



## NATIONAL POWER CORPORATION

---

AFG-FPD-22-139  
**MEMORANDUM**

**FOR :** EDMUNDO A. VELOSO, JR., VP, Mindanao Generation  
ROGEL T. TEVES, VP, Power Engineering Services  
RENE B. BARRUELA, VP, Corporate Affairs Group  
ALEXANDER P. JAPON, VP, Admin and Finance  
DELFIN L. BUENAFE II, OIC, Legal Counsel  
MANUEL LUIS B. PLOFINO, SDM, RMS  
PATRICK D. MABBAGU, Corporate Secretary  
VEDALISA N. AREVALO, Manager, Internal Audit Department  
BERNADETTE T. RIVERO, Corp. Staff Officer A, OPCEO

**ATT'N :** ALL MOA/OMA COST CENTER HEADS

**FROM :** ATTY. MELCHOR P. RIDULME  
Officer-In-Charge, OPCEO

**SUBJECT :** FY 2024-2026 BUDGET CALL UNDER THE MANAGEMENT AND OPERATIONS AGREEMENT (MOA) WITH PSALM

**DATE :** 06 JULY 2022

---

This is in connection with the formulation of the FY 2024 MOA Corporate Operating Budget (COB) following provision of the Management and Operations Agreement (MOA) with the Power Sector Assets and Liabilities Management Corporation (PSALM) and in compliance with the annual Budget Call by the Department of Budget and Management (DBM).

All MOA/OMA Cost Centers/Monitoring Centers (CCs/MCs) are enjoined to prepare a more realistic FY 2024 proposed budgetary requirements and out-years projection (FY 2025 and FY 2026) with due consideration of the following assumptions:

- 1) The business plans, programs, targets consistent with the instructions/directives of NPC and PSALM.
- 2) All MOA/OMA CC/MC should plan their budget proposal for ongoing/existing and new programs/projects. These proposals should be properly coordinated and implementation ready. All proponents should be ready to justify their respective Programs / Activities / Projects (P/A/Ps) especially those that will cause material increase in the FY 2024 proposed budget as compared to FY 2023. The review/evaluation of proposals shall be based on the following considerations:
  - Contribution in the improvement of Agus/Pulangi plant reliability;
  - Necessity in order to prevent plant tripping or forced outage;
  - Readiness for implementation of FY 2024 Job Orders / Work Orders activities;
  - Proper lead time for acquisition / procurement of Spare Parts and General Plant Equipment (GPE);
  - Compliance to environmental and safety requirements;
  - Preparatory activities related to Agus-Pulangi Hydroelectric Power Plants Rehabilitation Projects (APRP); and
  - Dam structure protection / rehabilitation
- 3) Implementation/Observation of the Annual Cash-Budgeting System (CBS) with specific guidelines as follows:

- a. All authorized appropriations shall be available for obligation and disbursement only until the end of each fiscal year (FY);
  - b. Goods and services to be obligated should be delivered or rendered, inspected and accepted by the end of each FY;
  - c. Payments of Certified Obligations (CO) shall follow the guidelines of the CO. Please note that PSALM strictly enforces the 15<sup>th</sup> day of November deadline for submission of Cos and submissions beyond the said deadline will not be processed and the relevant budget allocation for the proposed COs for the current year will be forfeited.
- 4) In the preparation of the FY 2024 Project Procurement Management Plan (PPMP), please note of the following:
- a. All items for procurement should be judiciously and meticulously identified in the proposed budget with proper tagging of prioritization (P1/C1, P2/C2 & P3/C3);
  - b. Activities and items tagged as P1/C1 under the interim procurement plan are not subject to realignment/reassessment pursuant to the 2016 Revised IRR of R.A. 9184 and its IRR. Also, all P1/C1 proposals are automatically carry-over in the FY 2024 Interim/Indicative Annual Procurement Plan (APP) and shall proceed with Early Procurement Activities (EPA) in accordance with GPPB Circular 06-2019 and NPC Circular No. 2021-026;
  - c. Priority 1 (P1/C1s) items for procurement shall not exceed 25% and 50% of the FY 2023 OPEX and CAPEX PSALM Board approved level, respectively;
  - d. Requirement for Account #076 – Office/Laboratory & Other Supplies should be proposed at 100% under P1 for the Head Office Support Services; and
  - e. Consolidate similar items for procurement per NPC Circular No. 2022-001.
- 5) Proposal for all regular and recurring Operating Expenses (OPEX) of each CC/MC shall be limited to 3% increase representing inflation rate per macroeconomic assumptions set by the Development Budget Coordination Committee (DBCC).
- 6) Capital Expenditures (CAPEX) should consider:
- a. Line-item proposals for FY 2024, FY 2025, and FY 2026;
  - b. The new prescribed capitalization threshold for General Plant and Equipment (GPE) shall be P50,000.00 (Net of VAT) / P56,000.00 (Gross of VAT) for per **COA Circular No. 2022-004** dated May 31, 2022. Items below the prescribe amount shall be considered and applied on semi-expendable properties/property, plant and equipment (PPE); and
  - c. The provision of the MOA between NPC and PSALM regarding reversion of funds for capex under item No. XIII. Budget, last paragraph which states: *“Upon implementation of the approved realigned budget, any CapEx budget adjustment pertaining to new activity budget shall be subject to PSALM’s confirmation, within ten (10) days from receipt, and which shall be prior to project implementation. In case of CapEx reversion, NPC shall submit to PSALM within seven (7) days the approved reversion by the NPC approving authority.”*
- 7) All multi-year requirements / contracts issued with FY 2024 Certificate of Budget Inclusion (CBI) shall be the topmost priority for inclusion in the proposed budget. Summary of these CBI’s will be provided by the Financial Planning Division (FPD) to all concerned CCs/MCs for reference prior to the scheduled encoding date.
- 8) Adoption of the following assumptions / parameters:
- a. Macroeconomic Parameters (approved by the Development Budget Coordination Committee (DBCC) during its 181st meeting on May 24, 2022)

Exchange Rate:	P 50-53 / \$1.00
Local Inflation :	3%
  - b. All OPEX/CAPEX items requirements should be proposed **Gross of 12% VAT**, as applicable; and

- c. Consistent with the assumptions set by the PSALM and DBM, the FY 2024 Proposal shall be based on the FY 2021 Actual Budget Utilization, FY 2022 Reassessed and FY 2023 PSALM Board Approved whichever is higher.

The following electronic copy of the Guidelines on the Formulation of the FY 2024 Budget Call together with this memo is available and downloadable in NPC Intranet: <https://www.napocor.gov.ph/index.php/downloads>:

- a) FY 2024 Budget Call Calendar (MOA/OMA)  
b) Specific Guidelines in the Preparation of MOA/OMA Operating Expenditures (OPEX) Budget  
c) Specific Guidelines in the Preparation of MOA/OMA Capital Expenditures (CAPEX) Budget  
d) Prescribed Budget Preparation System (BPS) Reports:  
➤ Attachment A - BPS 202G-Quarterly Summary of Operating Expense (Gross of VAT)  
➤ Attachment B - BPS 400-Summary of Proposed Capital Expenditure (CAPEX) Budget  
➤ Attachment C - BPS\_PPMP.RDF – Proposed Budget and PPMP  
(print separately the MOA/OMA P1/C1 & All MOA/OMA P1 to P3)  
e) Additional budget reports for encoding in the Google Sheet to be shared by FPD in the Google Drive per CC/MC BPS Users  
➤ BPS 200 – Summary of Functions and Objectives  
➤ BPS 201 – Summary Statements Action Plan / Assumptions / Rationale  
➤ Schedule 1 – FY 2024 Proposed Operating Budget (Variance Analysis/ Purpose of Activity/Justification)  
➤ Schedule 2 – FY 2024 Proposed Work order / Spares / GPE / Job Order Justification (Provide pertinent documents to support its cost estimates as discussed during the PSALM-NPC Mindanao Generation Group Interface meeting on 29 June 2022)
- 9) For the proposed 2023 NPC Performance Scorecard, please be guided of the 90% Budget Utilization Rate target set by the GCG as per their letter dated 28 June 2022, particularly for the following objective/measure:  
SM10b – Corporate Fund Utilization Rate (Disbursement) = Total Disbursement from IGF ÷ Total COB from IGF (*net of PS Cost*)


The Financial Planning Division (FPD) shall conduct a virtual budget review per plant / per cost center following Item 7 of the attached MOA/OMA FY 2024 Budget Call Calendar.

Please submit to Mr. Arjay B. Mañibo, Manager, Financial Planning Division (FPD) the scanned copy of all the prescribed budget reports (listed above under letters **d** and **e**) duly approved by the Functional Group Head, upload and share your submission to Financial Planning Division e-mail address at [fpd@napocor.gov.ph](mailto:fpd@napocor.gov.ph) and [abmanibo@napocor.gov.ph](mailto:abmanibo@napocor.gov.ph) on or before **29 July 2022**.

Your utmost cooperation and strict observance of the above guidelines and submission due date is enjoined.

For inquiries/clarifications, please contact any of the FPBPRD/FPD staff local nos. 5353/5316/5301/5201.

For strict compliance.

  
**ATTY. M. P. RIDULME**

Enclosure: as stated