



NATIONAL POWER CORPORATION

CERTIFICATION

NPB-CCS-19-0127

THIS IS TO CERTIFY that for CY 2018, the **Board Risk Management Committee (BRMC)** had no separate meeting. However, since the **Board Review Committee (BRC)** evaluates and reviews any and all matters submitted for the consideration and approval of the NP Board, the function of the BRMC can reasonably be said to have also been performed by the BRC. Both committees (BRMC and BRC) have the same membership and for this reason, the Corporate Secretary is already recommending the merger of the two committees beginning CY 2019 (i.e. to be called as "Board Review and Risk Management Committee").

This certification is issued to attest to the truth and accuracy of all the information contained herein based on available records and information that can be verified with the Corporation.

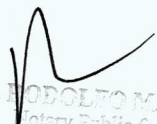
IN WITNESS WHEREOF, I have hereunto set my hand this 18th day of March 2019 in Quezon City, Metro Manila, Philippines.


ATTY. PATRICK MABBAGU
Corporate Secretary

SUBSCRIBED AND SWORN TO BEFORE ME this 20th day of March 2019 in Quezon City, Philippines, affiant exhibiting his proof of identity issued by the Land Transportation Office/Philippine Postal Corporation/National Power Corporation.

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Commission Expires on December 31, 2019
IBP No. 025364; 01/10/18; RSM
PTR No. 5611526; 01/09/18; Quezon City
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NATIONAL POWER CORPORATION

NPB-OCS-19 : 0007
MEMORANDUM

For : **THE MEMBERS
NATIONAL POWER BOARD**

From : **THE BOARD REVIEW COMMITTEE/ NOMINATION
AND REMUNERATIONS COMMITTEE**

Subject : **COMMITTEE REPORT**
[For the 19 December 2018 Meeting]

Date : 08 January 2019

Hereunder are the highlights/salient points of the Board Review Committee (BRC) and Nomination and Remunerations Committee (BNRC) Meetings held on *19 December 2018* for the reference of the Members of the Board:

I. Call to Order.

There being a quorum, Usec. Bayani H. Agabin, Alternate of the DOF Secretary and Chairman of the NP Board, called the meeting to order.

II. Preliminaries.

After the prayer led by the Corporate Secretary, the NPC Chorale, headed by its Administrator, Mr. Emmanuel A. Umali and Conductor, Mr. Anthony G. Villanueva, rendered a special number. Having listened to the Christmas carols, the committee members informed the Management that they were delighted by the Chorale's presentation.

III. Adoption of the Agenda.

The BRC and the BNRC adopted the Agenda as presented. Since it was agreed that the BNRC meets first, Dir. B.T. San Juan presided over¹.

¹ Per NP Board Resolution No. 2018-46, the ex-officio members/representatives of the DENR and DA serve as the Chairperson and Vice Chairperson of the Board Nomination and Remunerations Committee. Since Usec. S.S. Rigor and Dir. R.P. Quilala of DENR had prior commitments and did not make it for the BNRC meeting, Dir. B.T. San Juan of DA took over the proceedings.

a. Supply and Delivery of Oil-based Fuel to SPUG Power Plants and Barges for CY 2019

Usec. B.H. Agabin remarked that the Terms of Reference (TOR) for the procurement of the CY 2019 fuel requirements of NPC SPUG power plants units and barges were already approved by the NP Board on 30 October 2018. He said that what the Management is presenting are the results of the procurement process undertaken after the terms were approved. Atty. Melchor P. Ridulme, VP – Office of the Legal Counsel and Chairman, NPC-Bids and Awards Committee (BAC) then proceeded to discuss above-captioned item. As highlights, he underscored the following points:

- i. The Approved Budget for the Contract (ABC) was still inclusive of VAT and excise taxes since there was no advisory as to the suspension of TRAIN law;
- ii. The Interim Annual Fuel Procurement Plan for CY 2019 was the basis for the procurement;
- iii. While there was a bidding failure pertaining to two (2) delivery points, the Management committed to immediately conduct a rebid;
- iv. The corporation will save Php P268,517,295.00 representing the difference between the ABC and the bid offer;

VP M.P. Ridulme also explained the post disqualification of SL Harbor Bulk Terminal and Filpride. The highlights of the Committee's discussion are as follows:

- Dir. C. P. Mahinay took note that Certificate of Budgetary Inclusion (CBI) was used in the presentation when it should have been a Certificate of Availability of Funds (CAF). Pres. P.J. Benavidez clarified that while the Appropriations Act for CY 2019 is still subject for approval by the legislature, CBI was used considering that the purchase of fuel is a recurring expenditure.
- Usec. B.H. Agabin opined that competition enables the selection of a bidder who can provide efficient service at the lowest cost. He then asked the Management to conduct a review of the TOR for those lots/delivery points where a single bidder bagged the fuel contract. He hinted that some of the terms may be liberalized in the future to allow the participation of other qualified and eligible oil companies/players.
- Pres. P.J. Benavidez informed the Committee that while the Management is open to revisit the existing TOR, the procurement of fuel for some areas

	proposed award shall be formally presented and discussed in a Special Board meeting in January 2019).
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b. Proposed Award of Contract for the Construction of Power Facilities including Supply, Delivery, Installation, Test and Commissioning of 4x1.0 MW Containerized Diesel Gensets and Auxiliaries for Boac Diesel Power Plant, Marinduque

VP M.P. Ridulme provided the highlights of the procurement process for the above-captioned subject. He also informed that the terms used for the procurement were based on the guidelines/points approved by the Board in October 2018. He further explained the reasons for the disqualification of A.G. Araja Construction and Development Corporation.

Upon the motion of Usec. F.W. B. Fuentebella duly seconded by Pres. P.J. Benavidez, the proposed award was endorsed for the consideration of the NP Board.

BRC Action	The Committee endorsed the proposed award of contract for the consideration and approval of the NP Board. [The award may be approved by the NP Board in ad referendum.]
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c. Approval of the Terms of Reference (TOR) and Authority to Implement Five Purchase Requisitions with ABCs above PhP 50 Million

Mr. Bienvenido G. Manalac, OIC-OVP – Power Engineering Services (PES) presented the salient points of the TOR for the following projects:

- i. Supply, Delivery, Installation, Test and Commissioning of 2x1500kW units of Modular Diesel Generating Sets and Associated Electrical Equipment for Torrijos DPP;
- ii. Supply, Delivery, Installation, test and Commissioning of Eight (8) Units of 50 kW Modular Diesel Generating Sets, Associated Electrical Equipment and Balance of Plant for Dipla, Maytegued, Batas and Debangan DPP under the Electrification of New Areas in Palawan;
- iii. Supply, Delivery, Construction, Installation, Test and Commissioning of Pinamalayan Switching Station;
- iv. Supply, Delivery, Construction, Installation, test and Commissioning of Sablayan Switching Station; and
- v. Construction of SPUG Visayas Operations Department (VOD) Office and Warehouse

The Corporate Secretary clarified that the schedule may still be adjusted depending on the availability of the members and [of the items for deliberation].

BRC Action	The Committee approved the indicative schedule of Board and Committee meetings for CY 2019 subject to compliance of the quorum requirement.
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(Dir. C.P. Mahinay left the BRC meeting to attend an official engagement at DBM)

e. Step Increments of NPC Officials and Employees

The Corporate Secretary informed the Committee that GCG referred to the Civil Service Commission, NPC's request for clarification on the implementation of step increments due to length of service in view of the ruling of the Supreme Court in the DAMA case.

f. Salary Grade Level of Senior Department Managers (SDM)

The Corporate Secretary reported that to distinguish the Department (DM) from the Senior Department Manager (SDM), GCG confirmed the Salary Grade level (upon entrance to duty) of the latter at SG 26, Step 3 while the former at SG 26, Step 1.

BRC Action	The Committee took note of items e and f .
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V. Adjournment.

The meeting was adjourned at 11:15 AM.

VI. Members/Representatives Present.

- a. **Usec. Bayani H. Agabin**
Alternate of the **DOF** Secretary
BRC Chairperson
- b. **Usec. Felix William B. Fuentebella**
Alternate of the **DOE** Secretary
- c. **Pres. Pio J. Benavidez**
Member – **NPC**
- d. **Usec. Epimaco V. Densing III**
Alternate of the **DILG** Secretary





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-Pulangi 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-Pulangi 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-Pulangi 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 DOE 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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	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
	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.)

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.

BRC Action(s)	The BRC endorsed for the NP Board's approval, the [TOR] and the PRs for the following: <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
	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.
	The Committee instructed the Management to: <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)

	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. Cayan, 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]



NATIONAL POWER CORPORATION

NPB-OCS-18 - 0273
MEMORANDUM

For : **THE MEMBERS
NATIONAL POWER BOARD**

From : **THE BOARD REVIEW COMMITTEE**

Subject : **BOARD REVIEW COMMITTEE (BRC) REPORT
[For the 11 October 2018 BRC Meeting]**

Date : **19 October 2018**

Hereunder are the highlights/salient points of the Board Review Committee (BRC) Meeting held on *11 October 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.

III. Presentation and Discussion.

***a. Lease of 4.5 MW Modular Diesel Generating Sets for Jolo Diesel Power Plant
(PR No. S3-JOL18-041/PB180911-AP00302)***

VP M.P. Ridulme presented the highlights of the procurement process and explained the bases of the NPC-BAC in recommending the award of the contract to Aggreko Energy Rental Solutions, Inc. He also emphasized that Aggreko's offer is more advantageous in the long run for the corporation given the fuel consumption at a guaranteed fuel rate.

Action Taken : ***The BRC endorsed the subject matter for the consideration of the National Power Board subject to the following conditions/instructions:***

1. *that the bases/reasons for choosing the winning bidder are properly documented and can be supported by detailed calculations as presented;*
2. *that the Management shall continue to diligently monitor the performance of the leased generating sets using the GFR as reference; and*
3. *that penalties prescribed in the TOR shall be strictly imposed should there be deviations from the GFR.*

The BRC also instructed the Management to write and make representations with the DOE regarding the duty of the electric cooperatives to conduct Competitive Selection Process (CSP). The letter of NPC shall contain the following points:

1. *that NPC supports the conduct of CSP and is willing to provide necessary [technical] assistance to the ECs;*
2. *that DOE's policy direction regarding CSPs is crucial for NPC's strategic planning and operations (i.e. whether NPC shall continue to lease or put up its own power generating facilities); and*
3. *that accordingly, NPC needs to be updated of the CSP timelines*

Moreover, for future procurements (lease of generating units), the Committee asked the Management to review the wordings of the Terms of Reference (TOR), particularly on the determination and evaluation of bid. The Committee also asked the BAC to present during the Board Meeting the calculations/simulations as to the total costs of operating the generating sets offered by the bidders (1, 3, 6 months) using their guaranteed fuel rates.

b. Construction of New Rizal Diesel Power Plant in Punta Baja, Rizal, Palawan (Specs. No. LuzP16Z678Sc/PR No. S1-JPR17-014(PB3))

VP M.P. Ridulme discussed the highlights of the procurement process and the contractual scope of works of the project. He likewise provided the justifications

for constructing a new power facility in Rizal, Palawan and discussed the bases of the NPC-BAC in recommending the award of the project to I. A. Bosque Construction Corporation.

Action Taken : *The BRC endorsed the subject matter for the consideration of the National Power Board. It also lauded the NPC Management and the BAC for exerting efforts to improve the procurement process (e.g. validating/ascertaining the submissions of the bidders with other government agencies i.e. LTO; and informing/reminding the bidders during the pre-bid conferences of the major reasons for disqualifications/rejection of bids).*

c. Approval of the Terms of Reference (TOR) for the Procurement of the CY 2019 Fuel Requirements of NPC-SPUG Power Plants, Units and Barges

VP M.P. Ridulme informed the Board of the fuel requirements of the NPC-SPUG Power Plants and Barges for CY 2019. He emphasized that in accordance with the NP Board instruction, all TORs for contracts requiring the Board's approval have to be presented to it prior to the commencement of the procurement activities. He further emphasized that the presentation is also necessary in light of the latest DBM policy on early procurement for the FY 2019 National Expenditure Program (NEP).

In response to the queries of the Committee Members, VP M.P. Ridulme presented the current year's contracted fuel requirements (diesel oil and fuel oil) with the different suppliers amounting to P5.8 billion, as approved by the NP Board. He also discussed the timelines for the procurement of the FY 2019 fuel requirements and the necessity of advertising the same early on. Furthermore, he discussed the documents that bidders have to submit during the post-qualification.

Action Taken : *The BRC endorsed the subject matter for the consideration of the National Power Board. It also instructed the Management to include the following information during the Board presentation:*

- 1. historical market allowance (clarify the basis i.e. whether purely MOPS/Forex or with inflation rate factor)*
- 2. cost-sharing rule in the testing/evaluation of delivered fuel (third party evaluation)*
- 3. delivery sites per proposed Lot*

Moreover, subject to confirmation by the NP Board, the BRC agreed, out of necessity, to authorize the NPC Management to proceed with

**the advertisement of the procurement of the FY
2019 NPC Fuel Requirements**

d. Advertisements of NPC Projects in Newspapers of General Circulation

VP M. P. Ridulme underscored that the Revised IRR of R.A. 9184, specifically Section 21.2.1 thereof provides that *"[e]xcept as otherwise provided in Section 54.2 of this IRR and for the procurement of common-use goods and supplies, the Invitation to Bid/Request for Expression of Interest shall be:*

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- (c) *Advertised at least once in one (1) newspaper of general nationwide circulation which has been regularly published for at least two (2) years before the date of issue of the advertisement: Provided, That advertisement shall not be required for contracts to be bid with an ABC of Ten Million Pesos (10,000,000.00) and below for the procurement of goods, Fifteen Million Pesos (15,000,000.00) and below for the procurement of Infrastructure Projects, and Five Million Pesos (5,000,000.00) and below for the procurement of Consulting Services.*

Two (2) years after the effectivity of this IRR, advertisement in a newspaper of general nationwide circulation shall no longer be required. However, a Procuring Entity that cannot post its opportunities in the PhilGEPS for justifiable reasons shall continue to publish its advertisements in a newspaper of general nationwide circulation."

VP M.P. Ridulme explained that the Management already wrote GPPB to clarify the specific date when advertisement in newspaper circulation ceases as a procurement requirement. In the meantime, he presented the following options for NPC:

- (1) Advertise [the] items requiring the NP Board approval - (PRs amounting to more than P50.0 Million); or
- (2) Comply with the no newspaper advertisement

Dir. R.V. Angeles commented that NPC can also advertise the procurement activities on social media platforms such as Facebook as done by other government agencies. Asec. R.M. Planta stated that for items amounting to P50.0 Million and above, it is advised that the status quo be maintained. However, for those items below the threshold, the decision to advertise lies with the Management.

The Corporate Secretary also emphasized that the previous Board, upon the recommendation of NEDA ADG Ruben S. Reinoso, mandated the advertisement

in newspapers of general circulation of all projects requiring Board approval to encourage bidding competition.

VP M.P. Ridulme stated that he will inform the Board of GPPB's clarification on the matter. He also emphasized that even if NPC will not advertise the procurement activities in the newspapers, the Management will still post the advertisements in the PhilGEPS and in the NPC Website.

Action Taken : *The BRC unanimously agreed that for all projects needing the approval of the National Power Board (i.e. Php 50 Million and above), the same shall still be published in newspaper(s) of general circulation. For those that are below the said threshold, the Management was given the free hand (whether to advertise or not).*

The Management was also asked to update/inform the Board of the GPPB's opinion/position on the advertisement of NPC projects in newspapers of general circulation.

To invite more bidders, the Management was further asked to consider posting procurement announcements in NPC's official social media account (Facebook) as done by other government agencies such as DTI-BOI.

- e. **Copy of the 01 October 2018 letter of S.L. Development Construction Corporation (SLDCC) to President P. J. Benavidez in connection with SLDCC's Competitive Participation to the NPC Biddings**

Asec. D.M.S. Rieza-Culangen inquired about the copy of the letter from SLDCC which was attached to the agenda folders of the BRC.

Pres. P.J. Benavidez shared that the letter is all about the SLDCC's desire to participate in the NPC's bidding invitation for the supply of modular diesel generating sets. He said that SLDCC informed NPC that they could not meet NPC's requirement on PCAB License since theirs is license with "AAA" Electrical Works classification (and the one required by NPC is a PCAB License with "AAA" General Building classification.)

The BRC commented that the Management should review the technical specifications/requirements of NPC and that the Management should decide which submissions are proper for the post-qualification period. Pres. P.J. Benavidez informed that the Management are taking steps to ensure that there are more participants in the procurement activities of NPC.

Action Taken : *The BRC took note of SLDCC's letter.*

f. Filing of Petition with the Energy Regulatory Commission (ERC) for the Recovery/Refund of the Revenue Shortfall/Surplus in the Universal Charge for Missionary Electrification (UCME) for CY 2016

Ms. Ma. Annabel Versoza, Manager - Electricity Tariff Division, Corporate Affairs Group presented the above-captioned item. She discussed the structure of the existing NPC-SPUG rates and explained how ERC determines the UCME (Universal Charge for Missionary Electrification); the SAGR (Subsidized Approved Generation Rate); the ICERA (Incremental Currency Exchange Rate Adjustment); and GRAM (Generation Rate Adjustment Mechanism). She also discussed the bases and calculations for the True-Up Adjustments that have to be filed with the ERC as well.

Action Taken : ***The BRC endorsed the proposed filing of the above-captioned petition with the ERC for the consideration and approval of the NP Board. It also asked the management to review the timelines for the preparation and filing of all ERC petitions. Per Asec. DMS Rieza-Culangen, Asec. RM Planta and Exec. Dir. RV Angeles, the Management was also asked to consider allocating resources (technology and manpower) to help in the preparation of the tariff applications and to ensure that the ERC-prescribed period for submission is observed).***

The Electricity Tariff Division also committed to conduct a briefing with DOF representatives about about UCME-True-Up, etc. and the relationship between regulatory accounting as authorized by ERC and financial accounting as prescribed by COA.

g. Re: Grant of CY 2017 Performance-Based Bonus (PBB) to all Officials and Employees of NPC

The Corporate Secretary informed the BRC of the status of the CY 2017 Performance-Based Bonus (PBB) of the NPC officials and employees. He stated that the Board already approved the passage of a Board resolution therefor. However, because of the recently-approved salary adjustment/step increment, he manifested that he will circulate a new resolution in *ad referendum* reflecting the adjusted amount(s).

The BRC took note of the Corporate Secretary's manifestation.

h. Other Matter(s)

Asec. R.M. Planta introduced **Mr. Edgar A. Basilio**, the incoming Chief of NEDA's Power and Electrification Division. He said that Mr. E.A. Basilio will be joining him in the BRC/NPB meetings. Mr. Basilio was accordingly welcomed by the BRC.

IV. Adjournment

The meeting was adjourned at 11:35 AM.

V. BRC Members/Representatives Present

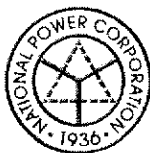
- a. **Asec. Danielle Marie S. Rieza-Culangen**
Alternate of the DOF Secretary
BRC Chairperson
- b. **President Pio J. Benavidez**
Member – NPC
- c. **Exec. Dir. Raul V. Angeles**
Alternate of the DTI Secretary
- d. **Dir. Carmencita P. Mahinay**
Alternate of the DBM Secretary
- e. **Dir. Bernadette F. San Juan**
Representative of Usec. A. T. Cayan, DA
- f. **Asec. Roderick M. Planta**
Alternate of the Director General, NEDA
- g. **Mr. Emmanuel C. Talag**
Representative of Usec. F.W. B. Fuentebella, DOE
- h. **Atty. Jeff Kevin C. Carbonel**
Representative of Usec. Epimaco V. Densing III, DILG
- i. **Atty. Patrick Mabbagu**
Corporate Secretary

Respectfully submitted.


LEONORA D. VILLALOBOS
Minutes and Agenda Officer

Endorsed for BRC:


PATRICK MABBAGU
Corporate Secretary



NATIONAL POWER CORPORATION

NPB-OCS - 18 - 0248

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.

Citing the letter from the Office of the Senior Citizens Affairs in Maconaquon, 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.

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 LBPSC 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.

(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]



NATIONAL POWER CORPORATION

NPB-OCS-18 -218

MEMORANDUM

For : THE MEMBERS
NATIONAL POWER BOARD

From : THE BOARD REVIEW COMMITTEE

Subject : BOARD REVIEW COMMITTEE (BRC) REPORT
[For the 16 August BRC Meeting]

Date : 20 August 2018

Hereunder are the highlights/salient points of the Board Review Committee (BRC) Meeting held on 16 August 2018, for the reference of the Members of the Board:

I. Call to Order.

There being a quorum, Usec. **Bayani H. Agabin**, Alternate 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 members also acknowledged the presence of Mr. Reagan John A. Gabriel from the DILG.

Before tackling the agenda, Usec. B.H. Agabin and the BRC Members congratulated Pres. P.J. Benavidez and his Management team for the robust financial performance of NPC as evidenced by the remittance to the National Treasury of dividends amounting to Php 1.398 Billion. In response, Pres. P.J. Benavidez expressed his gratitude to the National Power Board for the support it has extended on the Management's thrusts and programs. He also conveyed NPC's warm wishes for Usec. B.H. Agabin's birthday on 17 August.

III. Presentation and Discussion.

a. Proposed Award of Contract, re: Lease of 5.0 MW Modular Diesel Generating Sets for Basilan Diesel Power Plant (PR No. S3-BA118-008)

Atty. Melchor P. Ridulme, VP-Legal Counsel and Chairman of the NPC-Bids and Awards Committee provided a backgrounder on the proposed lease contract (i.e. power demand of Basilan etc.). He also discussed the results of the procurement process. The highlights of the discussion are as follows:

- In response to the query of Dir. B. F. San Juan, Pres. P. J. Benavidez emphasized that without the proposed leased capacity of 5.0 MW, NPC will have power supply deficiencies in Basilan. He also stressed that under DOE's existing policies, NPC must always have standby capacities to arrest potential power failures.

- Addressing the question of Asec. D.M.S. Rieza-Culangen, Pres. P.J. Benavidez said that Aggreko¹ [Energy Rental Solutions, Inc.] has no record of poor contractual performance. He also expressed his surprise that the company participated in NPC's procurement process after several years². Usec. B.H. Agabin remarked that Aggreko's participation is good for the corporation considering that the bid offers could go low and that Monark Equipment Corporation can no longer have monopoly over the Basilan area.
- VP M.P. Ridulme clarified that the existing lease contract with Monark, was renewed on a month-to-month basis pending the award of the foregoing contract. He also clarified that the lease only covers the generating sets and that the corresponding fuel requirements shall be supplied by NPC.
- Pres. P.J. Benavidez informed that the fuel efficiency of the generating units is being monitored and measured by NPC in accordance with the industry standards.

BRC Action : **Based on the representation of the Management that the winning bidder complied with all the requirements and that the procedures under R.A. 9184 were strictly followed, the BRC endorsed the proposed award of the contract to Aggreko Energy Rental Solutions, Inc. for the NP Board approval.**

b. Proposed Lease Contract with Regal Hybrid Power, Inc., for Electricity Supply for Camotes Diesel Power Plant using Joules Box Hybrid Generator.

Before the formal presentation of the item, Pres. P. J. Benavidez stated that the proposal was an offshoot of the instruction of DOE Secretary A.G. Cusi to reduce the UCME.

Mr. Urbano C. Mendiola, Jr., VP-Corporate Affairs then proceeded to explain the salient features of the proposed lease contract with Regal Hybrid Power Inc. to supply electricity in Camotes Island, Cebu using the Joules Box Hybrid Generator, that is patented in the US. He also explained how the generating units could produce electricity from the perspectives of an engineer. VP U.C. Mendiola Jr. also provided the legal bases for the lease contract and the potential benefits that may be derived therefrom.

The highlights of the discussion are as follows:

- Upon the inquiry of Usec. B.H. Agabin, Pres. P.J. Benavidez enumerated the areas in the US that are currently using the Joules Box Hybrid technology.
- VP U.C. Mendiola Jr. explained that the generator requires smaller space compared to the existing gensets of NPC. He also said that the Joules Box Hybrid Units could be considered clean energy sources.
- Usec. S.S. Rigor and Pres. P.J. Benavidez emphasized that if the new technology can successfully be operated in Camotes Island, the same may also be used in Boracay, consistent with the goal of the making the said tourist destination, the first [Green Tourism Island] of the Philippines.

¹ Then Aggreko International Power Projects

² The last Board-approved lease contracts with Aggreko International Power Project was in 2010 and 2011 for the Calapan Diesel Power Plant (Mindoro) and Irawan Substation (Palawan) respectively.



X-----X

- While lauding the technology, Usec. B.H. Agabin and Asec. D.M.S. Rieza-Culangen stressed that the requirements of RA 9184 must be complied with.
- In response to the query of Dir. B.F. San Juan, Pres. P.J. Benavidez and VP U.C. Mendiola Jr. clarified that the supplier shall be paid based on the actual energy generated. They also explained that the proposed lease contract does not fall within the purview of a power purchase agreement where stricter bidding requirements have to be observed. They further clarified that NPC shall not be held liable by the lessor for any damage arising from the operation of the generating units, due to a free-and harmless clause in the contract.

- BRC Action** : I. The BRC was receptive of the proposal considering that, as presented by the Management, there is no need to subsidize the genset operation through UCME.
- II. The Management was authorized to continue its discussion with Regal Hybrid Power Inc. with the end in view of ascertaining the technical and economic viability of supplying electricity in Camotes Island using the Joules Box [technology]. The updates shall be presented to the National Power Board.
- III. The Management was instructed to ensure that before entering into a contract with Regal Hybrid Power Inc., the following shall have been sufficiently established:
- a.) That the proposed contract is consistent and complies with the requirements of RA 9184; and
 - b.) That Regal Hybrid Power is the only authorized distributor of the Joules Box Hybrid Generator in the Philippines.

c. San Roque Dam Discharge/Spilling Operations.

Pres. P.J. Benavidez, using the [Technical/Incident Report] that was submitted to Sec. A.G. Cusi, informed that the alleged flooding in the low lying areas in Pangasinan was not caused by NPC's spilling operations. He maintained that in releasing water to the spillway, NPC observes several protocols. It also engages the local government officials and the residents to avoid loss of lives and to mitigate damage to properties].

- BRC Action** : The Management was requested to prepare a presentation³ to update the Board on the spilling operations at San Roque Dam (include the status of the rehabilitated/repared base of the San Roque Dam Spillway).

³ Per Exec. Dir. R.V. Angeles, the presentation must be in a layman's language. To be included in the presentation are the consideration(s)/protocol(s) observed by NPC before releasing water; It must also include the effects of spilling operations to the low-lying areas of Pangasinan etc.

d. Request for Guidance/Direction from the NP Board

d.1. Operation/Maintenance of the Nuclear Power Village.

BRC Action : The Management was asked to prepare a presentation for the NP Board⁴.

d.2. Leased Structures at the Obrero Property, Iloilo City

BRC Action : The Management was asked to prepare a presentation for the NP Board.

d.3. Unpaid Deliveries to Power Barge 104

BRC Action : The Management was asked to prepare a presentation for the NP Board. It was also asked to confirm that the suppliers/contractors indeed delivered/rendered services to NPC/PSALM.

e. Performance Evaluation of the Board of Directors.

The Corporate Secretary reminded the Members to access and accomplish the internet-based Performance Evaluation for Directors (iPED) which is the basis for the grant of PBIs for all appointive members of the GOCC boards.

IV. Adjournment

With no other matter to be discussed, the meeting was adjourned at 10:03 AM. The Board Audit Committee (BAC) Meeting immediately followed.

V. BRC Members/Representatives Present


Usec. Bayani H. Agabin
Alternate of the DOF Secretary

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

Usec. Sherwin S. Rigor
Alternate of the DENR Secretary

President Pio J. Benavidez
Member – NPC

Exec. Dir. Raul V. Angeles
Alternate of the DTI Secretary

 ⁴ The Chairman indicated that DOF will coordinate/work with RMS on matters/issues affecting the operation and maintenance of the Nuclear Power Village (NPV).

Dir. Carmencita P. Mahinay
Alternate of the **DBM Secretary**

Dir. Rowena Candice M. Ruiz
Alternate of the **DBM Secretary**

Dir. Bernadette F. San Juan
Representative of Usec. A. T. Cayanan, **DA**

Ms. Marie Christine G. Danao
Representative of Asec. R.M. Planta, **NEDA**

Mr. Reagan John A. Gabriel
Representative of Usec. E.V. Densing III, **DILG**

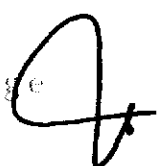
Mr. Emmanuel C. Talag
Representative of Usec. F.W. B. Fuentebella, **DOE**

Atty. Patrick Mabbagu
Corporate Secretary

Respectfully submitted.



PATRICK MABBAGU
[For the Board Review Committee]







NATIONAL POWER CORPORATION

NPB-OCS-18 -0181

MEMORANDUM

For : THE MEMBERS
NATIONAL POWER BOARD

From : THE BOARD REVIEW COMMITTEE

Subject : BOARD REVIEW COMMITTEE (BRC) REPORT
[For the 17 JULY 2018 BRC Meeting]

Date : 19 July 2018

Hereunder are the highlights/salient points of the Board Review Committee (BRC) Meeting held on 17 July 2018, for the reference of the Members of the Board:

I. Call to Order.

There being a quorum, **Usec. Bayani H. Agabin**, official alternate 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 also welcomed Dir. Carmencita P. Mahinay who was designated by DBM Sec. Benjamin E. Diokno as his official alternate¹ to the NP Board and Dir. Angel C. Enriquez who was designated as representative of DA Usec. Ariel T. Cayanar.

III. Presentation and Discussion.

a. Request for Reconsideration (for submission to GCG), re: 2018 NPC Performance Scorecard

VP U. C. Mendiola, Jr. of the Corporate Affairs Group presented the Management's request for reconsideration of the seven (7) targets in the 2018 NPC Performance Scorecard, viz:

Strategic Measure 1	Supply (MW)
Strategic Measure 4	Percentage of Readiness of Existing Plants (Equivalent Availability Factor), %
Strategic Measure 7a	Completed Transmission Line (ckt. km.)
Strategic Measure 7b	Completed Substation Facilities (MVA)
Strategic Measure 13a	Fixed Cost Efficiency Ratio in the Missionary Areas (P/kWh)
Strategic Measure 16	EBITDAS Margin with UCME (%)
Strategic Measure 15	Improved Collection Efficiency (%)

¹ Sec. B.E. Diokno also designated Dir. Rowena Candice M. Ruiz as his alternate to the NP Board.

BRC REPORT

17 July 2018 Meeting

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VP U.C. Mendiola, Jr. presented the comparison of the GCG-approved and NP Board-endorsed targets. He provided justifications for the Management's request for reconsideration and clarified the changes in the assignment of relative weights for the four (4) perspectives against which, the overall performance of the corporation is measured, namely: Customer/Stakeholder, Internal Process, Financial, and Learning and Growth Perspectives.

The highlights of the discussion are as follows:

- Exec. Dir. R.V. Angeles commented that the approved targets of NPC underwent thorough evaluation, discussion and lengthy negotiations with GCG and that the proposed reconsideration at the middle of the year is an indication that not much efforts were exerted to attain the targets. He also cited that the concerned groups and units in NPC may have failed to properly plan and execute the deliverables for CY 2018. He further emphasized that reconsideration may only be granted on the grounds of force majeure and promulgation by the government of new laws and policies. He also commented that if the TRAIN law affected the performance of the corporation, the Management should be able to present validated figures to support such claim.
- Pres. P.J. Benavidez emphasized that some targets have to be reconsidered because their attainment does not entirely depend on the efforts of NPC. He said that an integrated planning among power sector GOCCs have yet to be realized.
- Usec. B.H. Agabin concurred with the points raised by Exec. Dir. R.V. Angeles and directed the Management to cite/show the specific circumstances/events beyond NPC's control that will justify the request for reconsideration. Dir. C.P. Mahinay also requested the Management to show the targets reflected in the CY 2018 COB of NPC.

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

1. For those targets sought to be reconsidered, the Management must clearly show the specific circumstances/ events beyond the control of NPC (e.g. force majeure, change of law, policy or procedure etc.) that affected NPC's performance/ timelines/project implementation;
2. The original reference points/considerations/parameters/assumptions used during the planning stage (as presented to the NP Board in 2017) must also be reflected in the revised presentation;
3. If the TRAIN Law affects NPC's operations/performance targets, the alleged effects must be clearly quantified/shown;
4. Include in the presentation, the CY 2018 GAA targets (physical targets) as submitted

to/approved by DBM; show the effect of the "reconsidered targets" to the DBM-approved COB level for NPC; and

5. Improve the presentation by providing data based on the following:

Target as Approved by the Board	Target as Adjusted/ Revised by GCG	Proposed New Target for endorsement to GCG	CY 2018 GAA Targets
xxx	xxx	xxx	xxx

The BRC also directed the HR Department to finalize the training needs/competency analysis for NPC and encouraged employees and managers to undergo learning/competency-based interventions (e.g. "Accounting for Non-Accountants" etc.)

The BRC lauded NPC's on-going in house MBA program.

b. Approval of the Proposed 2019 NPC Performance Scorecard

VP U.C. Mendiola, Jr. presented the above item and offered the justifications for the proposed deletions of the following Strategic Measures (SM) in the 2019 NPC Performance Scorecard:

SM 2	Percentage of Readiness of Existing Plants- Missionary Areas (Equivalent Availability Factor)
SM 5	Percentage of Readiness of Existing Plants (Availability Factor) (%)
SM 11	Maintenance Requirements of Dams and Other Non-Power Components
SM 12a.1	Transferred Certificates of Titles/Decrees and Land Registration Case Decisions under OMA to PSALM, Filed Applications for Titling/Issuance of Certificates of Titles/Decrees of Unregistered/Untitled Lots and Surveyed Lots for OMA Properties
SM 12a.2	Actual Number of Lots Surveyed under OMA Properties
SM 12b	Filed Applications for Titling or Tenorial Rights/Issuance of Certificates of Titles of Unregistered/Untitled Non-OMA Lots, Restructured Deeds of Donations and Surveyed Lots for Non-OMA Properties
SM 15a	Collection Efficiency with BASULTA Customers

The highlights of the discussion are as follows:

- VP U.C. Mendiola Jr. clarified that there will be adjustments in the relative weights once the deletion of some strategic measures are considered.
- Pres. P.J. Benavidez informed that for **SM 5**, the availability of the plants depends on the [dispatch] and Grid Operating Program of NGCP, the systems operator.

- For **SM 11**, Pres. P.J. Benavidez said that NPC needs funds to efficiently maintain the dams and other appurtenant structures and facilities. He said that currently, NPC has no contingency fund(s) to answer for damages and other liabilities arising from dam ownership and operation—reason that NPC requested for DOJ [and OSG] opinion on the matter.
- Pres. P.J. Benavidez commented that the government may consider transferring the watershed management function of NPC to DENR since the primary mandate of the corporation is to provide electricity in the missionary areas through the Small Power Utilities Group (SPUG).
- Exec. Dir. R.V. Angeles underscored that under the present regime of laws, watersheds that help sustain geothermal and hydropower generation, must be maintained and managed by NPC. This notwithstanding, he pointed out that NPC may enter into an agreement with DENR concerning watershed protection and rehabilitation, which suggestion earned the backing of Usec. S.S. Rigor and Pres. P.J. Benavidez.
- Pres. P.J. Benavidez informed that with respect to Ambuklao and Binga Hydropower plants, the operator SN Aboitiz pays for the operation and maintenance of the dams. He opined that NPC may adopt the same scheme to all dams managed by NPC. Usec. B.H. Agabin commented that the dams managed by NPC (and PSALM) are governed by different terms of reference as a result of the privatization of the country's hydropower assets. He said that a thorough evaluation has to be made in order to identify which dams may adopt the Ambuklao-Binga model.
- On **SM 12a.1, SM 12a.2 and SM 12b**, Exec. Dir. R.V. Angeles said that the targets are important and must be retained. Usec. B.H. Agabin, supporting the position of Exec. Dir. R.V. Angeles emphasized that under EPIRA, NPC is mandated to turn-over to PSALM assets in the main grid for privatization. Since the real properties embraced in SM 12 are those that must handed over to PSALM, the Committee agreed for the retention of said target(s).
- Asec. R.M. Planta suggested that Strategic Objective 8 be rephrased to reflect in gist the specific measures under it.
- Concerning **SM 15a**, the Committee agreed that this should be retained as target. Usec. B.H. Agabin mentioned that the Revised Policy on Interest Rates on Overdue and Restructured Power Accounts and Special Payment Arrangement² was approved by the Board with an expectation that the same will help address the collection efficiency problem in BASULTA. Pres. P.J. Benavidez informed that only about 70 to 80% of the current liabilities are settled by the cooperatives. He also cited that those that have huge obligations to the electric cooperatives are ironically government offices and installations.

BRC Action : **The BRC endorsed the DELETION of the following:**

- **SM 2: Equivalent Availability Factor – Missionary Areas; and**
- **SM 5: Equivalent Availability Factor- Main Grid**

² Approved by the Board per Resolution No. 2017-39 dated 16 August 2017

The Committee also resolved for the RETENTION of the following:

- SM11: Maintenance Requirements of Dams and other Non-Power Components;
- SM12a.1, SM12a.2 and SM 12b: Transferred Certificate of Titles, Decrees and Land Registration etc.
- SM15a: (Collection Efficiency with BASULTA customers)

The following instructions were also issued:

- On SM 11, the BRC through Exec. Dir. R.V. Angeles, underscored that watershed management is a function of NPC [per EPIRA and executive orders]; and dams management is also the responsibility of NPC [per OSG opinion]. Since watershed and dam management both support hydro and geothermal power generation, the Management was instructed to study whether activities pertaining to dam management could be financed/supported by UC-EC.

If the utilization of the UC-EC funds could be expanded to accommodate the requirements of the dams managed and maintained by NPC, the Management was directed to include in the study how may NPC avail of the UC-EC funds (procedural requirements).

The Management was also directed to study whether NPC is allowed to enter into a memorandum of agreement (MOA) with DENR concerning watershed management. The BRC instructed the Management to study the implications/effects of such arrangement.

- On SMs 12a.1, SM 12a.2 and SM 12b, the Management was instructed to study whether the aforementioned SMs may be consolidated. It was also asked to determine which is more advantageous/beneficial to NPC: a consolidated target or itemized/separate targets.

- The BRC directed the Management to review and rephrase SO8, since the existing phraseology seems to suggest that it is just a specific measure rather than an objective.
- On SM 15a, the Management was directed to present to the Board how did the Revised Policy in Interest Rates for Overdue and Restructured Power Accounts, affect/improve NPC's collection efficiency.

c. Operation and Maintenance by the Private Sector of the Agus-Pulangi HEP Complex

The Committee, upon the suggestion of Pres. P.J. Benavidez, gave the green light for the commencement of the study on the operation and maintenance³, by the private sector, of the Agus-Pulangi Hydroelectric Power Complex (APHC). To be included in the study is the proposed separation package for the affected personnel and recommendations as to the treatment of the proposed investment(s) for the rehabilitation works.

The Management was also asked to prepare a study on the effects of Bangsamoro Basic Law (BBL) to the operation of APHC.

d. Approval of the Composition of the 2018-2019 NPC Bids and Awards Committee (NPC-BAC)

The Management informed that the following officials have been nominated by the NPC Management Committee to compose the CY 2018-2019 BAC, viz:

	Option 1	Option 2
Chairman	ATTY. ROGEL T. TEVES Vice President Power Engineering Services (-SPUG)	MS. LORNA T. DY Vice President Administration and Finance
Vice Chairman	MR. EMMANUEL A. UMALI Manager - Watershed Management Department	ATTY. MANUEL LUIS B. PLOFINO Senior Department Manager - Resource Management Services
Members	Legal	ATTY. DEFINIL BUENAFE II Manager - Legal Services Department Office of the Legal Counsel
	Finance	MS. LORLINA E. BOMEDIANO Manager - Financial Planning Division Financial Planning, Budget and Program Review Department
	Technical	MR. HOMER S. GALANG Manager - Testing and Metrology Services Division, Energy Services Department Power Engineering Services MR. SERGIO P. VILLAFUERTE Manager - Environmental Management Department Power Engineering Services
	Representative of the End-user	VICE PRESIDENT or the duly authorized REPRESENTATIVE of the Functional Group/Department/Unit where the item/procurement is needed
	Observers	To enhance the transparency of the process, the BAC shall, in all stages of the procurement process, invite, in addition to the representative of the Commission on Audit, at least two (2) observers to sit in its proceedings, one (1) from a duly recognized private group in a sector or discipline relevant to the procurement at hand, and the other from a non-government organization. Provided, however, that they do not have any direct or indirect interest in the contract to be bid-out. The observers should be duly registered with the Securities and Exchange Commission and should meet the criteria for observers as set forth in the IRR, (Sec. 13, Article V, R.A. 9184)

BRC Action

:

The BRC endorsed the proposal for the consideration of the NP Board and issued the following instruction(s):

³ Usec. B.H. Agabin said that the NPC Management, in studying the Operation and Maintenance of the APHC, may consider the findings of the IFC.

1. The Office of the Legal Counsel was directed to submit a Memorandum/Legal Opinion to the National Power Board as to whether the Vice President for Administration and Finance is qualified to Chair the Bids and Awards Committee (BAC). To be resolved among others are the arguments/impediments raised by IAD, viz: 1. that the VP-AF is the Chief Accountant; and 2. that the VP-AF signs vouchers and certifies the availability of funds under the Revised Manual of Approvals;
2. The Memorandum/Legal Opinion shall be discussed during the Board Meeting. If the Board does not arrive at a consensus/agreement, the matter shall be formally submitted to GPPB for clarification/guidance; and
3. The current members of the NPC-BAC shall continue to perform their duties until the National Power Board designates new BAC members.

e. Bidders'/Suppliers' Concerns in the Crafting of the Terms of Reference (TOR) used in the Bidding Process

Usec. B.H. Agabin informed that the Board Chairman received letters from NPC suppliers who are complaining that the terms of reference (TOR) used for the procurement process are restrictive and seem to limit competition⁴. Usec. B.H. Agabin and Exec. Dir. R.V. Angeles reminded the Management that the goal of RA 9184 is to encourage competition.

Accordingly, the Committee asked that the terms of reference be reviewed/re-examined in light of the observation(s) raised by some suppliers. The Committee underscored that as the terms of reference are reviewed, the corporation should also provide control measures to avoid fly-by-night companies/suppliers.

f. Update(s) on NPC-GCG Meeting (10 July 2018), re: Grant of Step Increment in the Modified Salary Schedule.

In compliance with the instruction of the BRC (i.e. to clarify⁵ with GCG, the reckoning date in the application of the step increments and the salary difference between a Senior

⁴ Usec. B.H. Agabin cited for instance the recent determination/classification by NPC of the procurement for modular generating sets as 'infrastructure' project when the civil works component is minimal. He also shared that a supplier complained about the decision to increase the requirement on procurement/bidding experience (e.g. installed or supplied capacities).

⁵ VP L.T. Dy (Administration and Finance), Ms. M.B. Guinto (Manager, Human Resources Department), Ms. E.C. Leona (Manager, Compensation and Benefits Division) and Atty. P.D. Mabbagu (Corporate Secretary) met with Atty. William Angelo B. Ruyeras (Director IV, Corporate Standard Office, GCG) on 10 July 2018.

Department and a Department Manager), the Corporate Secretary informed the committee as follows:

- In determining the step increments due to length of service, the reckoning date is the date of the appointment of an employee to his/her current position at the time of the adoption of the Modified Salary Schedule.
- The difference in the salaries of Senior Department and Department Managers will still be presented to and resolved by the GCG Management Committee.

The highlights of the discussion are as follows:

- Pres. P.J. Benavidez assured the BRC of the availability of funds for the salary adjustments.
- The Corporate Secretary clarified that a Board Resolution is required to implement the step increments under the rules promulgated by the GCG.

BRC Action : The BRC endorsed the proposal for the consideration and approval of the NP Board. The following instructions were also issued:

- **Concerning the rightful salary of a Senior Department Manager, the BRC asked the Management to wait for the GCG decision; and**
- **The Management was directed to show the financial impact of the salary adjustment(s) to the present and future COBs (i.e. whether NPC has sufficient funds).**

g. Update(s) on the Lease Agreement between NPC and ORMECO for the 9 MW Calapan Diesel Power Plant in Calapan, Oriental Mindoro

VP U.C. Mendiola Jr. provided a backgrounder on the subject lease agreement. He said that the Management is recommending that NPC negotiate and enter into a new lease contract with Power One (POC) for Calapan DPP, subject to the following conditions:

- (1) Lease fee shall be PhP2.5 Million annually which will retroact to 11 October 2015;
- (2) Lease period is 10 October 2015 to 13 March 2032 (17 years) to synchronize with the ESA between ORMECO and POC; and
- (3) As soon as COA comes up with its valuation of the Pielstick units, NPC can proceed with the negotiation for their sale.

The highlights of the discussion are as follows:

- In response to the query of Usec. B.H. Agabin and Exec. Dir. R.V. Angeles, Pres. P.J. Benavidez said that NPC is currently studying and pushing for the eventual graduation of subsidies in the missionary areas.
- Pres. P.J. Benavidez emphasized that electric cooperatives must really undertake competitive selection process (CSP) to properly determine the new

power providers and the needed capacities in the commercially viable missionary areas.

BRC Action : The BRC elevated the proposal for the consideration of the NP Board. The Management was also instructed as follows:

1. Show the book value/latest appraised value of the properties (units) covered by the lease agreement.
2. Show the escalation prices, if applicable.
3. Present the revenues that NPC may expect throughout the lease period.
4. Study/make a determination whether the proposed lease requires that it be subject of a/is exempted (or justified) from, bidding; Show that the proposed lease does not offend/is consistent with COA and other government rules/regulations (i.e, check the processes/requirements to be satisfied in leasing a government asset)
5. Study whether month-month lease option is feasible, pending evaluation of the rules governing lease of government properties.

h. Approval of the Shortlist (Batch 1) of NPC SPUG Power Plants/Units, Barges and Related Facilities for Decommissioning

VP U.C. Mendiola, Jr. presented the above proposal and discussed the Shortlist (Batch 1) of NPC-SPUG Power Plants/Units, Barges and Related Facilities for Decommissioning. He explained extensively the Results of Operations per plant for CY 2017 because these have impact to the net generation cost of NPC. He also provided backgrounders for each of the plants due for decommissioning.

VP U.C. Mendiola, Jr. further explained the process flow and proposed decommissioning timeline. He reiterated that in accordance with the Revised Manual of Approvals, the Management will go back to the Board for the approval of the decommissioning plan for each of the presented plants and assets.

Pres. P.J. Benavidez, in response to the query of Usec. B.H. Agabin clarified that that any proposed sale involving a decommissioned plant, unit or asset will undergo public bidding in accordance with the existing procurement and auditing rules. He also said that depending on the results of the evaluation by NPC, each plant or asset will be governed by different/distinct decommissioning plans.

BRC Action : The BRC endorsed for approval of the NP Board the List (Batch1) of power plants/barges/units to be decommissioned including the proposed timeline for the development of a full-blown decommissioning plan. The following instructions were also given:

1. Management was instructed to include in the presentation the purchase price of the assets; and
2. The Clean-Up Plan should be integrated in decommissioning plan (which will be presented to the Board in October 2018, per proposed timeline)

OTHER MATTERS

- i. **Conceptual Design for the New NPC Head Office in Minuyan, San Jose Del Monte City, Bulacan.**

Atty. R. T. Teves, VP for Power Engineering Services (PES), discussed the proposal to establish a new head office building in Minuyan. He informed the BRC of the conceptual layout/development plan for the area including the cost estimates.

Usec. BH Agabin informed that DOF (NG) is currently studying the options that may be pursued to maximize the use of the Diliman property. He disclosed that should the property be the subject of a joint venture with the private sector (for a mixed-use development) or be considered for sale, part of the deal is to allocate a space/building that will house power sector GOCCs (i.e. PSALM, NPC and TransCo) and possibly, ERC.

The Committee took note of the Management's presentation. It also informed that the alternative option of establishing a separate office in Minuyan could be a consideration in the crafting of a development/master plan for the Diliman property. Pending the development of a master plan for the Diliman property, Usec. B.H. Agabin suggested that the Management take stock of the sentiment/pulse of the employees.

- j. **Resolution of the Sangguniang Panlalawigan of Catanduanes, requesting President R. R. Duterte to instruct the NP Board to Deny with Finality the Request of CPGI, re: Lease of Marinawa DPP.**

The Committee took note of the Resolution and reiterated the position of the NP Board not to renew the lease agreement between NPC and FICELCO involving the Marinawa Daihatsu Power Plant.

IV. Adjournment

The meeting was adjourned at 11:28 AM.

V. BRC Members/Representatives Present

- a. **Usec. Bayani H. Agabin**
Alternate of the DOF Secretary
BRC Chairman
- b. **President Pio J. Benavidez**
Member – NPC
- c. **Exec. Dir. Raul V. Angeles**
Alternate of the DTI Secretary

- d. **Dir. Carmencita P. Mahinay**
Alternate of the **DBM Secretary**
- e. **Dir. Roderick M. Planta**
Alternate of the Socio-Economic Planning Secretary and
Director General, **NEDA**
- f. **Dir. Angel C. Enriquez**
Representative of Usec. A. T. Cayanan, **DA**
- g. **Atty. Jeff Kevin C. Carbonel**
Representative of Usec. E.V. Densing III, **DILG**
- h. **Usec. Sherwin S. Rigor**
Alternate of the **DENR Secretary**
- i. **Mr. Emmanuel C. Talag**
Representative of Usec. F.W.B. Fuentebella, **DOE**
- j. **Atty. Patrick Mabbagu**
Corporate Secretary

Respectfully submitted.


PATRICK MABBAGU

[For the Board Review Committee]



NATIONAL POWER CORPORATION

NPB-OCS-18 - 0150

MEMORANDUM

For : **THE MEMBERS
NATIONAL POWER BOARD**

From : **THE BOARD REVIEW COMMITTEE**

Subject : **BOARD REVIEW COMMITTEE (BRC) REPORT
[For the 19 JUNE 2018 BRC Meeting]**

Date : 20 June 2018

Hereunder are the highlights/salient points of the Board Review Committee (BRC) Meeting held on 19 June 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 lead by the Corporate Secretary, the BRC adopted the Agenda as presented. The Corporate Secretary also informed that the Board Audit Committee will be convened right after the BRC meeting to discuss the following matters: 1.) status of the audit findings; and 2.) filling-up of the vacant positions in the Internal Audit Department.

III. Presentation and Discussion.

- a. Proposed Award of Contract for the Supply and Erection/Installation of Mansalay-San Jose "1" and "2" 69 kV Transmission Line Project in Two (2) Packages (PR No. HO-PIB18-001/PB180313-AP00010)**

Atty. Melchor P. Ridulme, VP-Legal Counsel and Chairman of the NPC-Bids and Awards Committee provided a backgrounder of the project and the highlights and results of the procurement process. The highlights of the discussion are as follows:

- Pres. P.J. Benavidez emphasized that the project will complete the looping of the transmission system in Mindoro province. He also

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underscored that no contractor can claim monopoly of the Mindoro T/L projects as in fact, several companies bagged the contract for the different segments/sections of project.

- Despite having several contractors, the Management assured that there are no issues in the operation of the T/L because all of them observe the same standards and specifications set forth by NPC.
- Pres. P.J. Benavidez said that the transmission poles to be erected are designed to withstand 270 mph wind velocity. He also said that transmission towers could not be erected in the area because of ROW-related concerns.
- Pres. P.J. Benavidez underscored that upon cessation of its generation function, NPC is set to be the systems operator of the Mindoro Grid [and other island grids]. He also clarified that ISO certification was required by NPC to ensure that only capable companies participate in the bidding process.
- Addressing the queries of the Members, Pres. P.J. Benavidez assured the BRC that there was no collusion among the bidders and that no information was given as to the number of bidding participants.
- VP M.P. Ridulme supported Pres. P.J. Benavidez's observation that SLDC and DMCI were able to submit bid offers that were 20% below the ABC because they have existing projects in the Mindoro, thus reducing their mobilization costs.
- Upon the inquiry of Asec. D.M.S. Rieza - Culangen on the current contractual performance of the winning bidder, VP M.P. Ridulme informed that the observed slippages [due to ROW issues] were fully justified. In fact, [time extensions were granted to SLDC because the delays were not due to the contractor's fault].
- Exec. Dir. R.V. Angeles sought clarification as to how the ABC was computed considering that the bid offers were very much low. Pres. P.J. Benavidez explained that the competition drove the prices down. He also reiterated that since SLDC and DMCI have on-going projects in the island, the mobilization costs have been reduced.
- Upon the inquiry of Ms. M.C.G. Danao, VP M.P. Ridulme explained the difference between the bid price as "read" and as "calculated" and discussed how the calculations were made.
- Exec. Dir. R.V. Angeles emphasized that the quality assurance group/personnel of NPC [should see to it the specifications set are strictly complied with].



BRC Action : **The BRC endorsed the proposed award of the contract to S.L. Development Construction Corporation, for the NP Board approval.**

b. Proposed Award of Contract for the Rehabilitation of Calapan-Bansud "2" 69 kV Transmission Line Project in Oriental Mindoro (PR No. HO-PIB17-001)

VP M.P. Ridulme provided the background and scope of the project and the highlights and results of the procurement process. The highlights of the discussion are as follows:

- VP M.P. Ridulme shed light on the net financial contracting capacity of SLDCC and reiterated that the slippages observed in SLDCC's on-going project were determined by the [Project Management Group to be reasonable/acceptable].
- Pres. P.J. Benavidez informed that NPC opted to only put up 69 kV T/L because NGCP is determined to pursue the Batangas-Mindoro interconnection project. He also informed that the conductor size to be used for the project is [795 mcm].

BRC Action : **Based on the representation of the Management that the winning bidder complied with all the requirements and that the procedures under R.A. 9184 were strictly followed, the BRC endorsed the proposed award of the contract to S.L. Development Construction Corporation, for the NP Board approval.**

c. Grant of Step Increment in the Modified Salary Schedule.

Ms. L.T. Dy, VP for Administration and Finance, assisted by Ms. E.C. Leona, Manager - Compensation and Benefits Management Division discussed the legal bases of the grant of step increments and provided sample computations. She also informed the Board of the financial impact to the corporation once the step adjustments are implemented. The highlights of the discussion are as follows:

- VP L.T. Dy explained that the grant of step increments for meritorious performance in a given year is limited to 5% of the total number of employees and that the adjustments may only be granted using the CSC-approved Performance Management System (PMS). Since the PMS has yet to be submitted for approval by CSC, she emphasized that NPC can, in the meantime, only implement step adjustments based on an employee's length of service.
- Dir. E.R.S. Brillantes observed that the application of two (2) steps to differentiate the salaries of the Senior Department and

Department Managers, may be challenged considering that GCG, when it authorized NPC to adopt the Modified Salary Schedule, merely determined that both positions are equivalent to Salary Grade 26, without mention that SDMs are entitled to receive higher compensation than that of Department Managers.

- The BRC noted that the two-step adjustment (for SDMs) is merely internal to NPC following the old salary schedule. The BRC expressed its concern that the intention of GCG could be that the SDMs and DMs have the same SG level at step 1.
- Asec. D.M.S. Rieza-Culangen shared that the adoption of the Modified Salary Schedule had the effect of wiping out salary differences in some GOCC positions. As a consequence, some government corporations have filed an appeal to GCG. She underscored that the matter should be elevated to GCG in order to spare the SDMs from the trouble of being asked to return certain sums of money for receiving [salaries/step increments] that might later be found by COA to be not warranted.
- Dir. E.R.S. Brillantes noted that the authorization from GCG regarding step increments should be clarified considering that NPC only adopted the Modified Salary Schedule effective January 2017.

BRC Action : The BRC endorsed the proposal for the consideration and/or approval of the NP Board. The Management was also directed to:

1. Seek clarification/confirmation with GCG when should the application of step increments be reckoned (per DBM Representative's recommendation)
2. Seek confirmation with GCG as to the propriety of the step assignment for Senior Department Managers.

The BRC took note that prior to the Modified SLL regime (i.e. old NPC rate), the salaries of the Department Manager and Senior Department Manager (JG-17G) differ by two (2) steps. Upon adoption, however, of the new salary schedule, GCG has determined that the SG equivalent for DM (JG17) and SDM (JG17G) is SG 26. GCG did not make a categorical

pronouncement that SDM's salary is higher by a certain number of steps. GCG's intention should therefore be made clear to NPC to avoid erroneous application of steps.

d. QTP Service and Subsidy Contract for the Islands of Lahuy and Haponan in Caramoan, and the Island of Quinalasag in Garchitorena, Camarines Sur.

Mr. Urbano C. Mendiola, Jr., VP for Corporate Affairs provided the chronology of events and informed the Board that NPC and FPIEC had a stalemate on the following issues: (1) cooperation period; and (2) guaranteed output of the Solar PV and Energy Storage System (ESS).

Mr. U.C. Mendiola, Jr. explained that NPC's proposal to maintain the 15-year period eventually ensures that the impact to UCME is lower and that the guaranteed output sees to it that the power provider does not operate using solely diesel generating sets. He said that if only to proceed with the signing of the QTP Service and Subsidy Contract (hereafter "QTP-SSC" for brevity), NPC has expressed its agreement to the FPIEC's version of the QTP-SSC, **without prejudice** to NPC raising questions before the ERC. Mr. U.C. Mendiola Jr. informed that the reservation clause was also objected to by FPIEC.

BRC Action : The BRC endorsed the matter for the information of/consideration of /guidance from the NP Board. The Management was also instructed to:

- 1. Include in the presentation a listing of the foreseen/anticipated advantages and disadvantages of the QTP Service and Subsidy Contract (FPIEC version)**
- 2. For the information of the Board, include in the presentation the usual stipulations/conditions of the QTP Service and Subsidy Contract (i.e. term, guaranteed output and average rate) [using the contracts of other QTPs]**

IV. Adjournment

The meeting was adjourned at 11:56 AM.



V. BRC Members/Representatives Present

- a. **Asec. Danielle Marie S. Rieza-Culangen**
Secondary Alternate of the DOF Secretary
BRC Chairperson
- b. **Asec. Redentor E. Delola**
Alternate Representative of the DOE Secretary
- c. **Pres. Pio J. Benavidez**
Member – NPC
- d. **Dir. Elena Regina S. Brillantes**
Alternate of the DBM Secretary
- f. **Ms. Marie Christine G. Danao**
Representative of Asec. R. M. Planta
Secondary Alternate of the NEDA Director General and
Socio-Economic Planning Secretary
- g. **Atty. Jeff Kevin C. Carbonel**
Representative of Usec. E. V. Densing III (DILG)
- h. **Exec. Dir. Raul V. Angeles**
Representative of the DTI Secretary
- i. **Atty. Patrick Mabbagu**
Corporate Secretary

Respectfully submitted.


PATRICK MABBAGU
[For the Board Review Committee]



NATIONAL POWER CORPORATION

file

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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[Signature]



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). He added that an Investigation Committee¹ 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.**

¹ 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.

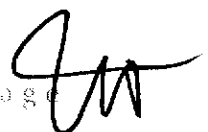
VP R.T. Teves' presentation proceeded with the following outline: (i) Action Requested; (ii) Project Profile; (iii) Chronology of Events; (iv) Schedules of Delivery/SAT OF QRG-Luzon/ Bulacan; (v) Schedules of Delivery/SAT OF QRG-Visayas/Cebu; (vi) Schedules of Delivery/SAT OF QRG-Davao and Zamboanga/Mindanao; (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 out².
- 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:

² 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.

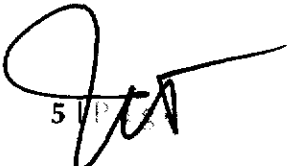
e. Proposed FY 2019 NPC Corporate Operating Budget (COB) – SPUG/WMD/BNPP/PES/NON-OMA

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]





NATIONAL POWER CORPORATION

NPB-OCS-18 - 0093

MEMORANDUM

For : **THE MEMBERS
NATIONAL POWER BOARD**

From : **THE BOARD REVIEW COMMITTEE**

Subject : **BOARD REVIEW COMMITTEE (BRC) REPORT
[For the 19 April 2018 BRC Meeting]**

Date : **26 April 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, **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 and included the following items upon the request of Pres. P.J. Benavidez: a.) Techno-Economic Study on the Agus-Pulangi Rehabilitation Project; and b.) Representatives of NPC to the GCG-ICRC.

The Committee also welcomed Assistant Director Elena Regina S. Brillantes, as representative of DBM Secretary Benjamin E. Diokno, Mr. Vincent Aljon A. Cifra from the Office of DILG Asec. Epimaco V. Densing III and Ms. Emilyn T. Reyes-Aguila from the Office of DOE Usec. Felix William B. Fuentebella.

III. Presentation and Discussion.

a. NPC's Application for Authorization from the GCG for the Grant of Performance-Based Bonus (PBB) for CY 2017 to Qualified NPC Officers and Employees

Mr. Urbano C. Mendiola, Jr., VP for Corporate Affairs, presented the above item, covering the following points: (i) Action Requested; (ii) Legal Bases; (iii) [Quantitative and Qualitative Bas[e]s] for the Grant of 2017 PBB; (iv) Tentative

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Computation of FY 2017 PBB Subject to Final Review of the Ranking; and (v) Matters for Approval.

The highlights of the discussion are as follows:

- Upon inquiry of Asec. D.M.S. Rieza-Culangen, the Management informed that the TWG of GCG is currently validating NPC's indicative score of 90.97%.
- The Management informed that SPUG-Mindanao will be submitting its final ranking by the third week of April, in time for the 26 April Board Meeting.
- Upon inquiry of the Dir. E.R.S. Brillantes, the Management informed that the 2017 PBB shall be charged to the COB 2017 and that there will be no supplemental budget therefor.
- Upon motion duly seconded, the BRC endorsed the proposal to the NP Board for approval.

BRC Action : The BRC endorsed the proposal for the approval of the National Power Board. It also directed the Management to finalize the ranking of qualified NPC Officers and Employees to determine the total PBB amount.

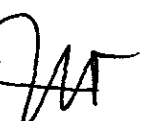
b. UPDATES: Legal Bases of NPC's Ownership/Control/Jurisdiction Over Dams and all Other Appurtenant Facilities Non-Power Components

Atty. Rogel T. Teves, VP for Power Engineering Services informed the Board that the Office of the Solicitor General, in a letter dated 07 March 2018 has issued an Opinion that "dams and all other appurtenant components are owned by the State and under the control and jurisdiction of NPC".

The highlights of the discussion are as follows:

- VP R.T. Teves said that on 3 April 2018, NPC already wrote PSALM regarding its (NPC's) position on the ownership/control of the dams and appurtenant facilities. However, to date, NPC has yet to receive PSALM's comment(s).
- The Corporate Secretary informed during the Joint NPC-PSALM Board Meeting, PSALM was directed to draft a letter to DOJ¹ [to be signed by the Board Chair (DOF)] seeking clarification on the ownership of the dams and other non-power components/facilities. He informed that the said letter was already prepared but was not yet released by PSALM Legal Department.
- In the interest of time, Asec. D.M.S. Rieza-Culangen requested for a soft copy of the NPC's letter to PSALM.
- Atty. I.G. Bohol also requested for a copy of the letter to the DOJ for DENR's comment(s) considering that dam operation affects watersheds. Asec. D.M.S. Rieza-Culangen suggested to circulate the draft letter to all the Members for comments.

¹ Through Usec. Deo L. Marco



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BRC Action : The BRC endorsed the proposal for the information/notation of the NP Board. The following instructions/pronouncements were also given/made:

- 1) DOF shall follow-up with PSALM the release of the letter requesting for DOJ opinion on the ownership of the dams, as agreed during the NPC-PSALM Joint Board meeting; and
- 2) NPC Management to furnish DOF (soft copy) copy of the letter of NPC to PSALM dated 03 April 2018.

- c. **Letter from the DOE Secretary dated 20 March 2018 to the NPC President and CEO, re: Approval of the MOA's/MOUs by the National Power Board**

The Corporate Secretary briefed the Committee on the above item. The BRC recognized that the NPC President and CEO can revise existing circulars/control points mentioned in the Revised Manual of Approvals to ensure that the authorities delegated therein are judiciously and properly exercised.

BRC Action : The BRC endorsed the above-indicated item for the information of the National Power Board.

- d. **Memorandum from the Corporate Secretary dated 03 April 2018 for the Members of the National Power Board, re: Authorization for NPC to Adopt the Compensation Framework under Executive Order No. 36, s.2017**

The Corporate Secretary discussed the above-indicated item. The highlights of the discussion are as follows:

- Dir. E.R.S. Brillantes inquired whether there was diminution of salaries and benefits and whether the GCG-determined SG levels for the existing Job Grades in NPC caused wage distortions. Pres. P.J. Benavidez informed that although there were positions whose SG levels were below the proposal of NPC, salaries of the affected employees were maintained in accordance with law.
- Pres. P. J. Benavidez said that the Management accepted the GCG-determined SG level equivalents of the existing NPC Job Grades. Regarding the application of other benefits and allowances, he said that there is still on-going clarification and consultations.
- For the application of step increment, the Corporate Secretary reported that Management is still awaiting the confirmation/ruling of the GCG.
- The NPC President and CEO expressed his gratitude to the National Power Board for endorsing the request for salary adjustment.

BRC Action : The BRC endorsed the above-indicated item for the information of the National Power Board.

e. Revised Right-of-Way (ROW) Manual

Atty. Melchor P. Ridulme, VP/Legal Counsel, presented the above item for the information of the BRC and NP Board. His discussion covered the following presentation outline: (i) Action Requested; (ii) Background; (iii) Old ROW Law versus New ROW Law and (iv) Salient Provisions of the New ROW Manual². VP M.P. Ridulme also underscored that the approving authorities indicated in the Revised ROW Manual are consistent with the provisions of the recently approved Revised Manual of Approvals (MOA).

The highlights of the discussion are as follows:

- Pres. P.J. Benavidez informed that payment of Real Property Taxes (RPTs) to the local government units (LGUs) is an issue that affects the issuance of permits to operate power plants and facilities.
- VP M.P. Ridulme informed that in all property acquisitions, NPC exercises due diligence in verifying/determining the real owners of the property.
- Asec. D.M.S. Rieza-Culangen lauded NPC for coming up with a more comprehensive ROW Manual. She also said that she will ask TransCo to take a look at NPC's version to guide them (TransCo) in introducing necessary amendments/revisions to their (TransCo's) manual.

BRC Action : The BRC endorsed the above-indicated item for the approval of the National Power Board. It also issued the following directive(s):

a. Amend Article VII, Section 4 of the Manual concerning Financial Assistance

[The Board/BRC Members may submit comments on the ROW Manual before the Board Meeting].

f. Result of NPC's Customer/Stakeholder Satisfaction Rating Survey for CY 2017

VP U.C. Mendiola Jr.'s presentation covered the following outline: (i) Action Requested; (ii) Background; and (iii) Initial Result(s) of the CY 2017 NPC Customer/Stakeholder Satisfaction Survey.

The highlights of the discussion are as follows:

² Salient provisions include: Additional Modes of Acquisition of ROW; Valuation for Land Acquisition; Valuation for ROW Acquisition; Policy on Compensation-Negotiated Sale (including Payment in Tranches); Policy on Compensation-Expropriation; Policy on Compensation-Quitclaim and ROW Easement; and Taxes.

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- The Management informed that the final report of the survey will be submitted by Kantar in time for the 26 April 2018 Board Meeting.
- The BRC congratulated NPC for the good survey turnout.

BRC Action : The BRC endorsed the above-indicated item for the approval of the National Power Board. It also issued the following directive:

- b. Present the final/overall corporate rating and the customer satisfaction score during the Board meeting.**

[OTHER MATTERS]

g. Proposed Designation of NPC Representatives for the GCG-Integrated Corporate Reporting System (ICRS)

The Corporate Secretary informed that the approval of the National Power Board is required by GCG for the designation of the following NPC officers:

GCG Requirement	NPC Nominee
GMS (GOCC Monitoring System) - Head of Finance	Mr. ALEXANDER P. JAPON Senior Department Manager – Finance
GLMS (GOCC Leadership Management System) - Corporate Secretary/Governance/Compliance Officer	Atty. PATRICK MABBAGU Corporate Secretary
MIS (Management Information System) - Head of MIS/IT Department	Mr. VIRGILIO S. LEYBA Manager - ITSD

BRC Action : The BRC endorsed the above-indicated item for the approval of the National Power Board.

h. NPC's Techno-Economic Study on the Agus-Pulangi Power Complex Rehabilitation Project

VP R.T. Teves's presentation observed the following outline: (i) Project Description; (ii) Profile of the Agus-Pulangi Hydro Power Plant Complex; (iii) Gist on the Agus-Pulangi Rehabilitation Project; (iv) Economic and Financial Analysis; (v) Potential Benefits; and (vi) Project Timeline.

The highlights of the discussion are as follows:

- Ms. M.C.G. Danao remarked that NEDA is still waiting for the submission by PSALM of the Terms of Reference for the above project. She however suggested that NPC can submit formally to NEDA the above techno-economic study.
- VP R.T. Teves informed that the proposed rehabilitation shall be implemented

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on a per plant basis.

- Pres. P.J. Benavidez informed the BRC of the economics of solar technology in the Philippines.
- Upon inquiry of Asec. D.M.S. Rieza-Culangen, Ms. M.C.G. Danao of NEDA agreed that a transaction adviser may be needed for the rehabilitation project.
- Asec. D.M.S. Rieza-Culangen clarified³ for the "engagement of Third Party for the Procurement of Consultancy Services, the Joint NPC-PSALM Board agreed to follow the NEDA track, that is, NEDA may procure consultancy services for the preparation of Feasibility Study and Tender Documents under NEDA's Project Development and Other Related Studies (PDRS) Funds".
- Pres. P.J. Benavidez raised the issue on the signatories for the contract.
- Asec. D.M.S. Rieza-Culangen pointed out that given the preparations needed for the project, the timeline/schedule indicated in the presentation will have to be adjusted.

BRC Action : The BRC endorsed the above-indicated item for the consideration/approval of the National Power Board⁴.

IV. Adjournment

The meeting was adjourned at 11:10 AM.

V. BRC Members/Representatives Present

- a. **Asec. Danielle Marie S. Rieza-Culangen**
Secondary Alternate of the **DOF** Secretary
- b. **Ms. Emilyn T. Reyes-Aguila**
Mr. Rodel T. Padrique
Representatives of Asec. R. E. Delola of **DOE**
- c. **President Pio J. Benavidez**
Member – **NPC**
- d. **Asst. Dir. Elena Regina S. Brillantes**
Representative from the **DBM**
- e. **Ms. Marie Christine G. Danao**
Representative of Dir. R. M. Planta, **NEDA**
- g. **Dir. Asterio P. Saliot**
Alternate Representative of Usec. A. T. Cayanan, **DA**
- h. **Mr. Vincent Aljon A. Cifra**
Representative of Asec. E.V. Densing III, **DILG**

³ Reading a portion of the Summary of Agreements reached during the Joint NPC/PSALM Board Meeting on 28 February 2018

⁴ The BRC agreed that the Agus-Pulangi Rehabilitation Project shall be discussed first during the Board Meeting on 26 April 2018.

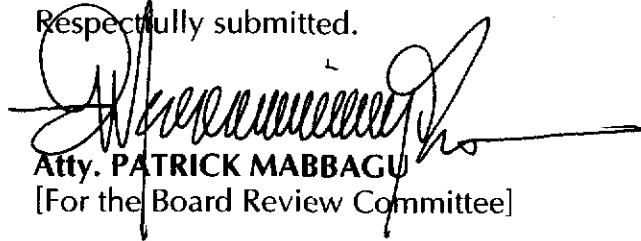


SALIENT POINTS:
BOARD REVIEW COMMITTEE MEETING
19 APRIL 2018

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- i. **Atty. Ilac Bohol**
Representative of Usec. M. P. G. Luna, **DENR**
- j. **Atty. Patrick Mabbagu**
Corporate Secretary

Respectfully submitted.



Atty. PATRICK MABBAGU
[For the Board Review Committee]



NATIONAL POWER CORPORATION

NPB-OCS-18- 0076

MEMORANDUM

For : **THE MEMBERS
NATIONAL POWER BOARD**

From : **THE BOARD REVIEW COMMITTEE**

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

Date : 19 March 2018

Hereunder are the highlights/salient points of the Board Review Committee (BRC) Meeting held on 15 March 2018, for the reference of the Members of the Board:

I. Call to Order.

There being a quorum, **Asec. Danielle Marie S. Rieza - Culangen**, Alternate/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 Folders previously sent to the BRC Members. It also allowed the inclusion of the Memorandum of the NPC President and CEO, requesting for the extension of the terms of [office] of current BAC members. The Corporate Secretary also informed the BRC that the Board Audit Committee will be convened right after the meeting to discuss the filling-up of two vacant positions in the Internal Audit Department.

III. Presentation and Discussion.

a. Proposed Award of Contract for the Supply and Delivery of Oil-Based Fuel to SPUG Power Plants and Barges for CY 2018

Atty. Melchor P. Ridulme, VP/Legal Counsel and Chairman of the Bids and Awards Committee, presented the above item. He underscored that under the existing Manual of Approvals, fuel-related contracts that are above Php 300 Million require the approval of the NP Board while those that are below the said threshold, are approved at the level of the NPC President and CEO. Nevertheless, those contracts

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VP M.P. Ridulme's presentation was outlined as follows: (i) Matter for Approval; (ii) Background-Salient Points; (iii) Table of Delivery Points; (iv) Result of Bid Opening; (v) Abstract of Bids: As Read and As Corrected; (vi) Petron Bid Details; (vii) SL Harbor Bid Details; (viii) Post Qualification-Technical Requirements/Evaluation; (ix) Post Qualification-Track Record; (x) Post Qualification-Document Validation; (xi) Action Requested; (xii) Excise Tax; (xiii) For the information of the Board-Contract Prices Below Php300 Million-Summary of Contract Prices below Php300 Million; (xiv) Contracts Awarded to Petron Corporation/Phoenix Petroleum Philippines, Inc./SL Harbor Bulk Terminal Corporation/Filpride Energy Corporation.

- VP M.P. Ridulme emphasized in the presentation that when the Corporation bid out the fuel requirements, the excise tax was not yet included. The BAC reminded the bidders of the effect of the TRAIN Law and even before the pre-bid conference and bid opening, it was already anticipated that the excise tax would be incorporated on the costs once the contract will be awarded. He further showed that the total Excise Tax cost, based on BIR Regulation No. 2-2018 (at PhP2.50 per liter) is PhP 531,678,148, increasing the ABC to PhP 6,357,311,433.
- The Management explained in detail the fuel delivery points and the problems encountered in the previous biddings.
- Pres. P.J. Benavidez also stated that one of the reasons for the increase of the CY 2018 fuel requirements was the tall order from the DOE to provide 24/7 electricity supply in the missionary areas.
- On the matter of 'splitting of contracts' (i.e. those below Php 300 Million), VP M.P. Ridulme presented Board Resolution No. 2011-29 dated 24 August 2011 and pointed out the following provision:

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XX"

- 21 Reg.

rules, splitting of contracts is evident not only when the amount is lowered to avoid public bidding but also when its objective is to avoid the elevation of the contract to the higher levels of authority.

- The Corporate Secretary pointed out that in fairness to the Management, they really intended to disclose to the Board all fuel-related contracts and that the fact of such disclosure shall be included in the Board Resolution.
- Asec. D.M.S. Rieza-Culangen and Dir. L.C. Drapete inquired on the CY 2017 fuel requirements of NPC and asked the comparison between the CY 2017 and 2018 fuel volume and the corresponding ABC.

BRC Action : The BRC endorsed the proposal for approval of the NP Board, with the following instructions:

1. **Present during the Board (22 March 2018) the evolution of the rule(s) on splitting of contracts (for contracts below Php300 Million):**
 - **Assure the Board that no procurement law/regulation is violated [when a winning bidder's aggregate fuel contract with NPC is more than Php300 Million (but the individual/lot contract is not elevated to the Board)]**
 - **Check the latest IRR of the Procurement Law; and**
2. **Include in the presentation how ABC was computed (per lot): show the ABC in the previous years (including the actual fuel use/utilization in CY 2017.**

- b. **Proposed Award of Contract for the Construction of Power Facilities including Supply, Delivery, Erection/Installation, Test and Commissioning of Forty-Seven (47) Units of Modular Diesel Gensets and Electrical Equipment for Luzon SPUG Areas under Schedule 1 (Spec. No. LuzP17Z807Sc/PR No. SO-OPD17-011)**

VP M.P. Ridulme presented the above item and his presentation was outlined as follows: (i) Matter for Approval; (ii) Background; (iii) Basis for the Supply, instead of Lease; (iv) Delivery Plant Sites with the Corresponding Number and Capacity of Gensets; (v) Salient Points of the Project; (vi) Background: Pre-Bid Conference; (vii) Result of Bid Opening; (viii) Result of Bid Evaluation; (ix) Post Qualification: Technical/Documents Validation; (x) Action Requested.

The highlights of the discussion are as follows:

- V.P. M.P. Ridulme emphasized that for the supply and delivery of generating sets, there are three (3) contract schedules. However, the bidding for Visayas and Mindanao schedules failed and he explained the reasons for the failures.
- Asec. D.M.S. Rieza-Culangen requested the details of the disqualification of AG Araja Construction and asked the Management to take a look at the latest GPPB rules governing the submission of "signed documents". The Management agreed to include in the Board presentation, the communication/letters pertaining to the disqualification of AG Araja Construction.
- On Asec. R.E. Delola's inquiry regarding the participation of SUWECO¹(sic), Pres. P.J. Benavidez informed that [while it participated in the bidding, no other NPPs are involved in the business of supplying generating units].
- Asec. D.M.S. Rieza-Culangen asked the Management to include in the Board presentation, the performance of SUWECO with regards to construction of power facilities.
- Pres. P.J. Benavidez showed the islands that will benefit from the installation of additional capacities. In response to Ms. M.C.G. Danao's query, he explained that NPC is open to renewable energy option for the islands only that at this time, [the costs are prohibitive considering the very low load profile in the missionary areas. He also stressed that NPC is piloting a hybrid solar-diesel power plant in Limasawa].
- Asec. R.E. Delola informed that he is heading the composite team of NEA and NPC to ensure that [electrification programs are coordinated (to avoid scenarios where power cannot be had despite availability of generating capacities because corresponding distribution lines are not in place)].

BRC Action : The BRC endorsed the proposal for the NP Board approval, subject to the following instructions:

- 1. Include in the presentation the reasons for the disqualification of AG Araja Construction and Development Corporation;**
- 2. Include in the presentation the actual contractual performance (previous projects with NPC) of Sunwest Construction and Development Corporation (SCDC); and**

¹ SUWECO is a New Power Provider in Catanduanes. Its 'sister' company, Sunwest Construction and Development Corporation (SCDC) participates in some procurement activities of NPC.

3. Include in the presentation how the Schedule/Grouping was determined (i.e. why did the Management not consider clustering based on regional locations like one lot for Palawan; another lot for Northern Luzon, etc. to encourage the participation of other bidders.

c. Proposal for Compromise Agreement, re: CC No. 08-10, NPC vs. MARELCO

VP M.P. Ridulme presented the above item and cited the events that transpired since its first presentation to the BRC. He briefly discussed the background of the case and the Proposal for Settlement and Execution of Deed of Usufruct. He explained the salient/major features of the Deed of Usufruct (i.e. advantages and disadvantages) and disclosed OSG's approval of the same dated 15 April 2016.

Upon inquiry of Asec. R.E. Delola, Pres. P.J. Benavidez informed the BRC that there are no NPPs in the area and [that should the private sector come in as a result of a CSP to be undertaken by the electric cooperative, NPC shall exit the area].

BRC Action : The BRC endorsed the proposal for the NP Board approval, subject to the following instructions:

1. Provide a copy of the letter from OSG approving the proposed compromise agreement; and
2. Inform the Board that MARELCO is still amenable with the compromise agreement with NPC.

d. Proposed Filing of the New SAGR to Recover Incurred Excise Tax on Fuel for CY 2018, 2019 and 2020.

VP Urbano C. Mendiola, Jr., (Corporate Affairs Group), presented the above-indicated item and emphasized that the proposed SAGR hinged on the impact of the TRAIN Law on the NPC financials. VP U.C. Mendiola, Jr.'s presentation was outlined as follows: (i) Background; (ii) Impact on NPC's Fuel Cost [2018-2020]; (iii) Impact on NPC's Fuel Cost (Per Grid for CY 2018); (iv) Impact on NPC's Fuel Cost (Per Grid for CY 2019); (v) Impact on NPC's Fuel Cost (Per Grid for CY 2020); (vi) Rate Impact Based on Recovery thru SAGR; (vii) Rate Impact Based on Recovery thru GRAM; (viii) Rate Impact Based on Recovery Thru Basic UCME; (ix) Pros and Cons; (x) Recommendation.

Upon the inquiry of Asec. D.M.S. Rieza-Culangen, the Management indicated its position that the best way to recover the Excise Tax is thru the SAGR (other options are thru GRAM and UCME). For consistency, Asec. R.E. Delola requested the Management to use the results of the CY 2018 bidding of fuel requirements in calculating the excise tax.

BRC Action : The BRC endorsed the proposal for the NP Board approval, subject to the following instructions:

1. Update the figures used for fuel costs (considering the results of the bidding for the CY 2018 fuel requirements of NPC; and
2. Consider consolidating the new ERC Petition with the one previously filed (concerning SAGR for SPUG Areas).

e. Request of the NPC President and CEO for the Extension² of the Term [of office of] the BAC Members

Pres. P.J. Benavidez explained that with the impending retirement of several key officials/executives of NPC, the Management needs more time to firm up the composition of the new Bids and Awards Committee.

- Asec. D.M.S. Ricza-Culangen requested the Management to present to the Board the candidates for BAC Chairmanship (third-ranking officials).
- Pres. P.J. Benavidez said that since the SVP and COO position has not yet been filled up and has no budgetary allocation, he is looking into the possibility of designating a Senior Department Manager as BAC Chairman.
- The Corporate Secretary informed the Committee that the matter was discussed in the previous Board/BRC Meetings. Citing the similar query of DPWH, he shared that GPPB once issued a pronouncement that the "third-ranking" member is specifically based on the organization's plantilla of positions. Considering the importance of the matter, the Committee concurred with the suggestion to request seek clarification from GPPB.

BRC Action : The BRC endorsed the proposal for the deliberation of the NP Board, with the following instructions:

1. Seek the opinion of the GPPB³ on the interpretation of the "third ranking" official for purposes of appointing the Chairman of the BAC; Make representations with the GPPB that the SVP and COO position has not been filed up and has no budgetary allocation; request the allowance of a Senior Department Manager (SDM) as BAC Chairman as a matter of necessity; and

² The President and CEO is requesting for a six-month extension per his Memorandum to the NP Board.

³ The Management was asked to provide Dir. L. C. Drapete (thru OCS) copy of the letter. He will also discuss the matter with the GPPB Executive Director.

2. Provide the Board "Options" as to who shall be the [next] BAC Chairman.

f.i. Lease Agreement Between NPC and FICELCO which Expired on 17 October 2018 [Communications regarding the Extension/Renewal of Lease Agreement covering the Marinawa Diesel Power Plant (MDPP)]:

- (1) 21 Feb. 2018 Memorandum of Ex. Dir. R. V. Angeles for the NPC Management;
- (2) 31 January 2018 Transmittal-Letter of CPGI to the Secretary of DTI; and
- (3) 28 January 2018 Letter from the Chairman of CPGI addressed to the NPC President [with attachments and copy furnished the Members of the NP Board]

VP U.C. Mendiola, Jr. emphasized that the Management is hoping that a common position is reached concerning the matter. The Corporate Secretary also indicated that CPGI is now directly writing the principal members of the NP Board, in an effort to reverse the previous decision not to extend/renew the lease-sublease agreement.

- Dir. L.C. Drapete remarked that the Board has to sustain the Management's recommendation not to renew/extend because the contract has already expired.
- Asec. R.E. Delola added that the lease contract is between NPC and FICELCO and that NPC has no contractual relationship with CPGI. He reiterated that [FICELCO should conduct a new round of CSP if necessary].
- Asec. D.M.S. Rieza-Culangen emphasized that the COA guidance requested by the Management is not related to the decision of the Board not to extend because in the first place, there is nothing to extend. She said that the guidance is sought so that the [Management will know the propriety of the previous transaction]. She reiterated that any new lease agreement should be bid out in accordance with the existing government rules.
- Pres. P.J. Benavidez also informed the BRC of the situation on the ground and the status of the facility to which Asec. D.M.S. Rieza-Culangen suggested to report the same to the Board in its next meeting.

BRC Action : The BRC endorsed the proposal for the deliberation of the NP Board, with the following instructions:

1. The Management shall prepare a letter denying the request of CPGI (the same shall be signed by the Chairman of the NP Board); NPC shall assert in the draft that it has no pending contractual ties with CPGI.

[Note: The formal stand of the Board shall be issued after its 22 March 2018 Meeting.]; and

2. Apprise the Board of the actual situation on the ground (after October 2017 to present): inform the Board of the actions taken by the Management.

IV. Adjournment

The BRC meeting was adjourned at 10:51 AM. The BAC convened immediately thereafter.

V. BRC Members/Representatives Present

- a. **Asec. Danielle Marie S. Rieza-Culangen**
Secondary Alternate of the DOF Secretary
- b. **Asec. Redentor E. Delola**
Alternate Representative of the DOE Secretary
- c. **President Pio J. Benavidez**
Member – NPC
- d. **Dir. Lorenzo C. Drapete**
Alternate of the DBM Secretary
- e. **Ms. Marie Christine G. Danao**
Representative of NEDA Dir. R. M. Planta⁴
- f. **Dir. Asterio P. Saliot**
Representative of Usec. A. T. Cayanan, DA
- g. **Atty. Jeff Kevin C. Carbonel**
Representative of Asec. Epimaco V. Densing III⁵, DILG
- h. **Atty. Ilac Bohol**
Representative of Usec. M. P. G. Luna, DENR
- i. **Atty. Patrick Mabbagu**
Corporate Secretary

Respectfully submitted.


Atty. PATRICK MABBAGU
[For the Board Review Committee]

⁴ Alternate of the NEDA Director General and Socio-Economic Planning Secretary

⁵ Alternate of the OIC-Office of the Secretary, DILG



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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Website: www.napocor.gov.ph



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-Pulangi 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.

- 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.

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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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.

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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:

X-----X

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. Salio, Management was asked to update the presentation/program based on the latest data from NAMRIA.
- Dir. A.P. Salio 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).

- g. NPC's 25 -Year Integrated Watershed Management Master Plan for the 11 NPC-Managed Watersheds.

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(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 *balet* 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

SALIENT POINTS:
BOARD REVIEW COMMITTEE MEETING
20 FEBRUARY 2018

x-----x

- 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.



NATIONAL POWER CORPORATION

OCS-18 - _____

MEMORANDUM

For : **THE MEMBERS
NATIONAL POWER BOARD**

From : **THE BOARD REVIEW COMMITTEE**

Subject : **BOARD REVIEW COMMITTEE (BRC) REPORT
[For the 18 JANUARY 2018 BRC Meeting]**

Date : **25 January 2018**

Hereunder are the highlights/salient points of the Board Review Committee (BRC) Meeting held on 18 January 2018, for the reference of the Members of the Board:

I. Call to Order.

There being a quorum, **Dir. Danielle Marie S. Rieza -Culangen**, Alternate 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 also agreed to the suggestion of the NPC President to first take up the updates on the DAMA case considering that the Associate Solicitors from the Office of the Solicitor General (OSG) have already arrived.

The Committee also formally welcomed Assistant Secretary Epimaco V. Densing III who shall now sit in the NP Board as official alternate of the DILG Secretary. The Corporate Secretary also officially acknowledged the presence of OSG lawyers Jacqueline Torio-Guzman and Alexandria Maroto who served as special resource persons for the BRC meeting.

III. Presentation and Discussion.

- a. **UPDATE on the DAMA Case (NPC-DAMA, et al. vs. NPC, et al., G.R. No. 156208).**
- b. **Legal Opinion of the Office of the Solicitor General (OSG).**
- c. **Letter of Atty. V. V. Orocio for the NPC President dated 8 January 2018.**

Atty. Melchor P. Ridulme (VP/Legal Counsel) first thanked the OSG¹ representatives for joining the meeting. He discussed extensively the background of the case and the issues raised in the 21 November 2017 SC Resolution. He also summarized the letter-opinion of the OSG dated 05 January 2018. Moreover, Atty. M.P. Ridulme informed the BRC that Atty. Victoriano V. Orocio, counsel of the petitioners, already requested for certified true copies of pertinent documents from NPC that shall be used to support the *Petition for Money Claim* to be filed before the COA. He also discussed statistics previously prepared by the NPC-Human Resources Department, which were also submitted to the Supreme Court in 2014.

The following are the highlights of the discussion:

- Dir. D.M.S. Rieza-Culangen requested clarification on the entitlement(s) of employees who were re-hired by NPC or were absorbed by PSALM and TransCo. Atty. M.P. Ridulme read the pertinent portion of the SC decision, viz :

"Thus, We rule that petitioners who were subsequently rehired by the NPC, (b) absorbed by PSALM or Transco, or (c) transferred or employed by other government agencies, are not entitled to back wages".

- Pres. P.J. Benavidez opined that while those who were rehired or absorbed by NPC, TransCo or PSALM are not entitled to backwages, they are nevertheless possibly entitled to salary differential.
- Atty. M.P. Ridulme also clarified the entitlement of the petitioners who were not rehired and those who were considered as "early leavers". He added that the issues on i.) who are entitled; and ii.) how much, are matters that can be finally resolved by COA.
- The Committee agreed to the suggestion of Pres. P.J. Benavidez that the details on the amount/entitlement shall be discussed in a special executive session/joint meeting between NPC and PSALM. Dir. D.M.S. Rieza-Culangen stated that PSALM and NPC should be consistent in the presentation of figures.
- In summary, the following statements were issued by the OSG Representatives:
 1. The DAMA case already has final and executory judgment;
 2. The government already exhausted all legal remedies;
 3. The Supreme Court already decided the case in favor of the petitioners;

¹ The Solicitor General is the statutory counsel of NPC in the said Supreme Court case.

4. The petitioners' claim shall be filed before COA; and
 5. In accordance with the doctrine of immutability of judgments, once a judgment becomes final and executory, it can no longer be altered and that no further legal remedy can be availed of in order to attack that judgment.
- Dir. D.M.S. Rieza-Culangen suggested exploring options to stop the running of interest(s).
 - Pres. P.J. Benavidez remarked that NPC/PSALM should explore options on the payment scheme but no computations shall be released [to the employees/petitioners].
 - Dir. L.C. Drapete raised a query on the responsibility of previous officials who did not exercise due diligence [in passing the invalidated Board Resolutions and in effecting the termination of the employees].
 - Dir. D.M.S. Rieza-Culangen suggested that the documents furnished the Supreme Court be given also to PSALM for their own computation.
 - Atty. M.P. Ridulme also raised the request of Atty. V.V. Orocio to furnish him NPC documents that shall be used to support the money claim before the COA
 - The BRC agreed that the Joint NPC/PSALM Board should tackle the potential source of funding.
 - Dir. D.M.S. Rieza-Culangen thanked the OSG lawyers and expressed the Board's gratitude to the Solicitor General for fighting the case.

BRC Action: *The BRC endorsed the above-indicated items for the information of the National Power Board. It also issued the following instructions:*

1. *A joint NPC-PSALM Board Meeting shall be called to discuss the ramification(s) of the SC Decision (i.e. other liabilities of NPC/PSALM). The attendance to the said special joint Board meeting shall be limited to the Members of the Board and key officials/executives from NPC and PSALM.*
2. *PSALM shall be directed to identify possible sources of funds.*

3. *While it is COA that will eventually determine the entitlement of DAMA Case beneficiaries, the NPC Management is instructed to make/prepare estimations/computations (e.g. average claim of an employee, total obligation, etc.). The Management must also come up with a "position" on the following: (a) Entitlement of those who were rehired; and; (b) Entitlement of the early leavers;*
4. *Considering that PSALM shall ultimately bear the burden of settling the judgment obligation, NPC must ensure that it (PSALM) is/shall be provided with all necessary documentary references. The computation/estimations of NPC/PSALM should be comparable;*
5. *Regarding the documents requested by Atty. Orcio, the Management was instructed to make a determination, whether those documents can change/modify the computations that shall be used as bases for the petition for money claim before the COA.*

The BRC did not prohibit the release of the requested documents considering that most of them may be published circulars or guidelines from NPC/DBM.

For the 30 January 2018 Board Meeting, the Management was requested to: (a) make a determination/estimation what is the average amount involved in each of the items requested by Atty. Orcio; and (b) make a determination whether those amounts were included in the previous Php60.2 B demand for payment from the QC Sheriff.

(The OSG Representatives left the BRC Meeting.)

d. Request for Approval of the Filing of the 17th Incremental Currency Exchange Rate Adjustment (ICERA) covering the Test Period 26 December 2015 to 25 December 2016.

VP Urbano C. Mendiola, Jr. (Corporate Affairs Group), presented the above-indicated item and discussed the following: a. Reasons for the filing of the petition; b. Legal bases; c. Salient features of the 17th ICERA Petition; d. ICERA DAA Calculation; e. 17th ICERA DAA; f. Proposed 17th ICERA; g.) Simulation on the Financial Impact; and h.) the ideal ERC Approval Timetable.

The following are the highlights of the discussion:

- In response to Dir. L.C. Drapete's query, VP U.C. Mendiola Jr. said that the filing of the instant petition is delayed by one year. He also presented the pending GRAM/ICERA Applications and the historical GRAM/ICERA Applications/Approval.
- Pres. P.J. Benavidez informed the BRC that in view of the issues besetting ERC, particularly the suspension of its commissioners, NPC plants are operating without permits. He added that he already sent a letter to the DOE Secretary about this situation.

BRC Action : The BRC endorsed for approval/consideration of the NP Board the following recommendations of Management:

- 1) Approval for the filing of the 17th ICERA covering the test period 26 December 2015 to 25 December 2016;**
 - 2) Approval of the proposed recovery period of twelve (12) months to mitigate impact to consumers; and**
 - 3) Adoption and implementation of the rate adjustment to the SAGR for Delegated Areas or where New Power Providers (NPPs) operate for purposes of determining the level of subsidy for equitable implementation of rates in the SPUG areas.**
- e. Ratification of Board Resolution No. 2017-56, [Referendum dated 20 December 2017] re: Designation of the President P. J. Benavidez as the NPC Representative to the PEMC Board.**

The Corporate Secretary informed the Committee that the subject resolution was already signed by eight members of the Board. He also said that the Board Chairman has some clarificatory questions regarding NPC's participation in the PEMC Board/WESM.

BRC Action : The BRC endorsed the resolution for ratification of the NP Board.

OTHER MATTERS

f. Restructuring of Cagayan de Sulu Electric Cooperative's (CASELCO's) Overdue Power Accounts.

The Corporate Secretary informed the Committee that CASELCO's restructuring agreement was previously submitted for consideration of the BRC. As a result however of the Board-approved policy on the interest rates, the restructuring period was lowered and under the existing Manual of Approvals, agreements lower than 10 years no longer require Board Approval. Nevertheless, the Management decided to present the agreement for the information and notation of the NP Board.

BRC Action : The BRC took note of CASELCO's restructuring agreement and endorsed the same for the information of the NP Board.

g. Memorandum from the DOE Secretary, re: Legal Requirement for Memorandum of Agreements (MOAs) and Memorandum of Understandings (MOUs).

The Corporate Secretary informed the BRC that the Memorandum of the DOE Secretary is included in the agenda of the Board Executive Committee Meeting scheduled on 19 January 2018.

BRC Action : The BRC took note of the manifestation of the Corporate Secretary.

- h.1 Letter of Atty. Felipe L. Gozon, Chairman of Catanduanes Power Generation, Inc. (CPGI) dated 08 December 2017 (re: Lease Agreement between NPC and FICELCO).**
- h.2 Reply of the NPC Management dated 20 December 2017.**
- h.3 Resolution No. 384-2017 of Sangguniang Panlalawigan, Province of Catanduanes, commending the NP Board and Executive Officers of NPC for protecting the interest of the Members-Consumers of the FICELCO.**

(Dir. Angeles arrived)

The Corporate Secretary informed the Committee that the above- indicated items shall be submitted for the information of the NP Board. Dir. R.V. Angeles commented that the letter of Atty. F.L. Gozon is hinting a possible graft/Ombudsman case against the Board to which Pres. P.J. Benavidez said that NPC is ready to defend its position on the matter.

Pres. P.J. Benavidez took the chance to inform and invite Board Members to witness the inauguration of the following completed projects: a.) Masbate Transmission Lines (Mainland Masbate) and the capacity addition program [operation of the power generating set(s)] in Ticao Island; and b.) Dinagat Island capacity addition project.

BRC Action : The BRC took note of the above-indicated items including the invitation of the NPC President, for the information of the NP Board.

- i. Management's compliance to NP Board instruction given on 19 December 2017, re: Comments on the Issues Raised in the 04 Dec. 2017 Letter of Basilan C&J Construction.(ref: Genset for Basilan DPP).
- j. Formal Notification of the Change/Modification made to NP Board Resolution No. 2017-55 dated 19 December, 2017, re: Award of Contract for the Supply, Delivery, Erection/Installation, Test and Commissioning of Balance of Plant for the Electrification of New Areas in Samar (in three schedules).

BRC Action : The BRC took note of the above-indicated items for the information of the NP Board.

k. 2017 Accomplishment Report and 2018 NPC Performance Scorecard.

VP U.C. Mendiola Jr. apprised the BRC on the status of the 2017 performance targets. He also presented the proposed 2018 performance scorecard of NPC.

BRC Action : The BRC issued the following instructions:

- (1) Update the 2017 Scorecard Accomplishment Report for presentation in the next Board meeting; and***
- (2) Revisit the 2018 Performance Targets especially those that are lower than the 2017 Actual Accomplishment/2017 Targets.***

- l. Validation Result of the CY 2016 Performance Scorecard of NPC.
- m. 2017 NPC Performance Scorecard – Indicative Rating.

BRC Action : The BRC took note of the above-indicated items for the information of the NP Board.

- n. Policy Guidelines for Procurement/Lease of Gensets.

In compliance with the previous instruction of the NP Board, VP U.C. Mendiola Jr., presented the proposed policy on the procurement or leasing of generating sets in the SPUG areas.

BRC Action : The BRC instructed the Management to:

- (1) Provide the Board Members (especially Asec. Epimaco V. Densing III of DILG) copy of the Power Development Plan submitted by NPC to DOE; and***
- (2) Present the 2018 program/plan for genset acquisition or lease for the consideration of the Board. The Market study/needs assessment should likewise be presented.***
- (3) During the [first quarter] of every year, the Management has to present the annual Program/Plan prior to the start of procurement activities.***

IV. Adjournment

The meeting was adjourned at 11:11 AM.

V. BRC Members/Representatives Present

- a. Dir. Danielle Marie S. Rieza-Culangen**
Secondary Alternate of the DOF
Secretary BRC Chairperson
- b. President Pio J. Benavidez**
Member – NPC

SALIENT POINTS
BOARD REVIEW COMMITTEE MEETING
18 JANUARY 2018

X ----- X

- c. **Asec. Epimaco V. Densing III**
Alternate of the **DILG** Secretary
- d. **Exec. Dir. Raul V. Angeles**
Alternate of the **DTI** Secretary
- e. **Dir. Lorenzo C. Drapete**
Alternate of the **DBM** Secretary
- f. **Dir. Asterio P. Saliot**
Alternate Representative of Usec. A. T. Cayanan, **DA**
- g. **Mr. Emmanuel C. Talag**
Observer/Representative-**DOE**
- h. **Ms. Marie Christine G. Danao/
Mr. Armando M. Ramirez III**
Observers/Representatives of
Usec. R. G. Tungpalan, NEDA
- i. **Atty. Patrick Mabbagu**
Corporate Secretary

Respectfully submitted,


Atty. PATRICK MABBAGU

[For the Board Review Committee]