



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. Cayan.

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.

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.

X-----X

- 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 SOB, 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. DELFIN L. 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]