



NATIONAL POWER CORPORATION

NPB-OCS-18 - 0048

MEMORANDUM

For : **THE MEMBERS
NATIONAL POWER BOARD**

From : **THE BOARD REVIEW COMMITTEE**

Subject : **BOARD REVIEW COMMITTEE (BRC) REPORT
[For the 20 FEBRUARY 2018 BRC Meeting]**

Date : **23 February 2018**

Hereunder are the highlights/salient points of the Board Review Committee (BRC) Meeting held on 20 February 2018, for the reference of the Members of the Board:

I. Call to Order.

There being a quorum, Usec. Bayani H. Agabin, 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 presented.

The Committee officially acknowledged Atty. Jeff Kevin C. Carbonel, as representative of Assistant Secretary Epimaco V. Densing III of DILG, and Atty. Jillian Joy M. Oria from the Office of Usec. Analisa R. Teh of the DENR. At the later part of the meeting, Atty. Camilo D. Garcia, also joined the meeting, representing Usec. Ma. Paz G. Luna.

III. Presentation and Discussion.

- a. **NP Board Ratification of Resolution No. 2018-03 (Referendum dated 1 February 2018, re: Grant of CY 2016 Performance-Based Bonus (PBB) for NPC)**

The Corporate Secretary informed the Committee that the subject resolution was already signed by all Members of the Board. Upon the request of Dir. L.C. Drapete, VP L.T. Dy presented the audited financial statement of NPC showing that for CY 2016, NPC does not have negative retained earnings and that NPC is considered a profitable GOCC. Usec. B.H. Agabin remarked that the CY 2016 PBB is long overdue and NPC employees and officials deserve such grant.

BRC Action : The BRC endorsed Resolution No. 2018-03 for

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2016, NPC does not have negative retained earnings and that NPC is considered a profitable GOCC. Usec. B.H. Agabin remarked that the CY 2016 PBB is long overdue and NPC employees and officials deserve such grant.

BRC Action : The BRC endorsed Resolution No. 2018-03 for the ratification of the National Power Board.

b. Proposed FY 2019 NPC Corporate Operating Budget (OMA)

Ms. Venice A. Amistoso, Manager - Financial Planning and Budget Program Review Department, presented the above item. She indicated that the presentation of the proposed FY 2019 Corporate Operating Budget is one of the provisions under the existing OMA agreement with PSALM and is in line with the budget call requirement of the DBM.

The presentation covered the following: (i) Total FY 2019 OMA-COB, consisting of PhP0.746 B for Personnel Services; PhP0.860 B for Maintenance and Other Operating Expenses; PhP3.522 B for Capital Outlay; and PhP0.072 B for Admin Fee; (ii) FY 2019 Personnel Services Assumptions; (iii) FY 2019 Targets and Assumptions; (iv) FY 2018-2019 OMA comparative COB; (v) FY 2019 Proposal vs FY 2018 Proposed Realigned NPC-OMA COB; (vi) FY 2018-2019 Comparative Capital Expenditures; (vii) Capital Expenditures-Revised proposal with Impact on Agus-Putangi Rehabilitation-Gross of VAT; and (viii) FY 2019 OMA Projected Admin Fee.

The presentation also highlighted the proposed allocations for Input VAT, Bataan Nuclear Power Plant and Nuclear Power Village. Ms. V.A. Amistoso informed that NPC and PSALM are still finalizing the applicable Admin Fee (i.e. fixed amount vs. percentage of PS and other Operating Expenses). She added that upon approval by the NP Board, the proposed budget will be submitted to PSALM for review and inclusion in their budget which will then be submitted to DBM for final approval¹.

(Exec. Dir. Angeles arrived)

The highlights of the discussion are as follows:

- Dir. L.C. Drapete remarked that the proposed FY 2019 OMA budget should be discussed jointly with PSALM.
- Pres. P.J. Benavidez enumerated the following contentious budgetary issues with PSALM: (i) Bataan Nuclear Power Plant (BNPP); (ii) Nuclear Power Village (NPV).
- Dir. L.C. Drapete and Pres. P.J. Benavidez asserted that the National Government should come up with a policy direction on the BNPP.

¹ The FY 2019 COB for NPC-SPUG (Non-OMA) will be presented in the next BRC/Board Meeting. The OMA budget is first presented because of the same should be submitted to PSALM on 15 March 2018.

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- Dir. L.C. Drapete requested for the actual figures of the major budget items for CY 2016 and CY 2017, as well as CY 2018 and 2019. He also requested the Management to include the projections for 2020.
 - In response to the clarificatory question of Asec. D.M.S. Rieza-Culangen on the charging of Personnel Services, Ms. Amistoso clarified that the funding source comes from PSALM but the PS budget forms part of the NPC-GAA since the employees performing OMA-related functions come from NPC. Considering that NPC is the service provider under the OMA, it is incumbent upon NPC to notify PSALM how much fund is needed to cover for the PS, MOOE and Capital Outlay.
 - Dir. L.C. Drapete inquired what is the remedy of NPC should the Board-approved OMA proposal is not covered or is reduced by PSALM. In response, Pres. P.J. Benavidez said that the recourse of NPC is to drop the items because they cannot be charged against the Non-OMA budget. In such a case, he said that the Management will have to inform the Board of the decision of PSALM.
 - Dir. L.C. Drapete added that process flow wise, the OMA budget should have been discussed with PSALM first. Pres. P.J. Benavidez said that there is an on-going negotiation with PSALM but unfortunately, the proposal has to be presented to the BRC and NP Board because of the deadline set by PSALM (15 March 2018). He said that the presentation is also in compliance with the previous instruction of the NP Board.
 - Dir. L.C. Drapete remarked that tacit approval by PSALM should be secured. He said that the OMA budget must be in alignment with predetermined the deliverables/targets.

BRC Action: ***The said item was endorsed for presentation to the Joint NPC-PSALM Board. The following instructions were also issued:***

a. Regarding the Nuclear Power Village:

- 1. Provide DOF (through the OCS), copy of presentation materials (with maps, etc.);***
- 2. Finalize the position of the NPC Management on the retention of NPV. NPV shall be discussed in a DOF Executive Committee Meeting for possible inclusion in the privatization plan (if indeed NPV cannot anymore be of use);***
- 3. Provide DOF (through OCS) briefing materials on the NPV (include in the briefer, a listing of parties who signified interest to acquire/use NPV i.e. Las Casas Filipinas de Acuzar, Philippine Coast Guard, Korean investors, etc.; Also include options available to the government.***

b. Regarding the CY 2019 COB (OMA):

NPV shall be discussed in a DOF Executive Committee Meeting for possible inclusion in the privatization plan (if indeed NPV cannot anymore be of use);

3. Provide DOF (through OCS) briefing materials on the NPV (include in the briefer, a listing of parties who signified interest to acquire/use NPV i.e. Las Casas Filipinas de Acuzar, Philippine Coast Guard, Korean investors, etc.; Also include options available to the government.

b. Regarding the CY 2019 COB (OMA):

1. Improve the presentation and indicate the increments/variances in the budget from 2016 (including the related performance targets).
2. The OMA budget shall be tied to a performance agreement (i.e. PSALM shall allocate certain amount, and in return NPC has to guarantee some deliverables).
3. The OMA budget shall be included in the Joint NPC-PSALM Board Meeting.

c. Proposed FY 2018 NPC Realigned Corporate Operating Budget (COB) with Augmentation

Ms. V.A. Amistoso also presented the above item. Dir. L.C. Drapete commented that the request for realignment is way too early for the year. Pres. P.J. Benavidez clarified that realignment is really necessary considering the Input VAT and NPP Expense requirements.

The highlights of the discussion are as follows:

- Asec. R.E. Delola opined that the CSP being conducted by the distribution utilities (electric cooperatives) should be led by NPC. He opined that the DOE circular on the CSP should be amended. Pres. P.J. Benavidez mentioned that NPC has no control on the contracts signed by the electric cooperatives and the NPPs. There is no validation/verification of payments since the only document being submitted to NPC is a billing statement. The committee suggested to impose control points in the payment scheme to NPPs.

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Mr. R.L. Abergas' presentation covered the following: (i) Background-Legal Basis and Comparative Tabulation of Major Perspectives; (ii) CY 2017 Monitoring Report for Performance Targets for: a. Customer/Stakeholders; b. Internal Process; c. Financial; and d. Learning and Growth; (iii) Summary of 2017 Indicative Performance Scorecard Rating.

The highlights of the discussion are as follows:

- For Measure 16 (Financial), Asec. D.M.S. Rieza-Culangen inquired on the cause of shortfall, from the GCG approved target of 56.07 to CY 2017 Actual of 53.92. Pres. P.J. Benavidez informed that BASULTA's collection efficiency is a major reason for the shortfall. Moreover, in response to Asec. D.M.S. Rieza-Culangen's query, Mr. R.L. Abergas enumerated the factors outside of the control of NPC that affected the achievement of some of the CY 2017 targets.
- The Committee suggested the Management to explore/study the possibility of reducing the 25 Performance Measures/Targets.

(Usec. B.H. Agabin went to the Chairman's Office for a short meeting. Asec. D.M.S. Rieza-Culangen took control of the proceedings.)

BRC Action : ***The said item was endorsed for approval of the NP Board.***

e. 2018-2022 Missionary Electrification Plan.

BRC Action : ***The presentation of the said item was deferred. The Management, upon the recommendation of Asec. R.E. Delola, was advised to wait for the concurrence of the Department of Energy.***

While waiting for the next presenter, the Corporate Secretary informed the Committee that the Watershed Management Department presented NPC's 25 [27]-Year Integrated Watershed Management Master Plan to Usec. M.P.G. Luna. He said that the DENR undersecretary has indicated concurrence to the plan and that she [Usec. M.P.G. Luna] shall attend the next Board Meeting.

f. ITEMS ENDORSED TO THE JOINT NPC-PSALM BOARD MEETING:

The Corporate Secretary informed the Committee that the following items will be discussed during the Joint NPC-PSALM Board Meeting on 28 February 2018:

- a. Supreme Court Decision on the DAMA Case**
- b. Agus-Pulangi Rehabilitation Project (PSALM Item)**
- c. OMA-RELATED ISSUES:**

- 1. Operation and Maintenance of Dams**
- 2. Manila Port Area Property**
- 3. Lunzuran Lot, Zamboanga City**
- 4. Property at Barrio Obrero, Iloilo City**
- 5. Administration Fee and Finance-Related Matters**

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- 5. Administration Fee and Finance-Related Matters

Before the presentation, Dir. L.C. Drapete inquired whether NPC was able to get an insurance for the San Roque Dam Repair. Pres. P.J. Benavidez reported that US \$3M worth of insurance was paid. He added that the cost of rehabilitation works was roughly US\$ 4M.

Atty. Melchor P. Ridulme, VP-Legal Counsel, presented the OMA-Related Issues. Atty. M.P. Ridulme informed the committee that PSALM will present its position on the Dam Operation and Maintenance during the Joint Board meeting, without making an official recommendation. Asec. D.M.S. Rieza-Culangen suggested that in the presentation to the Joint Board Meeting, the NPC Management should highlight the legal bases, such as the provisions of the EPIRA and NPC Charter.

The highlights of the discussion are as follows:

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BRC Action : **The items listed above were endorsed by the Committee for the consideration of the Joint NPC-PSALM Board. The following instructions were also issued:**

- a. **Include in the presentation a list of all liabilities expected to be assumed by PSALM.**
- b. **(On the DAMA Case⁴) Concerning the request of former and/or current employees of NPC for documents (NPC circulars, etc.) that may be used in the filing of petition for money claim before COA, the Joint Board shall provide guidelines during the 28 February 2018 NPC-PSALM Meeting. In the meantime, the NPC Management shall officially acknowledge receipt of written requests for documents in accordance with Sec. 5 of R.A. 6713. Regarding personal government service records, the same may be released only to the concerned person/employee or authorized representative. (This too shall be clarified during the 28 February 2018 Joint NPC-PSALM Meeting).**
- g. **NPC's 25-Year Integrated Watershed Management Master Plan for the 11 NPC-Managed Watersheds.**

Mr. Emmanuel A. Umali, Manager-Watershed Management Department, presented the above item. Mr. E.A. Umali's presentation covered the details of the following: (1) Matter for Approval; (2) Background; (3) 11 NPC-Managed Watershed Areas; (4) Highlights of the following: (i) Preparatory Activities; (ii) Watershed Characterization; and (iii) Formulation of Integrated Watershed Master Plan and (5) Sample thematic Maps for Upper Agno River Watershed Reservation;

(Usec. B.H. Agabin returned to the Board Room.)

The highlights of the discussion are as follows:

- Exec. Dir. R.V. Angeles inquired on the investment returns or environmental benefits that may be derived from NPC's efforts to rehabilitate and protect the watershed areas.
- Upon the suggestion of Dir. A.P. Saliot, Management was asked to update the presentation/program based on the latest data from NAMRIA.
- Dir. A.P. Saliot informed that [DENR] has programs and funds for watersheds which he suggested can be tapped. He also suggested to plant *balete* trees in the watershed.

BRC Action : **The said item was endorsed by the Committee for the consideration of the NP Board. The**

⁴ Updated instruction in consultation with the NP Board Chairman

liabilities expected to be assumed by PSALM.

- b. (On the DAMA Case⁴) Concerning the request of former and/or current employees of NPC for documents (NPC circulars, etc.) that may be used in the filing of petition for money claim before COA, the Joint Board shall provide guidelines during the 28 February 2018 NPC-PSALM Meeting. In the meantime, the NPC Management shall officially acknowledge receipt of written requests for documents in accordance with Sec. 5 of R.A. 6713. Regarding personal government service records, the same may be released only to the concerned person/employee or authorized representative. (This too shall be clarified during the 28 February 2018 Joint NPC-PSALM Meeting).

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- g. Dir. Asterio P. Saliot**
Alternate Representative of Usec. A. T. Cayanan, DA
- h. Atty. Jeff Kevin C. Carbonel**
Representative of Asec. E.V. Densing III, DILG
- i. Atty. Camilo D. Garcia**
Representative of Usec. M. P. G. Luna, DENR
- j. Atty. Jillian Joy M. Oria**
Representative of Usec. A.R. Teh, DENR
- k. Atty. Patrick Mabbagu**
Corporate Secretary

Respectfully submitted.



Atty. PATRICK MABBAGU
[For the Board Review Committee]

NOTES:

1. After the BRC Meeting, the Nomination and Remuneration Committee (NRC) convened to take up the filling-up of the positions under the Internal Audit Department.