

**MEMORANDUM OF AGREEMENT**  
**between the TeaM (Philippines) Energy Corporation and**  
**Municipality of Sual, Pangasinan**

*For the Establishment and Administration of Trust Accounts in Accordance with  
DC2018-08-0021 of the 200MW Capacity of the Sual Coal Fired Thermal Power  
Plant Contracted to TeaM (Philippines) Energy Corporation.*

**KNOW ALL MEN BY THESE PRESENTS:**

This Memorandum of Agreement (the “**Agreement**”), made and entered into by and between:

**TeaM (Philippines) Energy Corporation**, a private corporation duly organized and existing under the laws of the Philippines, with principal office address at 25/F W Fifth Avenue Building, 5<sup>th</sup> Avenue, Bonifacio Global City, Taguig City, duly represented by its President **Gen Takahashi**, hereinafter, referred to as “**TPEC**”.

**and**

**Municipality of Sual, Pangasinan**, a local government unit of the Republic of the Philippines, with office address at the Municipal Hall, Sual, Quezon duly represented herein by its Municipal Mayor **Liseldo “Dong” D. Q. Calugay**, per authority of Sangguniang Bayan of Sual under Resolution No. 2019-044, and hereinafter referred to as “**Sual LGU**”.

**TPEC** and **Sual LGU** shall hereinafter be collectively referred to as “**Parties**” and individually as a “**Party**”.

**WITNESSETH: That**

**WHEREAS**, Section 5 (i) of Republic Act No. 7638 (“**R.A. No. 7638**”), otherwise known as the “Department of Energy Act of 1992” mandates the Department of Energy (“**DOE**”) to devise ways and means of giving direct benefits to the province, city or municipality, especially the community and people affected and equitable and preferential to the region that Hosts the energy resource and/or the energy-generating facility;

**WHEREAS**, Energy Regulations No. 1-94 (“**ER 1-94**”) was promulgated by the DOE on 01 August 1994 to operationalize the implementation of section 5 (i) of R.A. No. 7638;

**WHEREAS**, ER 1-94 implementing Section 5(i) of Republic Act No. 7638, otherwise known as the “Department of Energy Act of 1992”, grant financial benefits to the host communities of the energy-generation company and/or energy resources;



**WHEREAS**, Section 66 of R. A. No. 9136, otherwise known as the “Electric Power Industry Reform Act of 2001” and Rule 29(A) of its Implementing Rules and Regulations (“**EPIRA-IRR**”) require all energy generation companies (GenCos) and/or energy resource developers (ERDs) to provide financial benefits equivalent to one centavo per kilowatt-hour (P0.01/kWh) of the total electricity sales of the generation facility to the region, province, city or municipality and barangay that host the generation facility and energy resource facility, as well as the establishment of corresponding trust accounts and the administration thereof by the DOE;

**WHEREAS**, in accordance with Republic Act No. 8371 (RA 8371) also known as “The Indigenous Peoples’ Rights Act of 1997”, the DOE promulgated Department Circular No. DC2018-03-0005 on 20 March 2018 recognizing the rights of the Indigenous Cultural Communities (ICCs) and Indigenous Peoples (IPs) to their ancestral domain and the natural resources therein and provides for reasonable share in the development and livelihood fund (“**DLF**”) and for the reforestation, watershed management, health and/or environment enhancement fund (“**RWMHEEF**”) components of the ER 1-94 funds;

**WHEREAS**, on 07 August 2018, DOE issued Department Circular No. DC2018-08-0021, amending for the purpose Rule 29 (A) of the EPIRA-IRR, to accelerate socio-economic development and to have a more effective and efficient utilization of the funds and to enforce the immediate provision of benefits to Host communities. In this regard, by virtue of the transition to an efficient distribution of funds, the Host Communities shall not withhold or delay issuance of the necessary permits required for the operations of the energy resource and/or energy-generating facility;

**WHEREAS**, pursuant to Section 6 of DC2018-08-0021 the financial benefit shall be allocated in the following manner:

“6.2. Twenty-five percent (25%) of one-centavo per kilowatt-hour (P0.0025/kWh) for Development and Livelihood Fund (“**DLF**”); and Twenty-five percent (25%) of one centavo per kilowatt-hour (P0.0025/kWh) for Reforestation, Watershed Management, Health and/or Environment Enhancement Fund (“**RWMHEEF**”);

The DLF and RWMHEEF shall be allocated in the following manner:

6.2.1. Community and People Affected	-5%
6.2.2. Host Barangay/s	-20%
6.2.3. Host Municipality/ies or City/ies	-35%
6.2.4. Host Province/s	-30%
6.2.5. Host ICCs/IPs	-5%
6.2.6. Host Region	-5%

In the absence of Community and People Affected, funds allocated for the same shall form part of the fund for the Host Barangay.





In the absence of ICCs/IPs, the funds allocated for the same shall form part of the fund for the Host Region."

**NOW, THEREFORE**, in view of the foregoing, the **Parties** hereby stipulate and agree as follows:

## **Section I. Scope of Agreement**

This **Agreement** shall cover the establishment and administration by the **Sual LGU** of separate trust accounts for **DLF** and **RWMHEEF** (the "DLF and RWMHEEF Trust Accounts").

## **Section II. Responsibilities of the Parties**

### **1. TPEC shall:**

- 1.1. Remit directly to **Sual LGU** its share of the DLF and RWMHEEF corresponding to the electricity sales of the Sual Coal-Fired Thermal Power Plant in excess of 1,000 MW covered which is covered by the Energy Conversion Agreement with the National Power Corporation in the manner set forth in Section 6 of DC2018-08-0021;
- 1.2. The DLF and RWMHEEF shall be remitted quarterly based on the reported Electricity Sales and in accordance with the following:
  - a) The DLF and RWMHEEF accruing from the billing period 26 March 2017 to June 2019 shall be directly remitted to **Sual LGU** on or before December 2019, provided the latter has already established its own trust accounts.
  - b) For the succeeding quarterly billing periods, the remittance shall be made within fifteen (15) calendar days after the end of each billing quarter.
- 1.3. Establish separate **regular accounts** in trust and/or for the benefit of the ER 1-94 Funds in accordance with the **1<sup>st</sup> Advisory on the Implementation of DC2018-08-0021 dated 02 May 2019**.

### **2. The Sual LGU shall:**

- 2.1. Be responsible for the opening and maintenance of the DLF and RWMHEEF Trust Accounts in accordance with DC2018-08-0021;

It shall request the Authorized Government Depository Bank ("**AGDB**") to adopt the account names stated below and subsequently issue a certification of the said accounts, its status and current available balance.

MUNICIPALITY OF SUAL, PANGASINAN-TPEC-DLF (ER 1-94)  
MUNICIPALITY OF SUAL, PANGASINAN-TPEC-RWMHEEF (ER 1-94)

All costs related to the opening of such trust accounts shall be considered as administrative expenses and shall be deducted from the DLF and RWMHEEF Trust Accounts.

- 2.2. Maintain the required balance in the DLF and RWMHEEF Trust Accounts (the "**Maintaining Balance**"), which shall not be withdrawn by **Sual LGU**.

The fees and charges relative to the maintenance of such trust accounts shall be considered as administrative expenses and shall be deducted from the DLF and RWMHEEF Trust Accounts.

- 2.3. Prepare and submit to **TPEC** the AWP as provided in Section 10 of Circular No. DC2018-08-0021. The AWP shall be submitted in print and in electronic copy to **TPEC** not later than March 15 of every year. It shall identify the priority tangible projects under the DLF and RWMHEEF that can be implemented within the reference year of the AWP. The **Sual LGU** shall post the validated AWP in its website and in absence thereof, in two (2) conspicuous places within its area. The AWP shall be supported by a Resolution from the Sanggunian Bayan.
- 2.4. Conduct minimum social preparation activities such as, but not limited to, community consultations and orientations in the preparation of the AWP.
- 2.5. Accept all remittances made by **TPEC** as deemed certified by the DOE, subject to post audit rules and regulations; and
- 2.6. Issue Official Receipts (ORs) within five (5) calendar days upon remittance by TPEC.

### **Section III. Effectivity of Agreement**

This Agreement shall take effect immediately upon signing by both Parties and remain valid and effective unless revoked, modified and/or amended.

### **Section IV. Amendments**

Any amendment or modification of this Agreement will only be effective upon written consent by the Parties.



## Section V. General Provisions

- 5.1. The Municipal Treasurer of SUAL LGU and the appropriate unit of TPEC shall come up with a protocol on the accounting and reconciliation of ER 1-94 funds.
- 5.2. The provisions of relevant issuances by DOE shall apply suppletorily to this Agreement.

**IN WITNESS WHEREOF**, the Parties hereby set their hands this \_\_\_\_ day of \_\_\_\_\_, 2019 in \_\_\_\_\_.

**Team (Philippines) Energy Corporation**

By:

  
**Gen Takahashi**  
President

**Municipality of Sual, Pangasinan**

By:

**Liseldo "Dong" Q. Calugay**  
Municipal Mayor

**Signed in the presence of Witnesses:**

  
**Tristan A. Taghoy**  
AVP, Energy Trading Financial Services

\_\_\_\_\_



## ACKNOWLEDGMENT

REPUBLIC OF THE PHILIPPINES)  
Taguig City ) ss

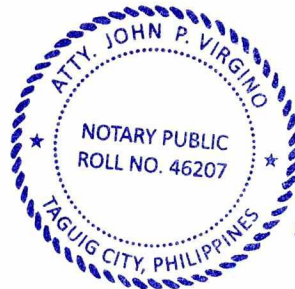
BEFORE ME, this \_\_\_\_\_ day of SEP 06 2019, at Taguig City  
personally appeared:


Name	Designation	Company	ID Number (TIN)
Gen Takahashi	President	TPEC	336-508-431

This instrument which consists of seven (7) pages, including this page on which this acknowledgment is written, has been signed by the above Party and his instrumental witnesses on each and every page thereof and sealed with my notarial seal.

**WITNESS MY HAND and SEAL**, at the place and on the date first above written.

Dos. No. 504 :  
Page No. 102 :  
Book No. VII :  
Series of 2019



  
**JOHN P. VIRGINO**  
Notary Public for Taguig City  
Commission No. 15 - Until Dec. 31, 2019  
Roll of Atty. No. 46207  
PTR No. A-4221849 - 01/03/19 - Taguig City  
IBP No. LRN-05473 - 08/16/05 - Lifetime PPLM  
25/F W Fifth Avenue Building,  
5th Avenue, Bonifacio Global City, 1634 Taguig City  
Metro Manila



## ACKNOWLEDGMENT

REPUBLIC OF THE PHILIPPINES)

\_\_\_\_\_ ) ss

**BEFORE ME**, this \_\_\_\_\_ day of \_\_\_\_\_, at \_\_\_\_\_  
personally appeared:

Name	Designation	Company	ID Number
Liseldo Calugay	Municipal Mayor	Municipality of Sual, Pangasinan	

This instrument which consists of seven (7) pages, including this page on which this acknowledgment is written, has been signed by the above Party and his instrumental witnesses on each and every page thereof and sealed with my notarial seal.

**WITNESS MY HAND** and **SEAL**, at the place and on the date first above written.

Doc. No. \_\_\_\_\_;  
Page No. \_\_\_\_\_;  
Book No. \_\_\_\_\_;  
Series of 2019

 7