied to its marginalized end-users;

WHEREAS, with the implementation on 1 July 2005 of the recently-enacted Republic Art No. 9337 removing the exemption of electricity sales and services, as well as sales of petroleum products, from value-added tax ("VAT"), electricity rates are also expected to increase;

WHEREAS, the anticipated increase in electricity rates resulting from the imposition of VAT on electricity and petroleum sales and services, together with the continued and excessive increases in the world oil prices, has prompted Her Excellency President Gloria Macapagal-Arroyo to mandate all government agencies to explore and adopt the necessary measures to mitigate the impact of the imposition of the VAT on all electricity end-users, particularly the poorest of the poor;

WHEREAS, Section 2(f) of EPIRA declares it a policy of the State to protect the public interest as it is affected by the rates and services of electric utilities and other providers of electric power;

WHEREAS, Section 1(r), Rule 3 of the EPIRA-IRR provides that it is the function of the Department of Energy ("Department") to exercise such other powers as may be necessary or incidental to attain the objectives of the Act;

NOW, THEREFORE, premises considered, the Department, pursuant to its mandate, directs all Distribution Utilities, as defined in the EPIRA, to file the necessary petition with the ERC for the adoption of revised lifeline levels of consumption and corresponding rate structures to mitigate the impact of increases in electricity rates

resulting from the imposition of the VAT, rising oil prices and other costs of production.

**Section 1.** All Distribution Utilities, upon the effectivity of this Circular, shall immediately commence the process of reviewing and revising their ERC-approved lifeline rate structure in consideration of the following principles:

- (a) To the fullest extent possible, current lifeline end-users should continue to enjoy the full benefits of the subsidies under the levels of consumption approved by the ERC for each Distribution Utility prior to the implementation of charges in tax laws.
- (b) When necessary, Distribution Utilities shall modify the levels of consumption in their revised lifeline rate structure to allow more end-users to qualify therein.
- (c) To the greatest extent possible, Distribution Utilities shall strive to adopt a revised lifeline rate structure that would factor in the end-user's consumption level and ability to bear additional burden of increasing electricity rates with the end in view of protecting residential end-users, particularly the poorest of the poor.

**Section 2.** In reviewing and revising their respective lifeline rate structures, Distribution Utilities may consult with and seek the assistance of the Department.

**Section 3.** All Distribution Utilities shall file their respective petitions for revised lifeline levels of consumption and corresponding rate structure with the ERC at the soonest possible time in view of the exigency of the situation and the need to adopt these mitigating measures at the soonest possible time.

**Section 4.** This Circular shall take effect immediately upon issuance thereof, with copies sent to each Distribution Utility.

Fort Bonifacio, Taguig, Metro Manila, 22 June 2005.

**(Sgd.) RAPHAEL P. M. LOTILLA**  
Secretary