



**NATIONAL POWER CORPORATION**

NPB-OCS - 18 - 0218

**MEMORANDUM**

For : **THE MEMBERS  
NATIONAL POWER BOARD**

From : **THE BOARD REVIEW COMMITTEE**

Subject : **BOARD REVIEW COMMITTEE (BRC) REPORT  
[For the 13 September 2018 BRC Meeting]**

Date : 17 September 2018

Hereunder are the highlights/salient points of the Board Review Committee (BRC) Meeting held on *13 September 2018* for the reference of the Members of the Board:

**I. Call to Order.**

There being a quorum, Asec. Danielle Marie S. Rieza-Culangen, Representative of the DOF Secretary and Chairman of the NP Board, called the meeting to order.

**II. Adoption of the Agenda.**

After the prayer led by the Corporate Secretary, the BRC adopted the Agenda as presented. Upon the request of Asec. D.M.S. Rieza-Culangen, the BRC agreed to first discuss the non-contentious items while waiting for Usec. B.H. Agabin who committed to attend the committee meeting.

**III. Presentation and Discussion.**

***a. Request for Representation to Increase the Rate of Travel Allowance from PhP800.00 to PhP1,500***

Supporting the letter-appeal from the Power Generation Employees' Association (PGEA), Pres. P.J. Benavidez himself discussed the need to increase the rate of travel allowances of NPC officials and employees, citing that COA and Supreme Court have in fact already issued circulars to effectuate adjustments in the allowances. The highlights of the Committee's discussion are as follows:

- Dir. C.P. Mahinay confirmed that several government agencies have been clamoring for the amendment of *Executive Order No. 298 dated 23*



March 2004 which prescribes the rules and regulations and the applicable rates of allowances for all official foreign and local travels of government personnel. She underscored that the Supreme Court, Constitutional Commissions (COA, CSC and COMELEC) and Constitutional Bodies (CHR and Office of the Ombudsman) belong to the *Constitutional Fiscal Autonomous Group* and enjoy fiscal autonomy per constitutional guarantees.

- Dir. C.P. Mahinay informed that DBM already submitted a recommendation to the Office of the President regarding the proposed adjustment of travel allowances. However, she said that DBM was directed to evaluate whether the rates can vary depending on the region where a personnel or official goes, instead of uniform and flat rates. She also committed to follow up the matter with the handling DBM bureau.
- Asec. D.M.S. Rieza-Culangen underscored that National Government agencies and GOCCs have to continue using the existing rates pending DBM and OP's evaluation of the proposed amendment to EO 298.
- Addressing the query of Asec. D.M.S. Rieza-Culangen on whether actual expenses can be paid, Pres. P.J. Benavidez confirmed that the said expenses are allowed provided the travel order is signed by the agency head and in the case of NPC, by the President and CEO.
- The Corporate Secretary commented that since not all travel orders are signed by the CEO, increasing the rates of travel allowance will be appreciated by NPC personnel. He also clarified that the Board may pass a resolution supporting and endorsing the request of the Management for the amendment of EO 298.
- Responding to the inquiry of Dir. R. P. Quilala, Pres. P.J. Benavidez and the Corporate Secretary informed that since the rates of the travel allowances are so fixed by a presidential issuance, the appeal for adjustments shall be directed to the Office of the President thru DBM and not to GCG. The Corporate Secretary however said that the appeal may also be forwarded to GCG in order to strengthen the call for EO 298's amendment.

**BRC Action** : **Upon the motion of Dir. R.P. Quilala, duly seconded by Pres. P.J. Benavidez and Exec. Dir. R.V. Angeles, the Committee endorsed the passage by the NP Board of a Resolution supporting the request of the NPC Management to increase the rate of travel allowance from Php800 to Php1,500.**

**The said Resolution shall be forwarded to DBM and the GCG for consideration.**

***b. Grant of Senior Citizen's Discount for Electricity Consumption in SPUG Mini-Grid Areas.***

Citing the letter from the Office of the Senior Citizens Affairs in Maconacon, Isabela, Pres. P.J Benavidez briefly explained the request. He said that the discount sought by the senior citizens may not be granted by NPC because first, operations in the missionary areas is already subsidized through UCME; second, there is no mechanism yet in place to ascertain and confirm the identity of the senior citizens since the existing law requires that the electricity meters be registered under the name of a senior citizen; and third, the distribution utilities/electric cooperatives should be the ones to confer such discount because they directly supply power to and are the ones that issue electricity bills, to the households.

Dir. R.P. Quilala concurred with the opinion of Pres. P.J. Benavidez that this is not the concern of NPC since it is the distribution utility/electric cooperative that directly provides power to the households. However, he pointed out that the cooperatives may turn to NPC and seek for a corresponding adjustments in whatever payables due to the corporation since they (cooperatives) too have to address if not mitigate the financial impact of the discounts to their operations.

**BRC Action :** **The Committee directed the Office of the Legal Counsel to review the request of the senior citizens in Maconacon, Isabela vis-à-vis the provisions of the contract between NPC and the DUs. It also instructed the Management to submit a legal opinion and/or policy recommendations on the matter and to present the estimated financial impact of the discounts to the corporation.**

***c. Construction of Power Facilities for the Transfer of Sabtang Diesel Power Plant in Batanes (PR No. SO-OPD17-002)***

Pres. P.J. Benavidez presented pictures of the dilapidated condition of Sabtang DPP in Batanes. Right after, VP M.P. Ridulme provided the background and highlights of the procurement process for the above project. VP M.P. Ridulme informed the Committee that the transfer of Sabtang DPP is imperative especially since its condition was previously the subject of an [Internal] Audit Report. He also informed that the post qualification took some time because NPC had to secure the necessary clearances from the NCIP and the DENR.

In response to the point of clarification raised by Dir. C.P. Mahinay, Pres. P.J. Benavidez informed the Board that while the project was initially included in 2017's plans and programs, the project was properly reprogrammed in 2018. He also assured that there is a budget cover for the project.

**BRC Action :** The Committee endorsed the proposal for the approval by the National Power Board. It also directed the Management (Finance Group) to ensure that there will be no funding issues for the project (i.e. that the project was properly reprogrammed in 2018).

***d. One Year Supply of Manpower Services (Professional/Technical and Administrative/General Services) for Various NPC Offices, Facilities and Installations in Five (5) Schedules***

VP M.P. Ridulme explained that the institutional hiring of manpower services is a strategy of the Management to comply with the pronouncement of President Rodrigo Duterte to end the contractualization of labor in the country. He explained the highlights of the procurement process and informed the BRC how did the BAC resolve the issue on contract splitting and the determination of the Single Largest Completed Contract (SLCC) raised by a losing bidder, LBP Service Corporation. VP M.P. Ridulme informed that he will include in the Board presentation information on the date LBPS received the letter of NPC-BAC dated 24 August 2018 which addressed the issues raised.

(Dir. B. F. San Juan [DA], Ms. M.C.G. Danao and Mr. A.M. Ramirez III [NEDA] arrived)

The highlights of the discussion are as follows:

- Dir. B.F. San Juan reiterated that under the Joint Circular No. 1, s. 2017 issued by CSC, COA and DBM, specifically Sec. 11.3 thereof (Transitory Provision), government agencies were directed to “review their functions, systems and procedures, organizational structure and staffing to determine the appropriate manpower complement for their programs/activities/projects. Creation of permanent positions may be considered for regular functions, while hiring of casual or contractual personnel may be considered for projects and activities that are temporary in nature, subject to approval of the oversight agencies concerned and to existing budgeting and accounting rules and regulations.” She then sought clarification whether NPC already conducted such review and whether NPC considered seeking exemption from the coverage of the circular.
- Pres. P.J. Benavidez informed that NPC will propose a reorganization in 2019 where he sees the reduction of plantilla positions in the head office and the increase of positions for SPUG areas especially since NPC is an *operations* corporation. He cited that the missionary electrification function of NPC should be strengthened by the proposed reorganization.

- Dir. C.P. Mahinay underscored that vacant positions in NPC should now be filled up and qualified COS personnel may be considered for the said positions.
- Dir. R.P. Quilala stressed that salaries of the personnel hired under institutional contracting should be compliant to and consistent with the approved wages of the Regional Wage Board. He also suggested that the Management consult DOLE on the requirements that should be complied with by the winning bidder(s).
- Dir. B.F. San Juan expressed her agreement to the manifestation of Exec. Dir. R.V. Angeles that Management may request for exemption from the coverage of the circular should there be repercussions in the implementation. She also said that some government agencies have in fact sought for exclusion from the circular. She further said that with its mandate of providing electricity to far-flung areas, NPC can easily submit its justifications.
- Pres. P.J. Benavidez informed that the NPC Management will not seek exemption from the circular considering that the transition is supported by the concerned COS personnel.
- Dir. C.P. Mahinay remarked that in NPC's restructuring plan, the Management can submit a partial or piece meal change by identifying the priority department/division and positions to be created or converted using the "scrap and build" mode. In response, Pres. P.J. Benavidez said that he is eyeing for a total restructuring to eliminate the redundant positions.
- Dir. R.P. Quilala voiced out the problem of DENR with respect to the regulatory function of NPC over select watershed reservations. While he acknowledged that a law, an executive order and a DOJ opinion vested NPC complete jurisdiction and control over watershed covers that support hydro and geothermal power generation, DENR is of the opinion that regulatory authority should be exercised solely by them especially since NPC no longer owns the hydro and geothermal plants. He said that with the upcoming 2019 reorganization, NPC' WMD personnel may be transferred to and absorbed by DENR.

**BRC Action :** **Upon the motion of Dir. C.P. Mahinay duly seconded by Dir. R.P. Quilala, the Committee endorsed the approval of the proposed contract(s) subject to the following instructions:**

- 1. Indicate in the presentation when did LBP Services Corporation receive the letter of NPC(BAC) dated 24 August 2018.**
- 2. Include in the Board presentation the following:**



- a. Current manning complement of NPC (filled/unfilled);
- b. Breakdown of the proposed number of personnel per level and indicate the total financial requirement/costs per level;
- c. Comparison between the salaries/benefits received by personnel hired by NPC (COS) and by a service provider;
- d. Number of COS/Job Order personnel of NPC and their average number of "years in service with NPC";
- e. Cost assumptions in the preparation of TOR (e.g. costs for travel of agency personnel; training costs, etc.); show how ABC was determined.

3. Include in the contract with the winning service providers, a provision regarding the regularization of the employees (and their entitlement to the statutory benefits and incentives).

4. The Management must ensure that the arrangement is just a temporary/remedial measure to comply with President Duterte's directive to end contractualization (i.e. Discuss whether the current COS personnel can be absorbed by NPC during the proposed reorganization; Discuss why NPC opts to outsource personnel when exemption from institutional hiring can be sought.

*e. Supply, Delivery, Construction, Installation, Testing and Commissioning of 5 MVA Taytay Substation Project, Brgy. Poblacion, Taytay, Palawan (PR No. HO-PIG18-004/PB180605-AP00097)*

VP M.P. Ridulme briefed the committee on the existing, on-going and proposed transmission line facilities in Palawan. He then proceeded to discuss the salient points of the procurement process.

The highlights of the discussion are as follows:

- Asec. D.M.S. Rieza-Culangen commented that NPC should limit the documents being required during the bid opening to those that are specifically identified under procurement laws. She said that while the corporation has all the right to be protected from [frivolous bidders], competition should be encouraged. She noted that document(s) being required of the bidders should be checked only during the post-qualification stage and not during the bid opening where non-discretionary 'pass or fail' criterion is used. She further stressed how crucial the conduct of a pre-procurement conference is to a successful bidding process.
- Dir. R.V. Angeles voiced out his apprehension that there might be collusion among the bidders because those who were disqualified suspiciously failed to submit documents that are often and usually submitted during the procurement process. The issue on ISO certification for the proposed *lighting* (as against *lightning*) system was likewise raised.
- Asec. D.M.S. Rieza-Culangen shared an article published in a broadsheet regarding COA findings on the splitting of contracts and [irregularity in the] PCAB license of a contractor for a Yolando Rehabilitation project. She reminded the Management to be cautious and strict in the preparation of the specifications for projects.
- Dir. R.P. Quilala remarked that the bidding process proceeded based on the approved terms of reference and should there be re-bidding, it may take up to six months before the contract is awarded.

**BRC Action :** Upon the motion of Dir. R.P. Quilala duly seconded by Exec. Dir. R.V. Angeles, the BRC endorsed the proposed contract to the NP Board for approval. It also directed the Management to re-evaluate the documents being required during the bid opening (when some should only be asked during the post qualification stage).

**f. Filing of Plan 15 Petition on the Availment of the Universal Charge-Environmental Charge (UC-EC) for NPC Watershed Areas**

The Corporate Secretary informed the Committee that in accordance with the previous instruction of the BRC and NP Board to include in the UC-EC filing the attendant costs for the maintenance and management of dams, the Management is endorsing Plan 15 Petition for submission to ERC.

VP U.C. Mendiola, Jr. of the Corporate Affairs Group, assisted by Mr. E.A. Umali of the Watershed Management Department provided a gist of the Plan 15 Petition.



*Handwritten signature*  
**7**

(Usec. B.H. Agabin [DOF] arrived.)

VP U.C. Mendiola, Jr. discussed the legal bases for the filing of the petition and provided information about the universe of the watershed areas managed by NPC per zone classifications, the accomplishment reports for the restoration zones (including the contributions of partners and the National Greening Program) and the physical targets (programs and support activities) covered by Plan 15. In compliance with the instruction of the BRC and the NP Board, VP U.C. Mendiola, Jr. presented the cost-benefit analysis of the watershed management activities implemented by NPC for the *Restoration*, *Strict Protection* and *Multiple Use* zones. Under Plan 15, NPC will seek ERC's approval to avail Php239,350,386.00 from the UC-EC funds to support the various watershed management protection, enforcement and rehabilitation activities of NPC-WMD.

VP U.C. Mendiola, Jr. also informed that in accordance with the previous instruction of the BRC and NP Board, [the Office of the Legal Counsel confirmed that the rules governing UC-EC funds may be liberally stretched to finance the maintenance activities for the dams and other non-power components of hydro electric power plants considering that the EPIRA's intention in imposing the UC-EC from electricity consumers is to support the sustainable generation of hydro and geothermal plants.] Accordingly, he presented the dam management-related activities that shall likewise be included in the ERC petition.

The highlights of the discussion are as follows:

- Usec. B.H. Agabin manifested that he personally supports the idea of utilizing the UC-EC funds for dam management activities within the watershed areas covered by NPC on a condition that the same is allowable under the law and that no one will be charged with malversation of public funds. Pres. P.J. Benavidez and VP U.C. Mendiola, Jr. explained that the NPC Management was willing to try considering that the final resolution of any petition for UC-EC availment lies with the ERC after conducting the requisite hearings.
- In response to Usec. B.H. Agabin's queries, Mr. E.A. Umali explained that NPC conducts aerial surveys over watershed covers through an aerial surveillance company (with helicopters) and that NPC will be procuring drones, as their use could be cheaper. Due to the vastness of NPC's watershed cover, Usec. B.H. Agabin recommended to the Management the conduct of a study regarding alternative and cost-effective technologies that can help NPC in monitoring the watershed areas.
- In response to Dir. R.P. Quilala's inquiry, VP U.C. Mendiola, Jr. and Mr. E.A. Umali extensively provided explanation on the trend utilization of UC-EC, the accomplishments of WMD vis-à-vis the previously approved *Plans* and the estimates of the UC-EC funds collected since the funds are based on energy generation and are



availed of annually (although ERC has yet to act on several pending petitions).

- Dir. R.P. Quilala commented that stretching the meaning of the EPIRA provision on UC-EC availment to include activities that pertain to dam management may be a sensitive option to pursue since the law specifically identifies that the funds shall be used solely for watershed protection and rehabilitation.
- Pres. P.J. Benavidez clarified that the necessity of providing contingency funds for liabilities that may arise out of dam operations led to the idea of exploring the UC-EC funds since EPIRA promotes the sustainable generation of hydro and geothermal power through watershed protection and rehabilitation activities. He then expressed his opinion that it is the power plant operators and owners, not NPC, that should finance activities relating to dams management and maintenance.
- Dir. R.P. Quilala stressed the need for cooperation and mutual agreement between NPC and DENR with respect to management of watershed areas. Pres. P.J. Benavidez expressed his agreement to enter into a MOA with DENR for the management of watershed areas.
- Dir. R.V. Angeles supported Dir. R.P. Quilala's take on entering into a cooperation agreement for the management of watershed areas. He further stated that the UC-EC Funds made available to NPC by ERC and the DENR's GAA budget can be used to strengthen watershed management and protection activities. Usec. B.H. Agabin suggested that a team composed of NPC and DENR officials be created to craft the proposed agreement between the said agencies.
- Taking a queue from the Committee's discussion, Pres. P.J. Benavidez withdrew from the Plan 15 Petition, the request to avail UC-EC funds for dam-related activities. Usec. B.H. Agabin then underscored that the funding requirements for dam management and operation be thoroughly discussed by NPC and PSALM Corporation.
- In response to Dir. B.F. San Juan's request, VP U.C. Mendiola, Jr. and Mr. E.A. Umali committed to provide the NP Board an analysis of the drivers/major causes of watershed destruction/deforestation.

**BRC Action :**                    **The Committee endorsed the proposed filing with the ERC of the Plan 15 Petition to the NP Board for approval, except the proposed availment of UC-EC funds for the management of dams. The Committee also issued the following instructions:**

1. Look for other schemes/options to finance the activities pertaining to dam management (e.g. arrangement with the plant operators/owners);
2. Provide Members of the Board copy of the analysis of the drivers/major causes of watershed destruction/deforestation (problem and solution tree); and
3. Discuss with PSALM the options to fund the activities pertaining to dam operations (especially the payment of liabilities). (Members of the NPC Board [who are also members of PSALM Board] agreed to raise and discuss the matter with PSALM Management.)

***g. Internet-based Performance Evaluation for Directors (iPED)***

The Corporate Secretary reminded the BRC members of their duty to accomplish the internet-based Performance Evaluation for Directors (iPED) in accordance with the existing GCG rules. He explained that the assessment is necessary to determine the incentive rate and factor of appointive directors.

***h. Update: Grant of Step Increment for Non-Plantilla Personnel with Employee-Employer Relationship***

The Committee took note of that the Management is still waiting for an affirmative action from DBM and GCG.

**IV. Adjournment**

The meeting was adjourned at 11:55 AM.

**V. BRC Members/Representatives Present**

- a. Usec. Bayani H. Agabin**  
Alternate of the DOF Secretary  
BRC Chairperson

**Asec. Danielle Marie S. Rieza-Culangen**  
Alternate of the DOF Secretary  
BRC Chairperson

- b. President Pio J. Benavidez**  
Member – NPC

- c. **Dir. Rabindranath P. Quilala**  
Representative of Usec. Sherwin S. Rigor, DENR
- d. **Exec. Dir. Raul V. Angeles**  
Alternate of the DTI Secretary
- e. **Dir. Carmencita P. Mahinay**  
Alternate of the DBM Secretary
- f. **Dir. Bernadette F. San Juan**  
Representative of Usec. A. T. Cayanan, DA
- g. **Ms. Marie Christine G. Danao**  
Representative of Asec. R. M. Planta , DENR
- h. **Mr. Emmanuel C. Talag**  
Representative of Usec. F.W. B. Fuentebella, DOE
- i. **Atty. Patrick Mabbagu**  
Corporate Secretary

Respectfully submitted.



**PATRICK MABBAGU**

[For the Board Review Committee]