



NATIONAL POWER CORPORATION

NPB-OCS – 18 - *0303*
MEMORANDUM

For : **THE MEMBERS
NATIONAL POWER BOARD**

From : **THE BOARD REVIEW COMMITTEE**

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

Date : 23 November 2018

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

I. Call to Order

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

II. Adoption of the Agenda

The Corporate Secretary informed the NP Board Review Committee (BRC) and Board Nomination and Remuneration Committee (BNRC) that the proposed selection and placement for the vacancies in the Internal Audit Department (IAD) and Office of the Corporate Secretary need to be postponed considering that the Human Resources Department (HRD) has yet to develop a criteria for ranking as prescribed under the latest issuances of the Civil Service Commission (CSC). He informed that if the BNRC proceeds with the placement, the whole process may be subject to attack by unselected candidates and the appointment of chosen applicants may be invalidated. In view of the said manifestation, the BNRC decided to defer the scheduled placement of candidates.

Regarding the proposed revisions to the Manual of Approval (MOA), the Corporate Secretary informed that the Board Audit Committee (BAC) members expressed their desire to comment on the changes first before BRC acts on them. Accordingly, the committee shelved the discussion on the proposed revisions until after the BAC's comments are received by the BRC.

With no objection from the committee, the members adopted the agenda as revised. After the prayer led by the Corporate Secretary, the BRC proceeded to discuss the following:

III. Agenda Items

a. **Ratification of NP Board Resolution No. 2018-42 (Referendum dated 31 October 2018), re: Approval of the Revised Amount and Revised Omnibus Certification on the Grant of Performance-Based Bonus (PBB) for CY 2017**

The Corporate Secretary informed the committee that per letter of GCG to the NPC Management, the CY 2017 PBB will not be distributed until after the authority to release is issued by the Governance Commission. **Upon the motion of Dir. B.F. San Juan duly seconded by Pres. P.J. Benavidez, the Committee unanimously endorsed the ratification of Board Resolution No. 2018-42 which was circulated by the Corporate Secretary in ad referendum.**

Asec. D.M.S. Rieza-Culangen also requested the NPC Management to provide DOF cop[ies] of the letter(s) sent by NPC to GCG following-up the release of the performance bonuses.

b. **Impact of the Bangsamoro Organic Law (BOL) and Options to Privatize the Agus-Pulangui Hydro Power Complexes**

Just before the presentation of the above-captioned subject, Dir. Ryan S. Lita entered the NP Board Room. The Corporate Secretary informed the committee members that Dir. R.S. Lita is the new alternate of Sec. Benjamin E. Diokno to the National Power Board vice Dir. Rowena Candice M. Ruiz who joined the Government Procurement Policy Board (GPPB) as Executive Director. The members then officially welcomed Dir. R.S. Lita to NPC.

Thereafter, Mr. U.C. Mendiola, Jr., VP – Corporate Affairs Group proceeded to explain the pertinent provisions of the Bangsamoro Organic Law that have potential policy issues and concerns on the operation, maintenance and privatization of the Agus-Pulangui Hydro Power Complexes. After an extensive deliberation, the following positions/recommendations of the NPC Management were elevated for the consideration/discussion of the NP Board:

- Notwithstanding their location within the Bangsamoro territory, the ownership and operation of the Agus hydroelectric power complexes should be retained by the National Government.
- The Balo-i Flood Control Project should still be pursued by the National Government.
- The outstanding power receivables from the electric cooperatives in Basilan, Sulu and Tawi-tawi should be considered in the takeover of NPC-SPUG generation function. Pecuniary obligations of all other distribution utilities to NPC/PSALM must be settled before said utilities are jurisdictionally transferred to the Bangsamoro government.
- NPC should be represented in the inter-government bodies/boards that may be created in the implementation of the BOL.
- The historical share of Agus power plants in the overall generation mix for the whole Mindanao should be considered if not retained.
- Dividend remittances should not be solely based on plants' location. The entirety of the portfolio should be considered as in the case of PSALM.

- The Bangsamoro government may not have dividends from BASULTA areas considering that power generation over the said region is highly subsidized and is under missionary electrification.
- Payment of reasonable taxes, fees and charges including income taxes to the Bangsamoro government is acceptable.
- The GOCCs that will fall under the jurisdiction of the Bangsamoro Government should refer only to those that are created by the Bangsamoro parliament.
- Investment promotions intended for Agus plant complexes should still be undertaken by the National Government.
- Distributed power generation and low-carbon-future strategies by Bangsamoro Government should only apply to areas very far from the main transmission grid.
- Only new transmission systems energized by Bangsamoro Government should interconnect to the national transmission grid in Mindanao.
- The Agus plant complexes should be rehabilitated and thereafter, the operation and maintenance may be privatized. Preferential rights of the Bangsamoro government over power facilities situated in its territory shall not apply considering that the ownership of the Agus complexes remains with the National Government.
- NPC/PSALM should be properly represented in the Intergovernmental Energy Board to ensure equitable water allocation of the Agus plants from Lake Lanao.
- Any arrangement with respect to the use of Lake Lanao water should be prospectively applied. Reasonable fees for water use may be entertained provided that the same should still be prospectively applied.
- The existing water utilization optimization protocols and historical water use should be retained. Co-management arrangement should only be limited to collaboration but not control over water allocation.
- Considering that the National Government retains ownership of the Agus plant complexes, the duty to maintain the watershed covers surrounding the said power facilities is still lodged to NPC/National Government.

BRC Action(s)	1. While the Implementing Rules and Regulations (IRR) have yet to be released, the Committee lauded the Management for studying the possible ramifications of the BOL to the operation, maintenance and privatization of the Agus-Pulangui Hydroelectric Power Complex.
	2. The Committee encouraged Management to make proper representations to the legislative-executive group that is tasked to craft the BOL-IRR.
	3. The Committee requested the DOE Representative to provide updates to the NP Board should the Inter-governmental Energy Board (IEB) provided under the law is constituted.
	4. Should DOF and DBM be included in the IEB, their representatives to the NP Board (Usec. BHA; Asec. DMSRC, Dir. RSL and Dir. CPM) committed to submit/relay the position/recommendation(s) of the NPC Management on the various provisions/sections of the BOL.
	5. The Committee supported the position of the Management to proceed with the rehabilitation of the Agus Power Plants.

c. **Proposed Time Extension, re: Supply and Erection/Installation of Virac-San Miguel 69 KV Transmission Line Project (LOG MSSP 2017-12-084-JPP)**

Mr. B.G. Manalac, OIC-OVP, Power Engineering Services explained the details of the Management's proposal and the justifications therefore. In response to the query of Dir. R.S. Lita and Mr. E.A. Basilio, Pres. P.J. Benavidez informed the BRC that the contract extension will not entail any additional costs to NPC. Dir. R.P. Quilala requested the Management to properly account the proposed structural change (i.e. from transmission pole to transmission tower). Asec. D.M.S. Rieza-Culangen then requested that the actual costs of the four steel poles and two steel towers be included during the Board presentation.

[Note: The rest of the discussion on the above-captioned subject was done in Executive Session].

<p>BRC Action(s)</p>	<p>Based on the facts presented, the Committee (BRC) resolved to confirm the action/decision of the Management/President and CEO of "initially" granting SLDCC's request for contract time extension based on the 'good faith assumption' that such power to grant/approve belongs to the PCEO.</p> <p>(Updated instructions (as a result of another round of discussion during the Board Audit Committee meeting)</p> <p>Submit copies of the following/include the following during the NP Board Meeting:</p> <ol style="list-style-type: none"> 1. Letter(s)/correspondences of NPC requesting for the change in the structure to be put-up (i.e. from steel pole to transmission tower) 2. Letter(s)/correspondences of SLDCC to NPC requesting for contract time extension and NPC's reply/ies 3. Certification/Attestation from the implementing project management office that NPC will not incur pecuniary obligations brought by the modification of the structures (i.e from "steel poles" to "transmission towers"). 4. Certification as to the actual contractual performance of SLDCC for the Virac-San Miguel Project as of the following dates: <ul style="list-style-type: none"> • 31 August 2018; • 30 September 2018; and • 30 October 2018 5. Confirmation whether the request is purely a contract time extension (caused by delays beyond the control of NPC) or a change in specification/variation where time extension is just incidental thereto 6. A determination whether the request has sufficient legal bases 7. Confirmation whether NPC can grant the request notwithstanding the expiry of the contract last 30 October 2018
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	<p>8. Explanation why PES-DDD did not consider in the TOR the requirement of erecting transmission tower(s) when the topography demands such structure in the first place</p>
	<p>Henceforth, PES-DDD was instructed (in the preparation of tender documents/designs for succeeding infrastructure projects) to consider/factor in the geologic features of project sites/locations (e.g. flooding etc.)</p>

d. Approval of Terms of Reference (TOR) and Authority to Implement Purchase Requisitions with ABCs above Php50 Million and requiring NP Board Approval.

Mr. B.G. Manalac, OIC-OVP, PES discussed the details of the projects that are due for procurement by NPC. The highlights of the Committee's discussion are as follows:

- Asec. D.M.S. Rieza-Culangen clarified the project timelines.
- Dir. R.P. Quilala remarked that the NP Board must be provided with economic justifications for the projects (i.e. cost-benefit analysis to evaluate the beneficial impact of the projects to the community and the government).
- Exec. Dir. R.V. Angeles suggested that a return on investment must be prepared by the Management to determine how the project will bring about positive results to the community and to the corporation.
- Dir. R.P. Quilala hinted that Board Members must be accorded opportunities to conduct on-site inspections of NPC power plants, assets, facilities and projects. In response, Pres. P.J. Benavidez proposed that a Board Meeting be conducted in Palawan in 2019 to enable NPC Board Members to appreciate the power development program in the said province. His proposal was positively received by the committee members.

<p>BRC Action(s)</p>	<p>The BRC endorsed for the NP Board's approval, the [TOR] and the PRs for the following:</p> <ul style="list-style-type: none"> ▪ Rehabilitation of the Minolo-Mamburao 69kV T/L Project; ▪ Roxas-Taytay (Schedules 1 and 2) 69 kV T/L Project; ▪ Rehabilitation and Transfer of the Existing 10 MVA Power Transformer at Boac Substation including the Supply, Delivery, Construction/Installation, Test and Commissioning of New 10 MVA Mogpoc Substation Project; and ▪ Supply/Delivery, Installation, Test and Commissioning of Generator Transformers and Line Materials for the connection of 300 kW, 160 kW, and 80 kW Diesel Generating Sets to various SPUG plants <p>Subject to confirmation/ratification by the NP Board, the BRC agreed to authorize the NPC Management to proceed with the advertisement of the above-enumerated projects.</p> <p>The Committee instructed the Management to:</p> <ol style="list-style-type: none"> 1. Provide NP Board Members (through OCS) copies of the TOR for the above-enumerated projects (CD formats will do)
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	2. Include in the Board presentation a cost-benefit analysis for the above-enumerated projects (return of investment etc.)
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e. Acceleration of Watershed Rehabilitation Efforts and Reduction in UC-EC.

Pres. P.J. Benavidez informed the committee that per his initial discussion with IPPs, the power plant operators welcome the idea of participating in the watershed management, protection and rehabilitation efforts especially since the same can be undertaken as part of their respective company's CSR program. Mr. U.C. Mendiola, Jr., then proceeded to explain how the strategy of involving IPPs and DENR will be operationalized. The highlights of the committee's discussion are as follows:

- Dir. R.P. Quilala strongly emphasized that DENR should spearhead the management and implementation of the Integrated Watershed Management Masterplan.
- Mr. U.C. Mendiola, Jr. clarified that the watershed management activities to be undertaken by the IPPs will not use any UC-EC funds and this fact shall be reported by NPC to ERC.
- Asec. D.M.S. Rieza-Culangen instructed the NPC Management to coordinate with DENR in the execution of the proposed strategy to ensure that the government effort to protect watershed reservations are in sync with the private sector-led initiatives. She also suggested the use of better title for the program. In response, Dir. R.P. Quilala said that the Management may consider using the title, "Activities/Programs for the Improvement of UC-EC Utilization".

BRC Action(s)	The BRC endorsed the matter for the consideration of the NP Board.
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f. Collective Negotiation Agreement (CNA) Incentive for FY 2018

The Corporate Secretary manifested that in 2017, the Board recognized that the CNA may be released by the President and CEO for as long as the conditions for the grant are complied with. With such manifestation, Asec. D.M.S. Rieza-Culangen instructed the Management to ensure that the reportorial submissions required by DBM are met.

BRC Action(s)	The Committee instructed the Administration-Finance Group to interface with DBM regarding the conditions/requirements for the grant.
	The Committee took note that the incentive may be granted to NPC officials and employees provided that all requirements are complied with.

g. Missionary Electrification Program for 2020-2024

This item was deferred to give ample time for the Board Members to review the said program.

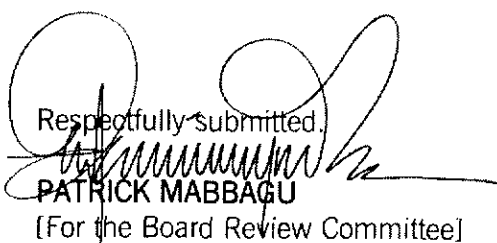
III. Adjournment

The Board Review Committee (BRC) meeting was adjourned at 11:30 AM. The Board Audit Committee (BAC) meeting was called to order some ten minutes after.

IV. BRC Members/Representatives Present

- a. **Asec. Danielle Marie S. Rieza-Culangen**
Alternate of the DOF Secretary
- b. **President Pio J. Benavidez**
Member – NPC
- c. **Dir. Rabindranath P. Quilala**
Alternate of the DENR Secretary
- d. **Exec. Dir. Raul V. Angeles**
Alternate of the DTI Secretary
- e. **Dir. Ryan S. Lita**
Alternate of the DBM Secretary
- f. **Dir. Bernadette F. San Juan**
Representative of Usec. A. T. Cayanan, DA
- g. **Mr. Edgar A. Basilio**
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]

