



## NATIONAL POWER CORPORATION

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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

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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 SLGCC and reiterated that the slippages observed in SLGCC'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]