



NATIONAL POWER CORPORATION

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NPB-OCS-18 - 0131  
**MEMORANDUM**

For : **THE MEMBERS  
NATIONAL POWER BOARD**

From : **THE BOARD REVIEW COMMITTEE**

Subject : **BOARD REVIEW COMMITTEE (BRC) REPORT  
[For the 15 May 2018 BRC Meeting]**

Date : **21 May 2018**

Hereunder are the highlights/salient points of the Board Review Committee (BRC) Meeting held on 15 May 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. Preliminaries and Adoption of the Agenda.**

After the prayer led by the Corporate Secretary, the BRC adopted the Agenda as indicated in the Agenda Folder.

**III. Presentation and Discussion**

- a. Approval/Confirmation of the Authority of the NPC President and CEO to Sign the Deed of Grant of Usufructuary Rights for the 2000 sq. m. Property of the Provincial Government of Cebu for the Establishment/Construction of SPUG Visayas Operations Office**

Atty. Melchor P. Ridulme, VP-Legal Counsel, presented the above item. His presentation was outlined as follows: (i) Action Requested; (ii) Background; (iii) Site of the Proposed NPC-SPUG Visayas Operation Office; (iv) Salient Features of the Deed of the Grant of Usufructuary Rights; (v) Proposed NPC-SPUG Visayas Operation Office; (vi) Cost and Benefit Analysis; and (vii) Recommendation.

The highlights of the discussion are as follows:

- The Corporate Secretary clarified that in accordance with the Revised Manual of Approvals, the President and CEO is authorized to sign the

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Deed of Usufructuary, only that the Provincial Legal Office of Cebu is requesting for the NP Board's confirmation of the authority of the NPC President to sign the said agreement.

- VP M.P. Ridulme disclosed that around PhP 60 Million was already appropriated in CY 2018 for the construction of the NPC-SPUG Visayas Operation Office.
- The Management assured the Board that the site is a government-owned lot and that the informal settlers are not claiming ownership of the area.
- Asec. D.M.S. Rieza-Culangen suggested that in the presentation of the Cost Benefit Analysis to the Board, the Management should include the *estimated costs in pursuing the usufruct* such as: 1) construction costs; 2) RPT and other taxes; and 3) expenses to be incurred in the relocation of the informal settlers. She also suggested that the provision in the Revised MOA showing the specific authority of the President and CEO to sign deeds/agreements be shown.

**BRC Action : The BRC endorsed the proposal for the NP Board approval. The Management was also instructed to:**

**1. Include in the cost benefit analysis the following:**

- a. **Costs in constructing the SPUG Visayas Operations Center;**
- b. **Real Property Taxes [and other applicable taxes]; and**
- c. **Costs in relocating the informal settlers in the area**

**2. Cite the provision(s) in the Manual of Approvals regarding the authority of the President and CEO to sign Deed(s) of Usufruct.**

#### **b. Approval of the Revised NPC Whistle Blowing Policy**

Before VP M.P. Ridulme's presentation, the Corporate Secretary informed the Board that NPC already has an existing Whistle Blowing Policy only that during their latest round of evaluation, GCG required the NPC Management to have the said Policy revised and approved by the National Power Board. VP M.P. Ridulme clarified that the existing NPC circular needs to be modified also considering the additional reportorial conditions that GCG wants GOCCs to include in the Whistle Blowing Policy System. VP M.P. Ridulme's presentation proceeded using the following outline: (i) Action Requested; (ii) Background; (iii) Additional Provision of the Proposed NPC Revised Whistle Blowing Policy: a) Additional Reportable Conditions; b) Reporting channel via an email; and c) Protection of the whistleblower against cited retaliatory acts; and (iv) Recommendation.

The highlights of the discussion are as follows:





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- VP M.P. Ridulme enumerated the conditions that will be included in the existing Whistle Blowing Policy of the Corporation.
- Upon the inquiry of Asec. D.M.S. Rieza-Culangen, VP M.P. Ridulme informed the Committee that the Office of the Legal Counsel was tasked to manage the reporting channel/email ([whistleblower@napocor.gov.ph](mailto:whistleblower@napocor.gov.ph)). He added that an Investigation Committee<sup>1</sup> was already constituted in accordance with the latest GCG Circulars.
- VP M.P. Ridulme clarified that generally, the provisions of the existing policy remained unchanged. He also discussed that in accordance with the GCG Circular(s), all whistleblowers are to be protected from retaliatory acts of the officials complained. In response to the query of Dir. A.P Saliot, VP M.P. Ridulme also discussed why the employees' association is not represented in the investigation committee.

**BRC Action :** The BRC endorsed the proposal for the NP Board approval. The Management was also instructed to include in the presentation material the actual text of the proposed Revised NPC Whistleblowing Policy/Circular.

**c. Approval of the New Energy Conservation Program (ENERCON) Program for NPC**

Pres. P.J. Benavidez himself presented the above-indicated item for the information of the Board. The presentation was outlined as follows: (i) Action Requested; (ii) Background; (iii) Comparison of Existing and Proposed Benchmark; (iv) Table 1-Computation of Savings (2017); (v) Table 2-Computation of Savings (2017); (vi) Comparison of the ENERCON Bonus of Employees; (vii) Recommendation; (viii) Comparison of the Existing Provisions and Proposed Amendments to Administrative Order No. 110. During his presentation, the President clarified that the Energy Conservation Program covers all government agencies.

**BRC Action :** The BRC endorsed the proposed program for the information of/notation by the National Power Board. The Committee also noted that the program is blazing a trail in energy conservation. However, since government corporations and offices are bound by Administrative Order 110 issued by the President of the Philippines, the BRC asked the Management to submit first the proposal to and make representations with the Department of Energy (DOE) so that the Government Energy Management Program (GEMP) will accordingly be modified.

<sup>1</sup> The Investigation Committee is chaired by VP/Legal Counsel the Members include the following Manager of the Legal Services Department, Manager of HR Department, a Corporate Attorney and the Corporate Staff Officer C from the Office of the Legal Counsel.



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**d. Amendment to Order, re: Contract for the Supply, Delivery and Test of Thirty One (31) Units of Quick Response Modular Diesel Generating Sets and Associated Electrical Equipment for SPUG Areas**

Atty. Rogel T. Teves, VP for Power Engineering Services (PES), presented the above item. At the outset, he remarked that in view of the organizational changes recently implemented by the Management involving SPUG and PES and the transition process involved, the Management overlooked the proper approval process of Amendment to Order for the above-indicated contract.

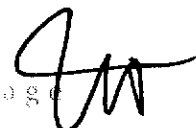
VP R.T. Teves' presentation proceeded with the following outline: (i) Action Requested; (ii) Project Profile; (iii) Chronology of Events; (iv) Schedules of Delivery/SAT OF QRG-Luzon/ Bulacan; (v) Schedules of Delivery/SAT OF QRG-Visayas/Cebu; (vi) Schedules of Delivery/SAT OF QRG-Davao and Zamboanga/Mindanao; (vii) Comparative Analysis re: Continuous Power Rating and Fuel Rate Comparison; (viii) Comparative Analysis re: Fuel Savings; (ix) Comparative Analysis re: HCDC Price Reduction; (x) Status of Quick Response Gensets (April 2018); (xi) List of Replaced Engines [17 QRG Units]; (xii) Recommendation; (xiii) Legal Basis-TOR; and (xiv) Legal Bases.

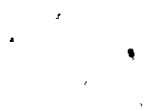
The highlights of the discussion are as follows:

- The Management assured the BRC that the proposed Amendment to Order will not involve any additional cost to the project.
- Asec. E.V. Densing III raised a query whether changes in the specifications of the [generating sets] after the award of contract is allowed under the Procurement Law. VP R.T. Teves then lengthily explained the legal bases and justifications for such changes.
- Asec. E.V. Densing III remarked that in the Board Resolution, the premises and reasons which convinced the Board to approve the Management's proposal should be clearly and explicitly laid out<sup>2</sup>.
- Asec. D.M.S. Rieza-Culangen suggested for the inclusion in the Board presentation of the fact that NPC is compliant with all the legal requirements pertaining to Amendment to Order. The Management, upon the suggestion of the VP M.P. Ridulme will also include in the presentation, COA opinions about Amendment Orders.
- Asec. D.M.S. Rieza Culangen also inquired whether there are similarly situated contracts/projects in NPC to which VP R.T. Teves answered in the negative.

**BRC Action : The BRC endorsed the proposal for the consideration and approval of the NP Board with the following instructions:**

<sup>2</sup> Asec. E.V. Densing III said that the following may be included as a premise: "that there was really an intention to submit the proposal for amendment to order sometime in July 2017 but in view of the transition period and the time spent for gathering the supporting documents, the Management overlooked the submissions to the NP Board".







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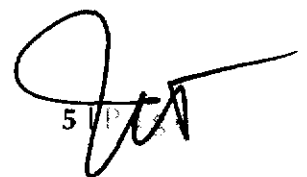
- a. Provide a backgrounder on the procurement of the 31 Quick Response Modular Diesel Gensets and Associated Electrical Equipment for SPUG Areas; and
- b. Improve the presentation and point out NPC's compliance with the requirements/conditions detailed under existing procurement laws/rules on amendment to order.

**e. Proposed FY 2019 NPC Corporate Operating Budget (COB) – SPUG/WMD/BNPP/PES/NON-OMA**

Pres. P.J. Benavidez remarked that the 2019 COB was premised on the direction of the DOE to fast track the 100% electrification program for all the islands in 2020. After informing the Board of the thrust of the energy department, Ms. Venice A. Amistoso, Manager of the Financial Planning, Budget and Program Review Department, assisted by Ms. Lorie M. Bomediano, Manager, Financial Planning Division, presented the above item. The NPC Finance Group's presentation was outlined as follows:

- (i) FY 2019 Targets and Assumptions;
- (ii) FY 2017-2019 Comparative Generation Mix by Plant;
- (iii) FY 2017-2019 Comparative Energy Sales;
- (iv) Budget Highlights;
- (v) FY 2019 Targets and Assumptions-Personnel Services: Total Number of Positions;
- (vi) FY 2019 Personnel Services Assumptions;
- (vii) FY 2019 Proposed Targets/Assumptions-Capital Expenditures [SPUG/PES/Non-OMA];
- (viii) Comparative Corporate Operating Budget-FY 2017-2019;
- (ix) FY 2018-2019 Proposed Corporate Operating Budget Variance Analysis;
- (x) FY 2017-2019 Maintenance & Other Operating Expenses;
- (xi) FY 2018-2019 Comparative Maintenance & Other Operating Expenses-Variance Analysis;
- (xii) FY 2017-2019 Comparative Fuel Cost;
- (xiii) Comparative Rental/Lease of Gensets, FY 2017-2019;
- (xiv) New Power Provider/QTP-2017-2019;
- (xv) FY 2018-2019 Comparative Capital Expenditures-By Major Categories/Functional Group;
- (xvi) FY 2019 Capital Expenditures-By Source of Funds;
- (xvii) Financial Results;
- (xviii) FY 2017-2019 Net Utility Revenue;
- (xix) FY 2017-2019 Comparative Income Statement; and
- (xx) FY 2019 Budgetary Sources of Funds.

The highlights of the discussion are as follows:



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- Pres. P.J. Benavidez remarked that had the Competitive Selection Process (CSP) been successfully implemented by the electric cooperatives (in Mindoro, Marinduque, Catanduanes, Tawi-Tawi), the genset rentals should have been much lower than 36 MW.
- Upon the request of Asec. D.M.S. Rieza-Culangen, the Finance Group will include in the presentation to the Board the following: 1) Forward Estimates (Capex) for 2020-2022; 2) Corporate Budgetary Projections for 2020-2021; and 3) Budget Utilization Report (BUR).
- The Management also discussed the the financial impact for 2019 of the pending ERC petitions.

**BRC Action :**            **The BRC endorsed the proposal for the consideration and approval of the NP Board with the following instructions:**

- a. **Provide the DOF a copy of the forward estimates [CAPEX etc.] for CY 2020-202[2]; and**
- b. **Present also the budgetary projections for CY 2020-2021 as done by TransCo and PSALM**

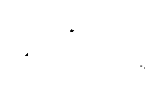
**f. 2017 NPC Financial Performance and Approval of Financial Statements**

Ms. Rhemia P. Cordero, Manager of the Financial Reporting, Review and Control Division, presented the above-indicated subject, covering the following:

- (i) Matter for Approval;
- (ii) Legal Bases;
- (iii) Financial Highlights;
- (iv) Statement of Financial Performance for the Year ending 31 December 2017;
- (v) Statement of Financial Position as of December 31, 2017;
- (vi) Statement of Cash Flows for the Year ending 31 December 2017;
- (vii) Statement of Changes in Net Assets/Equity for the Year ending 31, December 2017; and
- (viii) Statement of Comparison of Budget & Actual for the Year ending 31 December 2017.

The highlights of the discussion are as follows:

- Ms. R.P. Cordero informed the BRC of the changes in accounting policy and the format in the preparation of financial statements, pursuant to the implementation of the Philippine Public Sector Accounting Standards (PPSAS) and the Revised Chart of Accounts.
- Ms. R.. Cordero further informed that the Commission on Audit has prescribed a new format of the Statement of Management's Responsibility for Financial Statements, wherein the Chairman of the Board will be the



#### IV. Adjournment

The meeting was adjourned at 10:50 AM.

#### V. BRC Members/Representatives Present

- a. **Asec. Danielle Marie S. Rieza-Culangen**  
Secondary Alternate of the DOF Secretary  
BRC Chairperson
- b. **President Pio J. Benavidez**  
Member – NPC
- c. **Asec. Epimaco V. Densing III**  
Alternate Representative of the Secretary, DILG
- d. **Dir. Asterio P. Saliot**  
Alternate Representative of Usec. A. T. Cayanan (DA)
- e. **Atty. Ilac G. Bohol**  
Representative of Usec. M. P. G. Luna (DENR)
- f. **Mr. Emmanuel C. Talag**  
Representative of Asec. R. E. Delola (DOE)
- g. **Mr. Art Reagan M. Jarin**  
**Mr. Argel Joseph S. Tria**  
Observers-Office of Asec. Roderic M. Planta (NEDA)

h. **Atty. Patrick Mabbagu**  
Corporate Secretary

Respectfully submitted,

  
**Atty. PATRICK MABBAGU**  
[For the Board Review Committee]

