

REPUBLIC OF THE PHILIPPINES  
DEPARTMENT OF FINANCE  
**BUREAU OF CUSTOMS**

06 September 2019

**CUSTOMS MEMORANDUM CIRCULAR**  
NO. 205-2019

To: The Assistant Commissioner  
All Deputy Commissioners  
All Directors and Division Chiefs  
All District/Port Collectors  
And Others Concerned

**SUBJECT: REPUBLIC ACT NO. 11371**

Attached is the Memorandum dated 29 August 2019 of Mr. Alvin P. Diaz, Director IV, Central Administration Office endorsing a copy of Republic Act No. 11371 entitled:

**"An Act Reducing Electricity Rates by Allocating a Portion of the Net National Government Share from the Malampaya Natural Gas Project for the Payment of the Stranded Contract Costs and Stranded Debts".**

For your information and guidance.

For record purposes, please confirm the dissemination of this circular throughout your offices within fifteen (15) days from receipt hereof.

  
**REY LEONARDO B. GUERRERO**Commissioner  
SEP 11 2019

BOC-09-06126

MASTER COPY

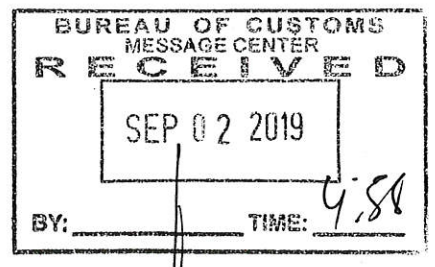
357-607

Internal Admin. Group  
Received by: V. CYR REYES  
Date: 090919  
Time: 4:40

CMC No. 205-2019 p.2



Republic of the Philippines  
**DEPARTMENT OF FINANCE**  
Roxas Boulevard Corner Pablo Ocampo, Sr. Street  
Manila 1004



**MEMORANDUM**

FOR : **HEADS OF OFFICES**  
This Department

**HEADS OF BUREAUS/ATTACHED AGENCIES**  
Department of Finance



FROM :   
**ALVIN P. DIAZ**  
Director IV  
Central Administration Office

SUBJECT : **Republic Act No. 11371** entitled "AN ACT REDUCING ELECTRICITY RATES BY ALLOCATING A PORTION OF THE NET NATIONAL GOVERNMENT SHARE FROM THE MALAMPAYA NATURAL GAS PROJECT FOR THE PAYMENT OF THE STRANDED CONTRACT COSTS AND STRANDED DEBTS"

DATE : August 29, 2019

---

Attached for information and guidance is a copy of Republic Act No. 11371 approved on 8 August 2019 by President Rodrigo Roa Duterte on the above-captioned subject.

*[Handwritten signature]*

CMC No. 205-2019 p.3

S. No. 1950  
H. No. 8869

Republic of the Philippines  
Congress of the Philippines  
Metro Manila  
Seventeenth Congress  
Third Regular Session

Begun and held in Metro Manila, on Monday, the twenty-third day of July, two thousand eighteen.

[ REPUBLIC ACT NO. 11371 ]

AN ACT REDUCING ELECTRICITY RATES BY ALLOCATING A PORTION OF THE NET NATIONAL GOVERNMENT SHARE FROM THE MALAMPAYA NATURAL GAS PROJECT FOR THE PAYMENT OF THE STRANDED CONTRACT COSTS AND STRANDED DEBTS

*Be it enacted by the Senate and House of Representatives of the Philippines in Congress assembled:*

SECTION 1. *Short Title.* – This Act shall be known as the “Murang Kuryente Act”.

SEC. 2. *Declaration of Policy.* – It is hereby declared the policy of the State to protect public interest by ensuring the provision of reliable, secure, and affordable supply of electric power to consumers. Towards this end, the State shall implement policies and programs to ensure transparent and

2

reasonable prices of electricity to consumers by minimizing the universal charges for stranded contract costs and stranded debts.

SEC. 3. *Definition of Terms.* – For purposes of this Act, the following terms shall be defined as stated below:

(a) *Joint Congressional Energy Commission (JCEC)* refers to the congressional commission constituted under Section 62 of Republic Act No. 9136, otherwise known as the "Electric Power Industry Reform Act of 2001", as amended by Republic Act No. 11285, otherwise known as the "Energy Efficiency and Conservation Act";

(b) *Malampaya fund* refers to the existing and future government share from the net production proceeds of the Malampaya Natural Gas Project pursuant to Presidential Decree No. 87, otherwise known as "The Oil Exploration and Development Act of 1972", and Service Contract 38. This government share forms part of a Special Account in the general fund used to finance energy resource development and exploitation programs pursuant to Presidential Decree No. 910, entitled "Creating an Energy Development Board, Defining Its Powers and Functions, Providing Funds Therefor, and For Other Purposes";

(c) *Malampaya Natural Gas Project* refers to Service Contract 38 in offshore Northwest Palawan;

(d) *Net government share* refers to the sixty percent (60%) share of the national government from the net production proceeds of Service Contract 38 pursuant to Presidential Decree No. 87, otherwise known as "The Oil Exploration and Development Act of 1972", after the deductions provided by Presidential Decree No. 910, Creating the Energy Development Board;

(e) *Net national government share* refers to the share of the national government from the net government share after the deduction from the net government share of the local

3

government share pursuant to Section 290 of Republic Act No. 7160, otherwise known as the "Local Government Code of 1991";

(f) *Net production proceeds* refer to the balance of gross proceeds from Service Contract 38 after deducting the Filipino Participation Incentive, if any, and all operating expenses pursuant to Section 8(1) of Presidential Decree No. 87, otherwise known as "The Oil Exploration and Development Act of 1972";

(g) *Stranded contract costs of the National Power Corporation (NPC)* refer to the excess of the contracted cost of electricity under eligible independent power producer contracts over the actual selling price of the contracted energy output of such contracts in the market. Such contract shall have been approved by the Energy Regulatory Board as of December 31, 2000;

(h) *Stranded debts of the NPC* refer to any unpaid financial obligations of the NPC which have not been liquidated by the proceeds from the sales and privatization of NPC assets; and

(i) *Universal charge* refers to a non-bypassable charge which shall be passed on and collected from all end users on a monthly basis by the distribution utilities.

SEC. 4. *Use of Malampaya Fund.* – Two hundred eight billion pesos (P208,000,000,000.00) of the proceeds of the net national government share from the Malampaya fund, shall be utilized for the payment of stranded contract costs and stranded debts transferred to and assumed by the Power Sector Assets and Liabilities Management Corporation (PSALM) pursuant to Section 49 of Republic Act No. 9136, the "Electric Power Industry Reform Act of 2001", including all anticipated shortfalls in the course of payment of such liabilities after applying the PSALM's collections from the privatization of the NPC's assets, independent power producers' contracts, and proceeds from operations of existing assets: *Provided, That* annual allocations from the Malampaya fund for the payment

of stranded contract costs and stranded debts including all anticipated shortfalls shall be included in the General Appropriations Act consistent with the fiscal program of the government, the procedure for which shall be provided in the implementing rules and regulations of this Act. *Provided, further,* That any remaining and future proceeds of the net national government share from the Malampaya fund over and above the amount indicated in this Act shall remain in the Special Account in the general fund to finance energy resource development and exploitation programs pursuant to Presidential Decree No. 910, Creating the Energy Development Board: *Provided, finally,* That this provision shall not impair in any way the use or application of the remaining amount or future proceeds of the net national government share of the Malampaya fund to be used for energy resource development and exploitation programs pursuant to Presidential Decree No. 910.

The Department of Budget and Management (DBM) shall ensure the timely release of the amounts allocated and appropriated to the PSALM in accordance with its debt and independent power producer payment schedule.

In the event the stranded contract costs, stranded debts, and anticipated shortfalls in the course of the payment of such liabilities are fully paid before the exhaustion of the amount allocated in this Act, the remainder of the amount allocated shall be utilized to finance energy resource development and exploitation programs pursuant to Presidential Decree No. 910, Creating the Energy Development Board.

The universal charges for stranded contract costs and stranded debts currently being collected may be covered by the allocated amount from the Malampaya fund subject to the implementing rules and regulations of this Act.

**SEC. 5. Regular Reports.** – The PSALM shall submit an annual projected cash flow statement and an annual actual cash flow statement of the stranded contract costs, stranded debts, and anticipated shortfalls as well as its debt payment

and independent power producer contract payment schedule to the Department of Energy (DOE), Energy Regulatory Commission (ERC), Department of Finance (DOF), DBM, and the JCEC: *Provided,* That the submission of the annual projected cash flow statement shall be on or before June 30 of the preceding year and that of the annual actual cash flow statement shall be on or before June 30 of the succeeding year. The PSALM shall regularly coordinate with the DOE, DOF, and the DBM to ensure consistent recordkeeping of disbursements from the Malampaya fund. The PSALM shall make all reports available to the public through its website.

**SEC. 6. Congressional Oversight.** – Upon the effectivity of this Act, the JCEC shall exercise oversight powers over its implementation.

**SEC. 7. Implementing Rules and Regulations.** – Within ninety (90) days from the effectivity of this Act, the DOE and DOF, in consultation with the DBM, the Bureau of the Treasury, and the PSALM shall promulgate the necessary rules and regulations for the proper disposition of the said funds and the effective implementation of this Act. Upon the effectivity of the implementing rules and regulations of this Act, no new universal charges for stranded contract costs and stranded debts shall be collected.

**SEC. 8. Separability Clause.** – If, for any reason, any provision of this Act is declared unconstitutional or invalid, the other parts or provisions hereof which are not affected thereby shall continue to be in full force and effect.

**SEC. 9. Amendatory Clause.** – Section 8 of Presidential Decree No. 910, Creating the Energy Development Board insofar as the use of the Special Account in the general fund is hereby amended.

**SEC. 10. Repealing Clause.** – All laws, presidential decrees, executive orders, issuances, rules and regulations inconsistent with the provisions of this Act are hereby repealed or modified accordingly.

*[Handwritten signature]*

CMC No. 205-2019 p.6

6

SEC. 11. *Effectivity.* – This Act shall take effect fifteen (15) days after its publication in the *Official Gazette* or in a newspaper of general circulation.

Approved,

*[Signature of Gloria Macapagal Arroyo]*

GLORIA MACAPAGAL ARROYO  
*Speaker of the House  
of Representatives*

*[Signature of Vicente C. Sotto III]*

VICENTE C. SOTTO III  
*President of the Senate*

This Act which is a consolidation of Senate Bill No. 1950 and House Bill No. 8869 was passed by the Senate of the Philippines and the House of Representatives on May 28, 2019 and May 29, 2019, respectively.

*[Signature of Dante Roberto P. Maling]*  
DANTE ROBERTO P. MALING  
*Acting Secretary General  
House of Representatives*

*[Signature of Myra Marie D. Villarica]*  
MYRA MARIE D. VILLARICA  
*Secretary of the Senate*

Approved: AUG 08 2019

*[Signature of Rodrigo Roa Duterte]*



RODRIGO ROA DUTERTE  
*President of the Philippines*

O



REPUBLIC OF THE PHILIPPINES  
PRRD 2016 - 011904

Office of the President  
MALACAÑANG RECORDS OFFICE  
**CERTIFIED COPY**  
*[Signature]*  
ATTY. CONCEPCION ZENY E. FERROLINO-ENAD  
DIRECTOR IV  
C-879-2019