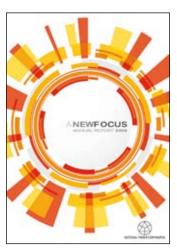


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COVER

As of end-2009, more than 80 percent of the National Power Corporation's power plants have been sold, in line with the government's ongoing efforts to privatize the country's electricity industry. This does not mean however, that National Power will cease to be a relevant player in the power industry. On the contrary, the Corporation which had dominated the power generation and transmission sectors for the past seven decades will now be concentrating on its mandate to energize remote islands and inland barangays that are not connected to any of the main grids. At the same time, National Power is planning to create new business units/subsidiaries that will utilize the more than 70 years of solid experience and expertise of its employees. Finally, National Power is also eyeing to play a key role in the development of nuclear power in the country, when and if the government decides to pursue nuclear power to address the country's growing electricity requirements.

With these newly-defined corporate thrusts, National Power continues to stay true to its mandate, and yet adapts to the demands of the times by redefining and re-inventing itself. The theme 'A New Focus' captures precisely what the Corporation is going through. The cover evokes a visual of a camera lens that takes in an entire panorama and sees a myriad of colors: it is only when you adjust the settings of the camera and focus on a particular subject that a clear picture emerges.



MISSION

We shall adhere to the highest standards of business practices, making optimum use of indigenous energy resources.

We shall continuously improve technologies and processes, empower our employees, and provide reasonable returns to stakeholders.

We shall be the showcase of corporate responsibility, always caring for society and the environment.

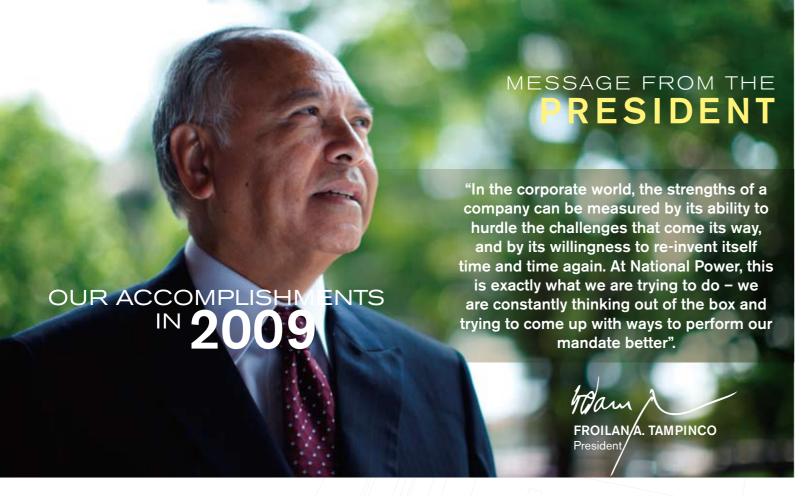
All these for God and country.



VISION

We are a world-class, globally competitive Filipino power corporation committed to the highest standards of customer satisfaction in providing quality and reliable electricity and services with due care for society and the environment.





t was in 2009 when we started shaping our future.

Two major developments, closely related, pointed us to the new direction we have to take, and to the slightly different role we have to play in the power sector.

First, the privatization of our power plants went full blast in 2009. What started off slowly in 2003 took off in 2009, and by the end of the year, 23 of our power plants (representing about 85 percent of our generation assets in Luzon and Visayas) had already been sold. These included big-ticket items like the Palinpinon and Tongonan power plants in the Visayas and the Tiwi-MakBan plants in Luzon, all of which were privatized in 2009 alone.

Secondly, in February 2009, we signed with the Power Sector Assets & Liabilities Management Corporation (PSALM) an Operation and Maintenance Agreement (OMA) which delineates the National Power Corporation's role once all of its assets have been privatized. Specifically, the OMA designated PSALM as the "Owner", and NPC as the "Operator", of our undisposed assets.

These two developments – which were both in compliance to Republic Act 9136, or the Electric Power Industry Reforms Act — resulted in significant changes not only in our financial and budget structure, but also in our organizational and operational set-up. This is why after more than 70 years of being the dominant power generator in the country's main grids, we are now concentrating on three main aspects of our business: energizing remote and far-flung islands under our Small Power Utilities Group (SPUG), protecting the 11 watersheds under the jurisdiction of our Watershed Management Department (WMD), and managing 22 dams nationwide. This also explains why the Financial Statements included in this Annual Report carry only the accounts pertaining to the operations of SPUG and the WMD.

We realized higher revenues

In 2009, we realized a net revenue of P3.99 billion, which is slightly higher than our 2008 net revenue of P3.89 billion, and considerably better than our original projection of P3.92 billion. This may be attributed to the higher revenues we derived from the Universal Charge for Missionary Electrification (UC-ME), which amounted to P81 million in 2009. (Fixed and approved by the Energy Regulatory Commission, the UC-ME is a monthly charge being collected by all Distribution Utilities from electricity end-users, to be used for the electrification of missionary areas.)

Despite the higher net revenues, we remained in the red for the second straight year. On the upside however, we were able to bring down our net loss to only P2.87 billion. This is roughly 50 percent lower than our projected net loss of P5.74 billion, and 60 percent lower than the comparative year-ago figure of P7.20 billion. The lower net loss may be traced to lower operating expenses, which went down from P10.20 billion to P6.88 billion, year-on-year. The lower OPEX may in turn be attributed to a reduction in fuel costs and other OPEX as a result of the continued implementation of tried-and-tested cost-cutting measures and the attainment of operational efficiencies.

We stepped up our efforts to energize the countryside

With practically all of our power plants successfully privatized, our manpower complement has shrunk by roughly 40 percent from almost 4,800 plantilla and non-plantilla employees in 2003 to about only 2,900 as of end-2009. Despite our reduced workforce and limited financial resources, however, we intensified our efforts to energize the countryside in 2009, earmarking P193.34 million to install 12, 718 kilowatts (kW) of new capacity in 34 SPUG areas nationwide.

In Luzon, we beefed up the capacity of Power Barge 114 by 2,600 kilowatts, the Tablas Diesel Power Plant in Romblon by 1,950 kW, and the El Nido Power Plant in Palawan by 1,850 kW. We also purchased, installed and commissioned additional generator sets for 11 other Luzon-based power plants, namely, the Jomalig Diesel Power Plant (DPP) in Quezon; the Calayan DPP in Cagayan; the Lubuagan DPP in Kalinga; the Palanan DPP in Isabela; the Lubang DPP in Occidental Mindoro; the Tingloy DPP in Batangas; the Taytay DPP in Palawan; the Maniwaya, Polo and Mongpong DPP in Marinduque; and the Lahuy DPP in Camarines Sur.

Similarly, in the Visayas, we expanded the capacity of the Caluya DPP in Antique; Power Barge 113 in Siquijor; the Zumarraga, Sto. Niño, Tagapul-an and the Almagro DPP in Western Samar; the Biri, San Antonio and San Vicente DPP in Northern Samar; the Guintarcan and Pilar DPP in Cebu; and the Gigantes DPP in Iloilo.

Finally, in Mindanao, we installed and commissioned new gensets for the Tandubanak, Bongao, Sitangkay and the West Simunul DPP, all in Tawi Tawi; the Dinagat DPP in Dinagat Province; the Kalamansig DPP and Power Barge 111, both in Sultan Kudarat; and the Basilan DPP in Basilan Island.

In Masbate, we completed the construction of 154 diesel mini-grids in 102 barangays under the Philippine Rural Electrification Service (PRES) Project. We also installed photovoltaic systems in 113 barangays in the province as part of the project. By our estimates, the project will benefit some 18,000 Masbateños, who will now be enjoying electricity for the very first time. Thanks to the PRES Project, Masbate, which used to have one of the lowest electrification levels in the country, is now 85 percent energized at the barangay level. Our total expenditures for the PRES Project in 2009 amounted to P186.11 million.

Meanwhile, under the Rural Area Electrification Subsidy (RAES) Program, we were able to energize 4,934 households in 46 barangays in the provinces of Masbate, Camarines Sur, Cagayan, Antique and Guimaras by putting up 1,052 kW in new capacity. The electrification of these new areas is in support of the Department of Energy's vision to provide basic electricity service to all of the country's barangays by the year 2009 through the installation of technically-feasible systems like solar home systems, PV-battery charging stations, micro-hydro, wind energy, diesel and hybrid facilities. Our expenditures for the RAES Program in 2009 amounted to P202.20 million.

Similarly, we commissioned and operated three mini-grid plants in the remote barangays of Haponan, Lahuy and Quinasalag, all in Camarines Sur. A total of 313 households will benefit from this project.

We came to the rescue of the Cabra Diesel Power Plant in Lubang, Occidental Mindoro and took over the operation of 12 island power plants that were previously being run by the Bohol Electric Cooperative I. The take-over or transfer of these areas is pursuant to the EPIRA, which mandates us to be responsible for all unviable areas that cannot be served by the local electric cooperative or the local government unit anymore. In the case of Bohol, power rates went down from P15-P25 per kWh to P9-P10 per kWh as a result of the take-over. Furthermore, we were able to improve the reliability of power supply in the area, and generated employment by hiring local residents to operate the 12 transferred power plants.

We put up 104.6 kilometers of 138-kilovolt transmission lines in Palawan, and 52.40 kms. of 69-kV transmission lines in Occidental Mindoro. We also built a 500-meter by-pass line for Sablayan to accommodate the 69-KV Breaker/PLC Equipment in preparation for the energization of the Sablayan to San Jose 69-KV Transmission line. Our total capital expenditures for these projects (including right-of-way, supply and delivery of materials, survey and investigation works, and construction of transmission lines and substations) amounted to P112.36 million.

Energy sales in the SPUG areas went down by 6.2 percent from 534,313 megawatt-hours in 2008 to 501,181 MWh in 2009. This was primarily due to a 9.6 percent drop in energy sales in Luzon, which decreased from 422,816 MWh to 382,321 MWh, year-on-year. Sales in the Visayas improved by 6.7 percent (from 22,712 MWh in 2008 to 24,227 MWh in 2009), while energy sales in Mindanao similarly rose by 6.6 percent (from 88,785 MWh to 94,632 MWh, year-on-year) due to robust demand. Over-all, energy sales in all the SPUG areas in 2009 were 5.4 percent higher than the original projection of 475,514 MWh.

Gross generation in the SPUG areas meanwhile dropped by six percent from 560,125 MWh in 2008 to 527,963 MWh in 2009. As with the energy sales, the production of the Luzon-based SPUG plants declined by 10 percent year-on-year from 440,584 MWh to 399,306 MWh. Gross generation in the Visayas and Mindanao, however, both improved by eight percent.

We fortified our stewardship of the environment

In the wake of the natural and man-made disasters that the country witnessed in 2009, like Typhoons Ondoy and Pepeng, we strengthened our efforts to protect the environment and kept closer watch on the watersheds under our jurisdiction.

In the area of watershed rehabilitation, we reforested a total of 330 hectares (has.) of open and denuded areas in the 11 watersheds under our jurisdiction. Of this figure, 143 has. were planted with various forestry species, 163 has. were planted with a combination of agro-forestry and forestry species, and 24 has. with different species of bamboo. As of end-2009, we had rehabilitated a total of 1,958 has. or about 71 percent of our total target of 2,758 has. By 2012, we hope to complete the rehabilitation of the remaining 800 has. which, together with the currently forested areas of more than 220,000 has., can sequester about 55.8 million tons of carbon.

To ensure their sustainability, we maintained and protected the 1,628 has. we had rehabilitated from 2005 to 2008. We did this by hiring local communities to conduct patrolling operations, brushing/weeding and fireline establishment in the rehabilitated areas.

We built 900 cubic meters of riprap, checkdam and rubble masonry structures to control and prevent soil erosion in the degraded and flood-prone areas within our watersheds. As of 2009, a total of 2,200 cubic meters of structural measures had already been constructed.

In support of the environmental commitment of local groups to plant trees, we propagated a total of 214,454 seedlings of various forestry species and fruit trees in 2009. Of this figure, 51,704 seedlings were distributed to schools, local government units and non-government organizations for their re-greening and tree-planting projects.

We intensified our patrolling operations in our watersheds and confiscated close to 6,000 board feet of lumber and 31 pieces of wooden poles in the process. We also filed four cases in court against those we caught violating the Anti-Chainsaw Act and those involved in timber poaching and charcoal processing. We have recruited and deputized more than 1,200 volunteers to help us stop illegal activities inside the watershed reservation areas.

At the crossroad

The corporate developments and the organizational changes that took place in National Power in 2009 have placed us at another crossroad in our corporate life. And there are two ways to look at the situation we can either see a glass that is half-empty, and or a glass that is halffull. In our case, we choose not to see the glass as near-empty, but rather as full and brimming with opportunities: the opportunity to be pioneers in the development of nuclear power in the country, should the government decide to pursue this; the opportunity to optimize the expertise of our employees through the creation of new business units; and finally, the opportunity to improve the quality of life of our fellow Filipinos by intensifying our missionary electrification efforts. Relatedly, our renewed focus on bringing electricity to off-grid and island grid areas also presents the opportunity to champion the use of renewable energy. The aforementioned PRES Project in Masbate is the first such step in this direction as, side by side with our diesel gensets, we are also harnessing the rays of the sun to power photovoltaic solar panels.

In the corporate world, the strengths of a company can be measured by its ability to hurdle the challenges that come its way, and by its willingness to re-invent itself time and time again. At National Power, this is exactly what we are trying to do – we are constantly thinking out of the box and trying to come up with ways to perform our mandate better. Amid the crucial changes that are taking place within our corporation and in the country's electricity sector, this is the one thing that will remain constant: our dedication to public service and our commitment to nation-building.

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A NEW FOCUS 3



MESSAGE FROM THE CHAIRMAN

"National Power is now focusing more of its energies and resources into vital functions like energizing off-grid missionary areas, protecting vital watersheds, and managing major dams."

HON. MARGARITO B. TEVES Secretary, Department of Finance Chairman, National Power Board



OUTLOOK FOR 2010

"At a time when a number of far-flung islands and remote inland barangays in our country still remain without electricity, it is good to know that we can count on National Power to step up and fulfill its commitment to energize these areas."



n 2009, the National Power Corporation (National Power) underwent a major transformation following the sale of close to 100 percent of its generation assets.

This fundamental change in the organization meant taking a backseat in an industry where it was previously the dominant player. But this did not mean that National Power was assuming a less important role in the power sector.

National Power is now focusing more of its energies and resources into vital functions like energizing off-grid missionary areas, protecting vital watersheds, and managing major dams.

While these activities may not generate the same level of revenues as seen before, they serve a more noble cause and higher purpose – that of reaching out and helping improve the quality of life of the Filipino people.

With this new and essential role in the power sector, I wish National Power the best of luck, and congratulate it for giving us more than 70 years of excellent and dedicated public service.

Mabuhay!

oday, almost all of the power plants of the National Power Corporation have been privatized. Now, National Power is faced with the daunting task of re-inventing itself and thinking of new ways by which it can perform its mandate of providing the country's electricity needs. To be able to adapt to the rapidly-changing landscape of the country's power sector, National Power has laid down three main strategic thrusts for 2010 and beyond:

First, and most importantly, National Power-through its Small Power Utilities Group (SPUG)-will concentrate on its missionary electrification functions and identify creative solutions for off-grid and island grid power supply. For 2010, it plans to install 22.45 megawatts in new capacity in the 14 so-called "first-wave" areas for Private Sector Participation, another 5.03 MW in other missionary areas in Luzon, and still another 6.65 MW in Mindanao. The new capacity will allow National Power to address the growing electricity demand in these areas and at the same time retire its aging and less efficient generating units.

Relatedly, National Power will put on-line in 2010 the remaining 115 mini-grids for Masbate under the Philippine Rural Electric Service (PRES) Project. To recall, NPC completed the construction of all 154 mini-grids under the PRES Project in 2009, and commissioned 39 of these in the same year.

Also in 2010, SPUG has programmed the implementation of other mini-grid projects, this time under the Department of Energy's Rural Area Electrification Subsidy (RAES) Program. Specifically, SPUG will put up 1.63 MW in new capacity and more than 160 circuit kilometers (ckt-km) of distribution line extensions in more than 40 barangays in the provinces of Masbate, Antique, Guimaras, Samar, Isabela, and Cagayan.

On the distribution side, National Power is targeting this year the completion of the following projects: the 52.40 ckt-km Sta. Cruz – San Jose 69-kilo volt (kV) transmission line and the 25-mega-volt ampere (MVA); 69-kV substation in San Jose, Mindoro Island; the 75.41-ckt-km Mobo – Cataingan 69-kV transmission line; and the 10-MVA, 69/13.8-kV substation in Mobo, Masbate.

Second in National Power's work program agenda is the creation of new business units and subsidiaries using the Corporation's most valuable asset – its human resources. NPC's men and women collectively have the more than 70 years of experience and expertise in the power industry. National Power plans to tap these skills and talents to spin off new business units or subsidiaries, where the Corporation's personnel can continue to be productive.

Finally, National Power would like to play a key role in the development of nuclear power in the country, if and when the government decides to pursue this. It will be remembered that during the last Congress, a bill was filed at the House of Representatives calling for the re-activation of the Bataan Nuclear Power Plant to address the country's growing electricity requirements.

At a time when a number of far-flung islands and remote inland barangays in our country still remain without electricity, it is good to know that we can count on National Power to step up and fulfill its commitment to energize these areas. I am confident that with the new direction it has decided to take, National Power will continue to be a relevant player in the power industry and a key factor to our national development.

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2009 CORPORATE MILESTONES



• The Marinduque, Quezon, Northern Luzon Operations Division (MQNLOD) of the Small Power Utilities Group secures an ISO (International Organization for Standardization) 9001:2000 certification for Quality Management from the Anglo Japanese American (AJA)

Registrars. The certification covers all 13 land-based power plants under the Division, namely, the Boac and Torrijos Diesel Power Plants in Marinduque; the Polilio, Patnanungan and Jomalig Diesel Power Plants in Quezon; the Casiguran DPP in Aurora; the Palanan DPP in Isabela; the Kabugao DPP in Apayao; the Lubuagan DPP in Kalinga; the Calayan DPP in Cagayan; and the Basco, Sabtang and Itbayat Diesel Power Plants in Masbate. Also covered by the ISO certification are Power Barge 120 in Marinduque and the MQNLOD area office in Minuyan town in San Jose Del Monte,



 A 12-man delegation from the Korea Electric Power Company (Kepco) conducts a three-day ocular nspection of the Bataan Nuclear Power Plant in line with the company's proposed feasibility study on rehabilitating the mothballed facility. Kepco operates 20

nuclear reactors in Korea through one of its subsidiaries, Korea Hydro & Nuclear Power Co., Ltd. With a capacity of close to 18,000 megawatts, these power plants account for roughly 39 percent of Korea's total electricity production.



• Sixteen members of the House Committee on Energy led by Committee Chairman and Pampanga Rep. Juan Miguel "Mikey" Arroyo conduct an ocular inspection of the Bataan Nuclear Power Plant in Morong, Bataan. The plant visit was requested by the Energy Committee in line with a pending bill by Pangasinan

Rep. Marcos Cojuangco calling for the reactivation of the mothballed nuclear power plant by 2012. The lawmakers inspected the BNPP's various facilities, including the turbine generators, the control room, and the reactor building.

 The National Power Corporation and the Power Sector Assets & Liabilities Management Corporation sign an Operation and Maintenance Agreement (OMA) which defines the two parties' role relative to the privatization of National Power's remaining generation assets. Specifically, the OMA designates PSALM as the "Owner", and National Power as the "Operator", of these undisposed power plants. The OMA is mandated by Republic Act 9136 or the Electric Power Industry Reforms Act.



The Panay and Bohol diesel power plants are turned over to their new owner, the Complex in Cebu under a Rehabilitation,



 National Power joins other power utilities in the ASEAN region in calling for the speedy completion of the ASEAN Power Grid, in view of the worsening global financial crisis and its impact on Southeast Asia ensure the long-term sustainability and security of power supply in the



• Employees of the National Power's Jolo Diesel Power Plant join the Gawad Kalinga Bayani Challenge '09 at the Municipality of Panglima Estino in Sulu. Anchored on the theme "Only for the Brave", the five-day event was participated in by an estimated 300 GK volunteers.



• The Tiwi-MakBan geothermal power plants are turned over to their new owners, the AP Renewables, Inc. (APRI). APRI, a subsidiary of the Aboitiz Group, won the July 2009 public bidding for Tiwi-MakBan with an offer of US\$446.9 million.



The National Power Corporation receives a "Mother Nature Award" from the Pollution Control Association of the Philippines, Inc. (PCAPI) in recognition of its outstanding efforts to conserve the natural ecological system in the different areas where the Corporation operates. At the 29th Annual PCAPI Convention, PCAPI also cited Ms. Resurreccion L. Petel, Manager of the National Power's Environmental Management Department, as one of the Ten Outstanding Pollution Control Officers for 2009.

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the major reforms taking place in the power industry, including the privatization of almost 100 percent of its generation assets. Among other objectives, the Change Program calls for the identification of new business units that will be suited to the experience and skills



he Taunguh DPP is located in Simunul Island, which is being



• President Froilan Tampinco relaunches National Power Corporate Social Responsibility and Environmental Stewardship Program (CSRESP), in line with his thrust to strengthen the Corporation's Corporate Social Responsibility (CSR) functions. In connection with this, a six-man Corporate Social Responsibility Team (CSRT) was created to function as the corporate arm for coordinating National Power's CSR activities among its different functional groups, departments, regional offices, and power plants nationwide. The group will also be tasked to consolidate, monitor, evaluate and report on the Corporation's CSR targets/performance.



· National Power, together with the NPC Ladies Foundation, Inc., donate P250,000 to victims of typhoon Ondoy, including affected National Power employees and agency-provided personnel like janitors, security guards and gardeners. Employees also donated cash and relief goods, including used clothes, canned goods, rice and instant noodles, and medicine.



 National Power schools which were and the Masambong

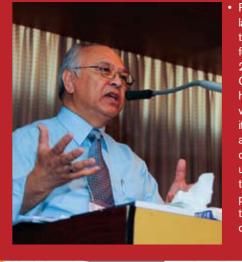
Elementary School – in response to the Philippine Daily Inquirer's "Adopt-A-School" Project. National Power also in Mexico, Pampanga.



several Independent Power Producers n helping victims of yphoons Ondoy and Kepco Ilijan and Kepco



 National Power's missionary electrification arm, the Small Power Utilities Group, commissions two generating sets with a combined output of 438 kilowatts in the far-off municipality of Sibutu in Tawi Tawi. The two gensets, which were built at a cost of P11 million, provides six-hour daily electricity supply to eight barangays in Sibutu, which is considered to be the southernmost municipality of the Philippines.



 President Froilan A.Tampinco lays down three strategic thrusts of National Power for 2010 and beyond at the 2009 NPC Management Conference. Specifically, he said that National Power will focus on intensifying its presence in off-grid and island grid areas; on developing new business units; and in playing a role in the development of nuclear power in the Philippines, in the event that government decides to pursue this.

A NEW FOCUS 9

NATIONAL POWER GIVES MASBATEÑOS SOMETHING TO BE THANKFUL FOR

hey may be living in one of the poorest provinces in the country, but these days, some 18,000 families in Masbate have something to be grateful for: last year, thanks to the National Power Corporation's (National Power)

Philippine Rural Electrification Service (PRES)

Project, they finally had electricity.

Under the PRES Project, National Power installed 5,129 solar home systems and 154 diesel mini-grid systems in 128 remote barangays in Masbate. The project, which was made possible through a €17.5-million loan from France under the French Financial Protocol, is a joint missionary electrification undertaking of National Power and the consortium of Paris-Manila Technology Corporation and ETDE of Bouygues Construction.

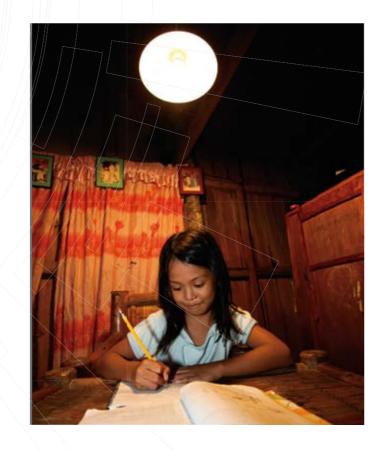
As of December 2009, all of the solar units and 39 of the mini-grids under the PRES project were already operational and servicing 108 of the 128 beneficiary-barangays. The remaining mini-grids are expected to be operational between June and August of 2010.

Mr. Rene B. Barruela, Manager of the Project Management Division of National Power's Small Power Utilities Group, said Masbate was chosen as the site for the PRES Project because it had one of the highest poverty rates and one of lowest electrification levels among the country's provinces. Now, slowly but surely, the electricity provided by the project is changing all of that...

CHANGING LIVES

True, the electricity supply provided by the PRES Project is good for only five hours, from 6:00 PM to 11:00 PM, to be exact. But these five hours have made a whole world of difference in the lives of the Masbateños. Now, they can keep abreast with what's happening in the country and even in the rest of the world by tuning in to the evening news on the television or the radio. Now, they can be entertained by their favorite evening telenovelas or fantaseryes.

The PRES Project has also illuminated a total of 860 streetlights, making the residents feel safer walking the streets at night. Sari-sari stores and commercial



establishments like small eateries are able to stay open longer, thus boosting the modest incomes of the families who run them.

At home, housewives now have longer hours to do their household chores. School-children can now study by the light of a fluorescent bulb instead of a kerosene lamp. Respiratory ailments resulting from the regular use of the lowly "gasera" have also been minimized.

"I think National Power has really improved the quality of life of the people in Masbate when it implemented the PRES," says Mr. Barruela. "Totoo, mahirap pa rin yung karamihan mga tao roon. But at least, their living conditions are a lot better now because they have electricity."









AFFORDABLE ELECTRICITY FOR ALL

National Power charges the PRES beneficiaries a very affordable P90 per month for the S3 system and P300 per month for the bigger S5 system. An S3 system is enough to power, say, one television set and two light bulbs, while the S5 system will enable a household to use a TV and six lightbulbs.

The rates under the PRES were determined by National Power and the Department of Energy based on a pre-project survey of the beneficiaries and the paying capacity. Before the PRES Project came in, residents who wanted electricity relied on locals who were in the business of operating power generators, and who would charge them P4-P5 per day, or roughly P120-P150 per month, for just enough electricity to light up a single, 20-watt light bulb. "Compared to this, National Power's rates are a great deal cheaper," Mr. Barruela points out. "In addition to that, the systems we installed are also safer and more sturdy."

The PRES Project has also taught Masbateños to prioritize their household chores, in particular those that require electricity. This is because the S3 and S5 systems are equipped with a power limiter, which automatically turns off the electricity when the user exceeds the allowed capacity.

"Ang ginagawa na lang po namin, kung halimbawa gusto naming manood ng TV o mag-videoke, papatayin na lang po namin yung isa o dalawang ilaw," says Bgy Captain Victoria Tabug of Bgy. Cawayan Exterior. "Gayunpaman, nagpapasalamat po kami sa National Power, dahil malaking tulong po talaga ang nagkaroon kami ng kuryente."

THE BIGGER PICTURE

Apart from fulfilling National Power's mandate for missionary electrification, the PRES Project in a way also hews closely to National Power's Corporate Social Responsibility (CSR) objectives, because it seeks to reach out to marginalized barangays.

"The PRES Project, albeit small, serves a meaningful purpose," says Mr. Sergio P. Villafuerte, who heads National Power's recently-revived CSR Team. "It has spurred economic activities, improved social relations, and empowered its beneficiaries. But most importantly, it has brought National Power to the heart of the remotest rural areas and communities in Masbate."

"We have to look at the bigger picture, where the government actually gains from rural electrification through empowered communities capable of self-governance, rural development, social order and more educated and productive members of the society," he adds.

From an environmental perspective, the PRES Project is National Power's response to the global shift towards using renewable energy, as it utilizes solar energy to help light up the homes of the project beneficiaries.

Indeed, any way you look at it, the PRES Project has placed not just its beneficiaries but even National Power itself in a win-win situation. And for this, National Power, like Bgy. Captain Tabug and thousands of her fellow Masbateños, will always be thankful.

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The Board of Directors National Power Corporation Diliman, Quezon City

We have audited the accompanying financial statements of the National Power Corporation, which comprise the balance sheet as of December 31, 2009, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the Philippines, and for such internal control as management determines is necessary to enable the preparation and fair presentation of financial statements that are free from material misstatement. whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Philippine Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making these risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for Qualified Opinion

The Electric Plant in Service stated at P13.713 billion was last revalued in 1996. This is contrary to Philippine Accounting Standard (PAS) 16, Property, Plant and Equipment, which requires an entity using the revaluation model as its accounting policy to revalue its assets with sufficient regularity so that the assets' fair values are not materially different from their carrying

The Temporary Registry is misstated due to the presence of unadjusted/uncorrected account balances totaling P5.193 billion and account balances pertaining to privatized NPC power plants totaling P1.363 billion. These are balances that were left in NPC upon the asset and debt transfer to PSALM and separation of TransCo books effective October 1, 2008, which are for validation, reconciliation, adjustment and transfer to either PSALM, TransCo or NPC.

The balance of Materials, Supplies and Equipment for Operation and Project Construction in both the Temporary Registry and NPC- Small Power Utilities Group (SPUG)/ Watershed in the total amount P7.100 billion differs from the balance per inventory count by P3.953 billion. Further, balances of certain asset and liability accounts were doubtful because the details of these accounts include items with abnormal and unidentified balances totaling P0.858 billion. We were not able to obtain sufficient appropriate evidence to ascertain the fairness of the said account balances by other alternative procedures.

There were transactions affecting accounts in the NPC-(SPUG)/Watershed and in the Temporary Registry totaling P8.968 billion that cannot be verified because the journal vouchers, disbursement vouchers, payment instructions and the corresponding vouchers covering said transactions were not submitted for audit.

Qualified Opinion

In our opinion, except for the effects and the possible effects of the matters discussed in the Basis for Qualified Opinion paragraphs, the financial statements present fairly, in all material respects, the financial position of the National Power Corporation as of December 31, 2009, and of its financial performance and cash flows for the year then ended in accordance with accounting principles generally accepted in the Philippines.

COMMISSION ON AUDIT

August 20, 2010

BALANCE SHEET

With Comparative Figures as of December 31, 2008) (In Philippine Peso)

	Notes	2009	2008
SSETS			
Non-Current Assets			
Utility plant - net	3 & 4	5,239,764,412	5,452,949,434
Construction work in progress	3 & 5	3,798,162,233	3,095,908,087
Non - utility property - net	6	-	1,134,440,384
Non-current receivables - net	7	158,354,166	111,736,588
Deferred charges	8	8,909,246	14,566,785
Other non-current assets	\ \ 9	3,773,298	3,773,298
Contingent assets	10	1,480,156	1,480,156
Total Non-Current Assets		9,210,443,511	9,814,854,732
Current Assets			
Cash and cash equivalents	11\	1,559,390,677	44,910,050
Power customers receivables - net	12	2,069,427,739	1,755,061,785
Other receivables - net	13	1,207,775,138	816,923,746
Materials and supplies for operation	14	1,721,103,824	1,904,209,218
Advances, prepayments and deposits	15	8,962,185	47,071,380
Total Current Assets		6,566,659,563	4,568,176,179
Temporary Registry	1,6	22,663,599,554	29,737,647,720
TOTAL ASSETS		29 440 702 629	44,120,678,631
TOTAL ASSETS		38,440,702,628	44,120,070,031
EQUITY AND LIABILITIES			
Equity		8,033,997,028	10,832,423,461
Non-Current Liabilities			
Long-term debts (net of current portion)	17	1,047,845,716	899,697,278
Deferred credits		71,144,640	39,922,554
Total Non-Current Liabilities		1,118,990,356	939,619,832
Current Liabilities			
Accounts payable and accrued expenses		4,080,353,478	2,481,784,265
Notes payable	18	2,300,000,000	-
Current portion of long-term debts	17	100,572,033	-
Retention on contract payments		131,600,835	119,023,467
Deposits and trust funds	19	7,411,571	5,994,820
Interest payable		4,177,773	4,185,066
Total Current Liabilities		6,624,115,690	2,610,987,618
Temporary Registry	16	22,663,599,554	29,737,647,720
TOTAL FOLLITY LLABULTIES		00 4 (0 700 000	444000000000000000000000000000000000000
TOTAL EQUITY and LIABILITIES See accompanying Notes to Financial Statements.		38,440,702,628	44,120,678,631
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INCOME STATEMENT In the Ended December 31, 2009 Ith Comparation Figures for the Var 5 to 15

or the Comparative Figures for the Year Ended December 31, 2008)

Philippine Peso)

	Notes	2009	2008
OPERATING REVENUE			
Utility income		2,663,237,877	2,858,547,676
Transmission services income		13,164,704	16,379,404
Ancillary service charge		5,447,293	4,250,540
Universal charge	20	1,420,672,509	1,117,006,605
Total operating revenues		4,102,522,383	3,996,184,225
Prompt payment discount		(31,500,360)	(26,762,615)
Other demand energy adjustment income		(81,468,242)	(76,433,095)
Net Operating Revenues		3,989,553,781	3,892,988,515
OPERATING EXPENSES			
Generation		4,968,072,711	7,261,860,531
Depreciation and depletion		533,285,000	516,954,000
Administrative and general expenses		567,941,827	154,231,907
Bad debts		1,214,724	117,996,050
Transmission and distribution		47,006,555	38,667,689
Other operating expenses		764,438,121	2,109,042,576
Total Operating Expenses		6,881,958,938	10,198,752,753
OPERATING LOSS		(2,892,405,157)	(6,305,764,238)
OTHER INCOME(EXPENSES)			
Interest income		236,378,741	194,316,166
Revenue from lease of electric plant		2,213,755	-
Gain on diesel/fuel transfer		592,547	428,911
Gain(loss) on debt service principal/forex recovery	21	273,476	(47,106,745)
Gain(loss) on forex fluctuation	22	1,305,250	(683,739,896)
Miscellaneous income	23	207,202,656	380,299,505
Interest expense	24	(11,972,614)	(474,777,109)
Depreciation-other plants/property		(77,803,940)	(71,926,400)
Finance & other bank charges		(21,661,834)	(8,227,504)
Miscellaneous expenses	25	(318,267,444)	(184,189,858)
Other Income (Expenses) net		18,260,593	(894,922,930)
NET LOSS		(2,874,144,564)	(7,200,687,168)

See accompanying Notes to Financial Statements.

STATEMENT OF CHANGES IN EQUITY

For the Year Ended December 31, 2009 (With Comparative Figures for the Year Ended December 31, 2008) (In Philippine Peso)

	2009	2008
CAPITAL STOCK P100 par value		
Authorized 500,000,000 shares, issued 270,488,708	27,048,870,789	27,048,870,789
RETAINED EARNINGS		
Balance, beginning	(18,440,314,228)	14,312,671,58
Net effect of asset and debt transfer to PSALM and separation of TransCo books from NPC	-	(25,265,885,080
Adjustment on net effect of asset and debt transfer to		
PSALM and separation of TransCo books from NPC	(318,528,722)	
Net loss	(2,874,144,564)	(7,200,687,168
Correction of prior year's income	394,246,853	(286,413,563
Balance, End	(21,238,740,661)	(18,440,314,228
APPRAISAL CAPITAL		
Balance, beginning	2,222,386,744	132,696,927,332
Balance pertaining to assets transferred to PSALM	-	(60,856,351,765
Balance pertaining to assets transferred to TransCo		(69,618,188,823
Balance, End	2,222,386,744	2,222,386,744
CONTINGENT SURPLUS		
Balance, beginning	1,480,156	1,882,888,30
Balance transferred to PSALM and Temporary Registry Accounts	-	(1,881,408,146
Balance, End	1,480,156	1,480,150
EQUITY	8,033,997,028	10,832,423,46

See accompanying Notes to Financial Statements.



CASH FLOW STATEMENT

For the Year Ended December 31, 2009 (With Comparative Figures for the Year Ended December 31, 2008) (In Philippine Peso)

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Collections from power customers	2,800,018,155	2,112,725,129
Amount withheld from employees, suppliers & other creditors	448,941,078	226,343,388
Interest and dividends received	158,231,764	128,868,163
Collections of other receivables	29,778,505	6,868,038
Deposits and trust funds received	7,864,280	8,453,751
Funds transferred to OMA Trust Account	(276,485,727)	(1,786,426,598)
Purchase of generation fuel		
Oil	(2,149,066,938)	(38,975,124)
Coal	_	(2,625,068)
Purchased power cost	(118,523,848)	-
Personnel cost	(34,216,788)	(28,851,552)
Other operating expenses	(482,614,627)	(379,160,044)
Other expenses	(185,752,157)	(2,643,503)
Statutory remittances	(694,947,200)	(219,764,657)
Refund of deposits and trust funds	(7,671,014)	(7,010,537)
Realty tax paid	(311,311)	(323,649)
Share of local government units in the national wealth	(635,313)	(278,859)
Deposits and other advances	(49,480)	(51,000)
Interest paid	7// / -	(15,357)
Net Cash Provided by(Used in) Operating Activities	(505,440,621)	17,132,521
Cash Flows from Investing Activities		
Interest received from investments	2,671,933	_
Capital expenditures	(156,710,077)	(7,992,043)
Net Cash Used in Investing Activities	(154,038,144)	(7,992,043)
Cash Flows from Financing Activities		
Proceeds from loans	2,269,331,487	-
Refund of KEPCO deposit	(78,531,870)	-
Interest paid on loans	(17,938,475)	-
Net Cash Provided by Financing Activities	2,172,861,142	
Net Increase(Decrease) in Cash & Cash Equivalents	1,513,382,377	9,140,478
Effect of Foreign Exchange Rate Changes on Cash & Cash Equivalents	1,098,250	
Cash & Cash Equivalents, Beginning of the Year	44,910,050	39,494,920,284
Cash & Cash Equivalents, Beginning of the Year pertaining to OMA	-	(37,149,981,171)
Cash & Cash Equivalents, Beginning of the Year pertaining to TransCo	-	(2,309,169,541)
Cash & Cash Equivalents, End of Year	1,559,390,677	44,910,050

See accompanying Notes to Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL

The National Power Corporation (NPC) was created under Commonwealth Act No. 120 on November 3, 1936. Its charter was then revised by virtue of Republic Act 6395, as amended. From its creation up to the late 1980's the generation of power and its transmission through the nationwide transmission grid (the Grid) in the country was vertically integrated, centrally controlled and managed, and wholly-owned by the NPC. Created as a non-stock government corporation, NPC was tasked to undertake the development of hydraulic power and the production of power, subject to existing rights, from Philippine water resources reserved for its use and all other sources, to meet the needs of industrial development and of rural electrification. Subsequently, NPC was granted an authorized capital stock of P50 billion corresponding to 500 million shares of stock at P100 par value, of which 270,488,708 shares were issued equivalent to P 27048,870,789.

In 1971, NPC's operations were decentralized to its regional centers in Luzon, Visayas and Mindanao. In 1988 and under its Small Island Grid Power Development Program, NPC took over the operation of generating facilities formerly managed by rural electric cooperatives in small islands and installed additional generation plants to make power rates affordable in these remote rural areas. In 1992, the Small Power Utilities and Barge Management Group was formed to handle this operation. This group later became the Small Power Utilities Group (SPUG). A subsequent reorganization was implemented in 1993 brought on by the enactment of the Electric Power Crisis Act 1993. Five (5) regional profit centers were devolved and functional groups were created in preparation for the planned privatization of the Corporation. The said law also liberalized the power industry by allowing more private sector participation in the generation of electricity. NPC, however, retained exclusive ownership and operation of the Grid and continued to own and operate its existing plants and develop new plants.

In 1987, President Corazon Aquino promulgated Executive Order No. 215 to authorize private sector participation in electricity generation to augment the country's power capacity. This resulted in the first investments by Independent Power Producers (IPPs) in generation plants. The Electric Power Crisis Act of 1993, brought on by the power crisis that began in 1989, encouraged increased private capital infusion to power generation, and authorized the increase in the return on rate base from 8% to 12%. Due to the incentives under this statute, more private capital was invested on the construction of Independent Power Plants undertaken in partnership with NPC. These undertakings were formed under different BOT (Built-Operate-Transfer) schemes.

In June 2001, Republic Act No. 9136, otherwise known as the "Electric Power Industry Reform Act of 2001", the EPIRA, was enacted to institute reforms in the industry. The major aspects of the reforms include the: (1) restructuring of the entire power industry to introduce competition in the generation sector; (2) change from government to private ownership; and (3) introduction of a stable regulatory framework for the electricity sector.

The EPIRA organized the industry unto four (4) sectors: generation, transmission, distribution and supply. The structural reforms resulted, among others, in the creation of two (2) government-owned and controlled corporations (GOCCs): the Power Sector Assets and Liabilities Management Corporation (PSALM) and the National Transmission Corporation (TransCo).

PSALM was created to take ownership of all existing generation assets, independent power producers (IPP) contracts, real estate and all other disposable assets, and to assume all liabilities and obligations of NPC. The principal purpose of PSALM is to manage the orderly sale, disposition and privatization of NPC's assets with the objective of liquidating in an optional manner all the NPC's financial obligations and stranded contract costs. On the other hand, TransCo was created to take over the electric transmission function of NPC and the responsibility for planning, construction and centralized operation and maintenance of high voltage transmission facilities including grid interconnections and ancillary services.

NPC was retained as a GOCC to perform the missionary electrification functions, i.e. provision of power generation and its associated power delivery systems, in areas that are not connected to the transmission system through its Small Power Utilities Group (SPUG), to manage the

watersheds and to operate and maintain the generation assets transferred to PSALM pending their disposal.

Separation of TransCo Books from NPC and Transfer of Assets and Liabilities accounts from NPC to PSALM

As mandated under the EPIRA and pursuant to the instructions from the respective Boards and Managements of NPC, PSALM and TransCo, the actual separation of books of TransCo from NPC and the assets-debt accounts transfer from NPC to PSALM was implemented on October 1, 2008 based on the balances of interim financial report as of September 30, 2008. Full implementation was effected on December 31, 2008. This event significantly affected the current financial structure of NPC, as only the accounts pertaining to SPUG, watershed and other assets/facilities that are used and useful in the performance of its missionary function, watershed management and the operation of plants, under the Operation and Maintenance Agreement with PSALM, are retained in the books of NPC. Similar to CY 2008, NPC reported for CY 2009 only the results of operation for SPUG and the financial condition of the residual NPC, consisting of accounts pertaining to SPUG & watershed and the retained PSALM/TransCo accounts which are reported in the balance sheet under the Temporary Registry (see Note 16).

Operation and Maintenance Agreement (OMA)

The Operation and Maintenance Agreement (OMA) is an agreement entered into by and between NPC and PSALM on February 17, 2009 wherein NPC will act as the Operator of the generation and other assets/ facilities transferred by NPC and are now owned by PSALM pending privatization of such assets. This agreement shall be effective until the second anniversary unless otherwise extended or renewed by the parties.

The Corporation's head office is located at the National Power Corporation, Building 1, BIR Road, corner Quezon Avenue, Diliman, Quezon City.

2. 2009 SPUG AND WATERSHED OPERATIONS

Following are the highlights of accomplishments of NPC - SPUG and Watershed Operations in 2009:

SPUG

FINANCIAL HIGHLIGHTS

Revenue

The Corporation reported revenues of P3,990 million for CY 2009, which surpassed the projected level of P3,918 million by P72 million and an improvement by P97 million over the actual revenue of P3,893 million in CY 2008. This improvement in revenues is attributed primarily to higher revenue derived from Universal Charge for Missionary Electrification of about P81 million over the projected level and P304 million over the actual level in CY 2008.

Net Operating Income

NPC-SPUG operations for CY 2009 has resulted to a net operating loss of P2,892 million which is 41% lower than the projected operating loss of P4,906 million and 54% lower than the CY 2008 actual net operating loss of P6,306 million. This was traced to lower operating ratio of 172% as compared to the projected and actual 2008 operating ratio of 225% and 262%, respectively.

Net Loss

The Corporation incurred a net loss of P2,874 million which is much lower by 50% and 60% over the projected net loss of P5,740 million and the actual net loss of P7,201 million in 2008, respectively. This improvement was primarily driven by the lower operating expense particularly on fuel cost and other operating expenses as a result of continuous implementation of cost cutting measures and attainment of operational efficiencies.

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OPERATIONAL HIGHLIGHTS

In furtherance of its mandate to bring power as catalyst for development to the farthest, smallest and remotest areas and islands, SPUG has the following program and project accomplishments in 2009:

LUZON OPERATION

- Purchase, installation and commissioning of generating set units for the following SPUG-Luzon power plants and barges:
 - Tablas Diesel Power Plant
 - Calayan Diesel Power Plant
 - Lubang Diesel Power Plant
 - Lubuagan Diesel Power Plant
 - Power Barge 114
 - Palanan Diesel Power Plant
 - Iomalia Diesel Power Plant
 - · El Nido Diesel Power Plant
 - Taytay Diesel Power Plant
- Take over and commissioning of Cabra Diesel Power Plant in Romblon area
- Construction of 500 meter by-pass line for Sablayan to accommodate the 69KV Breaker/PLC Equipment in preparation to the energization of Sablayan S/S to San Jose S/S 69 KV TX line
- Construction of new power plant in Lubuagan to improve electric
- Commissioning and operations of the PRES Projects of 154 Mini Grid Plants installed in 99 barangays and installation of Photovoltaic Systems in 113 barangays to electrify remote areas in Masbate comprising of 18,000 consumers not connected to the grid
- Commissioning /operation of Mini Grid plants in three (3) remote barangays in Camarines Sur namely Haponan, Lahuy and Quinasalag to electrify around 313 households
- Passing of ISO 9001:2000's 2nd Year Surveillance Audit of Marinduque/Quezon & North Luzon Area
- Opening of Barangay Library (Silid Aklatan) as part of community relation's project

VISAYAS OPERATION

- Optimization and efficient loading of generating sets of plants with low power demand namely, Gigantes DPP, Guintarcan DPP, San Antonio DPP, Biri DPP and Almagro DPP
- Installation of additional capacities for Biri and Almagro Diesel Power
- Upgrading of relay protection of Siguijor Diesel Power Plant
- Commissioning of 5 x 100 kW gensets in Samar area
- Activation of feeder reclosers to strengthen the integrity of the system served by Camotes and Pilar Diesel Power Plant
- Take over and operation of twelve (12) island power plants turned over by Bohol Electric Cooperative I
- Upgraded the quality management system for SPUG Visayas Power Plant by complying with ISO 9001:2008 standards by the Anglo Japanese American Registrars on December 4, 2009 per ISO certificate no. AJA 07.0367

MINDANAO OPERATION

Installation and commissioning of generating sets in the following SPUG-Mindanao power plants

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Bongao DPP	2 x 54 kW Perkins
Kalamansig DPP	2 x 600 kW
Simunol DPP	1 x 250 kW Cummins
Sitangkay DPP	2 x 250 kW Cummins
Taunguh DPP	1 x 250 kW Cummins 1 x 160 kW Cummins
Dinagat DPP	2 x 500 kW MAN
Basilan DPP	4 units PERKINS
PB 111	1 x 600 kW Perkins

WATERSHED

Watershed Rehabilitation

- Establishment of a total area of 330 hectares of open and denuded areas where 143 hectares were planted to various forestry species, 163 hectares planted to combination of agroforestry species, and 24 hectares to different species of bamboo. As of 2009, a total of 1,958 hectares or about 71% against the total target of 2,758 hectares were established.
- Construction of 2,200 cubic meters of structural measures i.e. riprap, checkdam and rubble masonry to reduce soil erosion in
- Production of 214,454 seedlings of various forestry species and fruit trees for landholdings development, greening projects in partnership with other groups and dispersal.

Watershed Protection

- · Confiscation and recovery of a total 5,683 board feet of lumber, 31 pieces of poles and one (1) unit of vehicle by means of regular patrolling of watershed areas particularly those identified as hotspot.
- Filing of four (4) cases to court due to timber poaching, charcoal processing and illegal logging.
- Organization of Watershed Management Department of ten (10) Bantay Watershed Councils/Groups to support the objective of protecting the watersheds by augmented group coming from the
- Tapping of a total 1,242 volunteers to help NPC reduce, if not totally stop, illegal activities inside watershed reservations.

Programs and Projects

- Dispersal of 51,704 seedlings (both forestry species and fruit trees) to various stakeholders, LGUs, academes and institutions and private organization for their re-greening programs
- Implementation of programs/projects to uplift the livelihood of localities inside the watershed such as:
 - · Dispersal of around 75 gilts in the area of Buhi Camarines Sur, Tiwi Albay and Benguet.
 - Livelihood training to divert local people's attention particularly those relying on forest product for their livelihood and serve as alternative source of income for the locality
 - Initiation of livelihood projects like (i) Ube Production in Pantabangan Watershed Area; (ii) Honey Bee Production in Makban Watershed Area: (iii) Tilapia Culture in Pond and Goat Raising Project in Pulangi Watershed Area and; (iv) Handicrafts Production using Waterlilies in Caliraya and Lake Lanao Watershed Area with the help of other government agencies such as Department of Trade and Industry, Department of Agriculture and others.
 - · Regular monitoring of fishing activities and inventory of fishermen which resulted to a harvest of about 15,486 kilograms of assorted fish by San Roque Watershed Area Team for the period June-October 2009.
- Development of Lake Manapao Biodiversity Ecotourism Project located at San Ramon, Buhi, Camarines Sur by the Buhi Watershed Area Team.
- Establishment of Orchidarium Center and Arboretum Center as part of biodiversity and ecotourism project of Lake Lanao Watershed Area Team

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of Financial Statement Preparation

The financial statements of NPC are prepared in accordance with the accounting principles generally accepted in the Philippines under the historical cost basis, except for property, plant and equipment, which are carried in the balance sheet at revalued amounts.

Utility Plant and Depreciation

Utility Plant is carried in the books at appraised values except for additions during the year which are recorded at cost. These assets are revalued in consonance with NPC's loan covenants with creditor banks and in pursuance to Philippine Accounting Standards (PAS) No. 16, which permits revaluation of properties, plant and equipment, Land and landholdings, which include all the cost of land and land rights used in connection with power generation and transmission, are also included in the revaluation.

An independent appraiser conducts the review and appraisal of NPC's assets once every four years. In the interim, NPC undertakes the internal revaluation which is adjusted when there are variances between the internally appraised figures and those arrived at by the independent appraisers. The last external revaluation of NPC assets was done by the Resource Management International Inc. (RMII) in 1996. In 1997 and 1998, NPC applied 6% and 8% trending factors, respectively, for the internal revaluation.

The difference between the new over the old appraised values is recorded under the Appraisal Capital account. This account is treated as a permanent account and is not diminished by any depreciation charges.

Regular annual maintenance, repairs and minor replacements are charged to expense as they are incurred, whereas major maintenance, which is done on a periodic three-to five-year intervals, is deferred, amortized and charged to operations over the number of years interval. Rehabilitation expenditures which would result in improvement of the plant's efficiency beyond five years are capitalized and transferred to plant cost upon completion of work

Depreciation of fixed assets is charged from the date of acquisition or after the completion of works. Depreciation based on depreciable values is computed using the straight-line method. Depreciating the assets based on the sound value over its remaining useful life, as ascertained by consultants, will result in amortizing the remaining cost of the assets reflective of its true physical state. The average remaining life employed in the revaluation was determined by subtracting the age of the asset from the estimated standard economic life (shown below) given by NPC's last independent appraiser.

Type of Plant	Economic Life
Thermal Production a. Oil-fired b. Coal-fired	35
Hydraulic Production	40
3. Geothermal Production	30
Other Production a. Combined-cycle b. Diesel Plants and Barges c. Gas Turbine	30

Depletion expense shows the periodic provision for the depletion of extractable natural resources such as steam, natural gas, etc. The same straight-line method and remaining useful life are used in the computation of the expense.

Capitalization of Interest

Interests incurred on external borrowings which relate to capital projects in progress and prior to the commencement of operation are capitalized.

Allocation of Support Group Expenses

Expenses of the Home Office Support Group are allocated between operation and construction. The allocation rate is based on the extent of support services rendered to operations and capital projects. The present ratio of operating expenses to capital expenses is 94/6.

Cost Center services that cannot be clearly classified, as well as expenses identified as having no direct effect on projects, are fully charged to operations.

Investments

Investments are recorded at face value. Investments in foreign currency are recorded at the date of the transaction using standard booking rates equivalent to the Bangko Sentral ng Pilipinas (BSP) guiding rates on the last working day of the preceding year. Balances are then revalued at the end of each year using the BSP guiding rates.

Interest earnings on placements follow the accrual method of accounting; however, for short-dated placements of less than a month, the interest earnings are recognized in the books at maturity dates.

Receivables and Allowance for Bad Debts

Power and other receivables are stated net of allowance for bad debts. Allowances are determined through identification of uncollectible accounts and evaluation of such factors as aging of accounts, collection experience,

Base.

4. UTILITY PLANT

This account consists of the following electric plants in service:

	Hydraulic Production Plant	Other Production Plant	Transmission Plant	Distribution Plant	Others	Total
Cost						
Beginning	71,010,325	8,733,733,600	4,433,092,221	20,214,328	4,426,077,350	17,684,127,824
Additions	-	58,649,336	389,538	-	117,815,460	176,854,334
Adjustments		254,598,998	52,294,774	-	(3,555,728,498)	(3,248,834,726)
Ending	71,010,325	9,046,981,934	4,485,776,533	20,214,328	988,164,312	14,612,147,432
Accumulated Depre	ciation / Depletion					
Beginning	71,010,057	7,153,950,538	1,290,488,620	13,053,424	3,702,675,751	12,231,178,390
Provision		410,450,000	167,534,000	1,190,000	31,914,940	611,088,940
Adjustments	\	4,831,208	373,000	156,000	(3,475,244,518)	(3,469,884,310)
Ending	71,010,057	7,569,231,746	1,458,395,620	14,399,424	259,346,173	9,372,383,020
Carrying Value December 31, 2009	268	1,477,750,188	3,027,380,913	5,814,904	728,818,139	5,239,764,412
Carrying Value December 31, 2008	268	1,579,783,062	3,142,603,601	7,160,904	723,401,599	5,452,949,434

The cost of general plant equipment (GPE) of Functional Group Engineering under Utility Plants - Others and the related accumulated depreciation of P3.556 billion and P3.475 billion, respectively, were transferred to the Temporary Registry.

expected loss experience and identified doubtful accounts. **Materials and Supplies for Operation**

Materials and supplies (M & S) for operation are categorized as fuel (and its related products) and non-fuel. The Fuel M & S are composed of the fuel oil, diesel, coal & thermal chemical stocks used by NPC plants for power generation. These inventories are valued at cost using the weighted average

The non-Fuel M & S, on the other hand, are valued at cost using the moving average method and are further broken down into the non-fuel M & S of NPC plants and areas and those non-Fuel M & S assigned to private IPPs. Non-Fuel M & S of NPC plants and areas represent basically the materials, supplies and equipment received by NPC property custodian for use in operations; while non-Fuel M & S assigned to private IPPs, which are included in the Asset in Trust account, include spares, materials and supplies transferred to private contractors as stipulated in the individual contracts.

Accounting for Foreign Exchange Fluctuation

Transactions denominated in foreign currencies are recorded at standard booking rates established on the last working day of the immediately preceding calendar year and then restated at the end of the year using the rate of exchange prevailing as at the balance sheet date. Foreign exchange differentials accruing on loans for projects under construction are recorded as project cost. On the other hand, differentials on the restatement of outstanding loans used for operating plants are treated as Gain or Loss on Forex Fluctuation. The same is true with differentials from restatement of working capital loans.

Payments of loans and interests are recorded at prevailing exchange rates at date of transaction. Any difference from the booking rate is, likewise, treated as Gain or Loss on Forex Fluctuation.

Income Determination

The Corporation uses the accrual method of accounting for income and expenses and an all inclusive concept of income determination wherein all ordinary and extraordinary items pertaining to current period are considered in computing net income while items applicable to prior periods are recorded as adjustment of prior years' income and are reflected in the Statement of Changes in Equity.

Accounting for Taxes and Duties on Importation

Taxes and duties on imported materials and equipment intended for projects are recorded as part of project costs, while taxes and duties on materials and equipment for operation are expensed as incurred.

Composition of Rate Base

Rate Base is the average value of the net fixed assets in operation at the beginning and at the end of each year. The value of net fixed assets in operation equals the gross value of the operating assets less the amount of accumulated depreciation.

Plants undergoing major rehabilitation/repair and which are out of operation for less than one calendar year are included in the computation of Rate

CONSTRUCTION WORK IN PROGRESS (CWIP)

This account consists of the following:

	2009	2008
CWIP - Work Order	3,670,948,353	2,975,620,723
CWIP - Materials & Supplies	127,213,880	120,287,364
	3,798,162,233	3,095,908,087

CWIP - Work Order refers to the costs of projects under construction, while CWIP - Materials & Supplies represents stock inventory intended for projects but still in the custody of project custodians and stock inventory in

NON-UTILITY PROPERTY

This account consists of the following:

Cost 1,898,106,878 53,471,333,348 Adjustments (1,898,106,878) (51,573,226,470) Ending - 1,898,106,878 Accumulated Depreciation 8eginning 763,666,494 50,290,081,586 Adjustments (763,666,494) (49,526,415,092) Ending - 763,666,494 - 1,134,440,384		2009	2008
Adjustments (1,898,106,878) (51,573,226,470) Ending - 1,898,106,878 Accumulated Depreciation Beginning 763,666,494 50,290,081,586 Adjustments (763,666,494) (49,526,415,092) Ending - 763,666,494	Cost		///////////////////////////////////////
Ending - 1,898,106,878 Accumulated Depreciation Beginning 763,666,494 50,290,081,586 Adjustments (763,666,494) (49,526,415,092) Ending - 763,666,494	Beginning	1,898,106,878	53,471,333,348
Accumulated Depreciation 763,666,494 50,290,081,586 Beginning 763,666,494 50,290,081,586 Adjustments (763,666,494) (49,526,415,092) Ending - 763,666,494	Adjustments	(1,898,106,878)	(51,573,226,470)
Beginning 763,666,494 50,290,081,586 Adjustments (763,666,494) (49,526,415,092) Ending - 763,666,494	Ending		1,898,106,878
Adjustments (763,666,494) (49,526,415,092) Ending - 763,666,494	Accumulated Depreciation		
Ending - 763,666,494	Beginning	763,666,494	50,290,081,586
	Adjustments	(763,666,494)	(49,526,415,092)
- 1,134,440,384	Ending	-	763,666,494
		-	1,134,440,384

The costs and the related accumulated depreciation of decommissioned plants were transferred to the Temporary Registry.

NON-CURRENT RECEIVABLES

This account consists of:

	2009	2008
Non-Current Power	//	
Receivables	158,354,166	112,758,589
Allowance for Bad Debts	<u> </u>	(1,022,001)
	158,354,166	111,736,588

DEFERRED CHARGES

This account consists of:

	2009	2008
Preliminary Surveys & Investigation	6,537,709	12,353,196
Others	2,371,537	2,213,589
	8,909,246	14,566,785

Preliminary Surveys & Investigation pertains to all expenditures related to preliminary surveys, studies, investigations and other related undertakings to determine the feasibility of a project for development.

9. OTHER NON-CURRENT ASSETS

This account consists of the following:

	2009	2008
Restricted Cash	3,643,800	3,643,800
Stock for Disposal	129,498	129,498
	3 773 298	3 773 208

Restricted Cash pertains to funds deposited for the expropriation case of NPC vs. Marinduque Electric Cooperative, Civil Case No. 08-10.

10. CONTINGENT ASSETS / CONTINGENT SURPLUS

The account consists of disallowances in COA post-audit, as well as claims for unrelieved losses of NPC properties and claims for all established inventory shortages of Property Custodians. The contra account for these Contingent Assets is Contingent Surplus which is presented as part of the capital accounts in the Statement of Changes in Equity.

CASH AND CASH EQUIVALENTS

This account consists of the following:

		2009	2008
Cash on Hand		3,594,044	120
Working Fund		3,673,602	3,341,407
Cash in Bank		172,123,031	41,568,523
Temporary Investr	ments	1,380,000,000	\ -
		1,559,390,677	44,910,050

Temporary Investments pertain to the proceeds from the short-term loan from the Land Bank of the Philippines (Note 18).

12. POWER CUSTOMER RECEIVABLES

Receivables from power customers consist of the following:

	2009	2008
Power Receivables	2,209,977,530	1,904,611,451
Accrued Utility Revenue	191,865,687	195,492,288
Restructured Power Receivables	51,307,309	38,680,834
	2,453,150,526	2,138,784,573
Allowance for Bad Debts	(383,722,787)	(383,722,788)
	2,069,427,739	1,755,061,785

13. OTHER RECEIVABLES

This account consists of the following:

	2009	2008
Output Tax Receivable	424,087,524	388,811,186
Receivables from Private Companies	271,509,095	245,442,448
Input Tax Credit on Non-Depreciable Capital	241,419,652	13,257,411
Interest Receivable	155,536,526	56,628,126
Receivable from Officers & Employees	7,388,423	7,817,127
Input Tax Credit on Depreciable Capital	4,521,265	-
Others	104,967,448	104,967,448
	1,209,429,933	816,923,746
Allowance for Bad Debts	(1,654,795)	-
77 77 7 7 7	1,207,775,138	816,923,746

14. MATERIALS AND SUPPLIES FOR OPERATION

Details of the account are as follows:

	2009	2008
Materials, Supplies and Equipment (MSE)	774,237,412	739,768,422
Diesel	400,237,927	618,211,443
MSE in Transit - Operating Plants	197,531,535	210,014,447
Materials and Supply Temporary Adjustments	154,931,017	174,763,814
Stock Transfer Clearing Accounts	146,552,698	124,324,183
Fuel Oil	17,718,868	3,436,632
Gasoline	505,069	505,069
Thermal Chemicals	245,668	245,668
Asset in Trust for Private Power Contractors		6,756,994
Fuel Temporary Adjustment		(931,842)
Other Oil Products	29,143,630	27,114,388
	1,721,103,824	1,904,209,218

15. ADVANCES, PREPAYMENTS and DEPOSITS

This account consists of the following:

	2009	2008
Trust Accounts	13,411,281,502	22,655,174,188
Retained PSALM Accounts	7,403,816,394	5,233,971,874
Retained TransCo Accounts	1,848,501,658	1,848,501,658
	22,663,599,554	29,737,647,720

16. TEMPORARY REGISTRY

This account consists of the following:

	2009	2008
Advances to Officers and Employees	389,437	540,943
Advances to Contractors/Prepaid Charges	1,113,716	44,313,952
Advances for Medical& Group Life Ins.	5,517,702	(6,931)
Advances to Govt. Bodies & Institutions	378,093	378,093
Court and Other Deposits	616,904	791,654
Marginal & Guaranty Deposits	523,980	184,800
Other Advances	422,353	868,869
	8,962,185	47,071,380

Trust Accounts are those accounts pertaining to the main grid plants which are necessary to operate, maintain, and manage the generation plants and are set up as working capital in the books of NPC.

Retained PSALM and TransCo Accounts consist of balances retained at NPC by PSALM and TransCo as of the asset-debt transfer to PSALM and separation of TransCo books effective October 1, 2008, which are for further validation, reconciliation, adjustments and final transfer to PSALM, TransCo and/or NPC, as the case maybe.

17. LONG-TERM DEBTS

This account consists of foreign borrowings as follows:

CREDITOR	R / PROJECT	MATURITIES	INTEREST RATES	2009	2008
Natixis / Credit National	Project-Pres Project of SPUG	2016 to 2031	FIXED at 0.40%	646,054,691	510,200,794
Banque Paribas	Project-Pres Project of SPUG	2009 to 2019	FIXED at 5.09%	401,791,025	227,632,834
Kaributzu-CXZ Asso.	500KW Diesel-Fired Gensets	2006 to 2010	FIXED at 4.5%	53,502,500	161,863,650
				1,148,417,749	899,697,278
Less: Current portion				100,572,033	
				1,047,845,716	899,697,278

ear-end BSP guiding rates:			
		12-29-2009	12-24-2008
Dollar	USD 1	46.3560	47.4850
Euro	EUR 1	66.6646	66.2463

18. NOTES PAYABLE

Breakdown of this account is as follows:

Creditor	Maturity	Interest Rate	2009	2008
Land Bank of the Philippines	November 26, 2010	6.75%	300,000,000	-
Land Bank of the Philippines	December 10, 2010	6,70%	2,000,000,000	-
	// /		2.300.000.000	-

These loans are for the working capital requirements of SPUG.

19. DEPOSITS AND TRUST FUNDS

This account pertains to the amounts received and segregated for the execution of specific projects or contracts and the amounts deposited/advanced by suppliers, contractors and power customers to the Corporation.

20. UNIVERSAL CHARGE

Section 34 of the EPIRA provides that a Universal Charge (UC) to be determined, fixed and approved by the Energy Regulatory Commission (ERC) shall be imposed on all end-users for the (a) payment of stranded debts and contract costs; (b) missionary electrification; (c) equalization of taxes and royalties; (d) environmental charge; and (e) cross subsidies.

The UC shall be a non-by passable charge which shall be passed on and collected from end-users on a monthly basis by the distribution utilities to be remitted to PSALM, the administrator of the Fund.

The UC for missionary electrification shall provide funds for the operation of the NPC-SPUG, together with the sales from the missionary areas. On the other hand, the UC for environmental charge, which is equivalent to one-fourth of one centavo per kilowatt-hour (P0.0025/kwh), shall accrue to an environmental fund to be used solely for watershed rehabilitation and management and shall be managed by NPC under existing agreements.

21. FOREX RECOVERY

Effective August 26, 1994, the Corporation included in the customer's power bills Foreign Exchange Adjustment charges intended to recover the Corporation's foreign exchange losses arising from the servicing of its principal indebtedness (FOREX I or ICERA I) and related foreign operating expenses (FOREX II or ICERA II).

For proper matching of cost and revenue, recovery from ICERA I, which is a recovery of peso fluctuation on principal repayments, is reported under Other Income/Expense, while recovery from ICERA II, which is a recovery of foreign-denominated other operating expenses, is recorded as part of operating revenue.

22. GAIN (LOSS) ON FOREX FLUCTUATION

This account consists of:

	2009	2008
Gain (Loss) on Revaluation of Loans Payable	1,305,250	(643,556,652
Gain (Loss) on Foreign Currency Transactions		(40,183,244
	1,305,250	(683,739,896

23. MISCELLANEOUS INCOME

This account consists of the following:

	2009	2008
Income from Liquidated Damages	10,694,170	5,586,754
Rental Income	2,810,798	1,500,000
Bid Related Income	855,700	259,900
Supplier's Discount	342,531	
Others	192,499,457	372,952,851
	207,202,656	380,299,505

Miscellaneous income - others consists of income from sale of scrap materials and used fuel and fly ash, penalty for excess downtime, fuel cost differentials, back up and administrative fees and SPUG's share from the Other Income of the Main Grid, which was transferred to PSALM.

24. INTEREST EXPENSE

Interest expense consists of:

	2009	2008
Interest Expense - Loans & Bonds	11,972,614	348,041,480
Allocated Interest Expense	-	126,735,629
·	11,972,614	474,777,109

The decrease in Interest Expense - Loans and Bonds was due to the transfer to PSALM of the working capital loans, the borrowing costs of which were previously shared by SPUG and NPC Main Grid.

25. MISCELLANEOUS EXPENSES

	2009	2008
Subsidy to New Power Providers	250,346,083	57,334,306
Others	67,921,361	126,855,552
	318,267,444	184,189,858

Subsidy to New Power Providers (NPP) pertains to subsidy to NPPs of Missionary Electrification Areas as approved by the Energy Regulatory Commission (ERC). In 2008, there was only one NPP, the Bantayan Diesel Power Plant (DPP), while in 2009, additional two NPPs were approved by ERC, the Palawan DPP and Paragua Power Generation.

Miscellaneous expenses-others consists mainly of expenses incurred in the housekeeping/maintenance of decommissioned plants and SPUG's share from the Other Expenses of the Main Grid, which was transferred

26. PROVISION FOR PRESENT OBLIGATIONS PURSUANT TO COURT RULINGS/DECISIONS

The finality of the decision of the Supreme Court on December 2, 2009 in G.R. No. 156208, Entitled "NPC DRIVERS AND MECHANICS ASSOCIATION (NPC DAMA) ET. AL., (Petitioners), -versus- THE NATIONAL POWER CORPORATION (NPC) ET. AL., (Respondents)" to cause the immediate payment due to the petitioners and all other illegally dismissed NPC personnel/employees and the amount of charging lien of the attorneys as well as the finality of the decision of the Regional Trial Court Branch 84 of Quezon City on March 23, 2009 in CIVIL CASE NO. Q-07-61728 FOR: MANDAMUS Entitled "ABNER P. ELERIA and MELITO B. LUPANGCO, (Petitioners), -versus- MR. CYRIL C. DEL CALLAR, in his capacity as PRESIDENT of the NATIONAL POWER CORPORATION (NPC) ET. AL., (Respondents), NECU AND NEWU ET.AL (Petitioners-Intervenors)" to cause payment of the COLA and AAs to NPC employees have presented obligations for NPC, which would require an outflow of resources.

In accordance with PAS 37 (IAS 37) "Provisions, Contingent Assets and Contingent Liabilities", provision relative to the above Court decisions estimated at P41 billion has been recognized in the books under the Temporary Registry account.

On January 7, 2010, the Supreme Court issued a status quo order on the DAMA case. On the MANDAMUS case, the Department of Budget Management and the Office of the Solicitor General on May 26, 2009

filed a Petition for Certiorari and Prohibition which seeks to annul the Joint Order issued by the Regional Trial Court of Quezon City, Branch 84. The Joint Order grants the Motion for Execution filed by the NPC workers, petitioners and intervenors and the Motion to Deposit the Amount Equivalent to Judgment Award and Interest.

27. SPUG TARIFF'S SIGNIFICANT DEVELOPMENT IN 2009

Section 70 of the EPIRA Law specifically mandates NPC-Small Power Utilities Group to be responsible for providing power generation and its associated power delivery systems in areas that are not connected to the transmission system, i.e. the islands grids. Moreover, it also provides that funds for the operation of SPUG shall come from the revenues from sales in the missionary areas and from the Universal Charge for Missionary Electrification (UCME) as determined by the Energy Regulatory Commission. With this premise, critical to operation of SPUG is the rationalization of its tariff in order to sustain the economic viability of SPUG plants operations.

In 2009, two major undertakings have been made in relation to the tariff of NPC-SPUG in order to finance and sustain both the missionary generation and remote/off grid area electrification activities, as follows:

• Filing of Universal Charge for Missionary Electrification (UCME) for 2009-2013 with the Energy Regulatory Commission (ERC) under ERC Case No. 2009-028 RC.

On January 19, 2009, the Department of Energy (DOE) adopted and approved the Missionary Electrification Development Plan (MEDP) for 2009-013. This program involves basically the reliability and efficiency improvement program of SPUG and which will also be the basis for the UCME petition. To support the SPUG operations and projects under the 2009-2013 MEDP, its subsidy requirements under the UCME Petition for the next five (5) years are as follows:

2009 - P 28,588,036,000 or P 0.4912/kWh

2010 - P 13,921,393,000 or P 0.2289/kWh

2011 - P 15.215.711.000 or P 0.2401/kWh

2012 - P 16,172,720,000 or P 0.2442/kWh

2013 - P 13,864,219,000 or P 0.2005/kWh

On May 15, 2009, NPC-SPUG filed with ERC the UCME for 2009. After series of public hearings held in Luzon, Visayas and Mindanao in July and October 2009, ERC issued a Provisional Authority (PA) for 2009 UCME amounting to P5,693,209,190 or P 0.0978/kWh. To date, NPC-SPUG is still awaiting the final resolution of the case from ERC.

· Filing of 4th GRAM under ERC Case No. 2009-021 and 5Th GRAM under ERC Case No. 2009-058 RC

The Subsidized/Approved Generation Rate (SAGR) for the NPC-SPUG power customers does not include the cost recovery of fuel consumptions in running the power plants and the effect of foreign exchange fluctuation in the cost of foreign debt servicing and in foreign denominated operating expenses. The Implementing Rules issued by ERC on cost recovery thru Deferred Accounting Adjustments (DAA) allows NPC-SPUG the recovery of its deferred Fuel Cost thru Generation Rate Adjustment Mechanism (GRAM) and the recovery of any Cost arising from foreign currency fluctuation thru the Incremental Currency Exchange Rate Adjustment (ICERA).

In 2009, NPC-SPUG has successfully filed with ERC the 4th and 5th GRAM covering the recovery test period December 26, 2005 to December 25, 2007 and December 26, 2007 to December 25, 2008, respectively. The 4th GRAM was filed with ERC on March 27, 2009 proposed to recover the amount of P4.896 billion while the 5th GRAM was filed on August 18, 2009 proposed to recover the amount of P3.579 billion deferred fuel cost. Series of hearings were already conducted in Luzon, Visayas and Mindanao regarding these petitions, i.e. on June 25 to 29, 2009 for the 4th GRAM and on November 5 to December 9, 2009 for the 5th GRAM. To date, NPC-SPUG still awaits resolutions for the said GRAM petitions from ERC.

Filing of 4th ICERA under ERC Case No. 2009-033 RC and 5Th ICERA under ERC Case No. 2009-059 RC1

In 2009, NPC-SPUG has filed with ERC its petition for the 4th and 5th ICERA on May 26, 2009 and August 18, 2009, respectively. The 4th ICERA covers the recovery test period December 26, 2005 to December 25, 2007, while the 5th ICERA covers the recovery test period December 26, 2007 to December 25, 2008. The 4th ICERA proposed to recover the amount of P581.01 million, while the 5th ICERA proposed to recover the amount of P583.26 million. Series

of hearings were already conducted in Luzon, Visayas and Mindanao regarding these petitions, i.e. on July 2 to September 29, 2009 for the 4th ICERA and on November 6 to January 7, 2010 for the 5th ICERA. To date, NPC-SPUG still awaits resolutions for the said ICERA petitions

28. UPDATE ON PRIVATE SECTOR PARTICIPATION PROGRAM IN POWER GENERATION IN SPUG-SERVICED AREAS

In accordance with Section 3(b) of Rule 13 of EPIRA-IRR, power generation by SPUG will be offered for private sector take-over. To facilitate the implementation of this policy, the DOE issued Department Circular No. 2004-01-001 on January 26, 2004 which declared open for private sector participation (PSP) all existing SPUG areas and mandated the conduct of and set procedures for the competitive selection process. Likewise, the NPC, through Board Resolution No. 2004-66 dated July 27, 2004, declared major islands as priority areas for privatization.

BIPCOR, the pioneer New Power Provider (NPP), has started commercial operations as a base load supplier in 2007 and was the first recipient of the missionary electrification subsidy from the Universal Charge when it received from SPUG an initial subsidy payment of P28 million for its operation in



NATIONAL POWER CORPORATION

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Vice President Office of the General Counsel

2 ALEXANDER P. JAPON

Senior Department Manager Finance (SPUG/WM/DRFF)

3 URBANO C. MENDIOLA, JR. **OIC-Vice President**

Corporate Services Head, Man Com Secretariat

4 LORNA T. DY

Senior Department Manager Finance (OMA)

5 KATAMBAYAN S. CELINO

Vice President Logistics

6 JUAN CARLOS J. GUADARRAMA

Vice President Sales & Services; Trading; Regulatory Compliance Officer

7 FROILAN A. TAMPINCO

President National Power Corporation

8 MELBURGO S. CHIU

Vice President Small Power Utilities Group

9 PIO J. BENAVIDEZ

Senior Vice President

10 EDMUND P. ANGULUAN

Vice President Human Resources and Administration

11 DANILO S. SEDILLA

Vice President Technical & Maintenance Services Chairman, Bids & Awards Committee

12 DR. EDUARDO R. EROY

Vice President Mindanao Generation

13 OSCAR C. LORICO

Vice President Luzon & Visayas Generation

14 LORENZO S. MARCELO

Vice President Pre and Post Privatization Activities; IPP Contracts Management, **Asset Preservation**

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Department of Finance
Chairman



SEC. ANGELO T. REYES
Department of Energy
Vice Chairman



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Department of Budget and Management
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SEC. RONALDO V. PUNO
Department of Interior and
Local Government Member



FROILAN A. TAMPINCO President National Power Corporation Member



SEC. ARTHUR C. YAP
Department of Agriculture
Member



PLANT NAME

TORRIJOS DPP

POLILIO DPP

JOMALIG DPP

BASCO DPP

WIND TURBINE

SABTANG DPP

ITBAYAT DPP

CALAYAN DPP

LUBUAGAN DPP

KABUGAO DPP

CASIGURAN DPP

MARINAWA DPP

RAPU-RAPU DPP

VIGA DPP

BATAN DPP

MASBATE DPP

TICAO DPP

LUBANG DPP

POWER BARGE 105

PULANG LUPA DPP

POWER BARGE 106

CALAPAN (MODULAR)

POWER BARGE 109

POWER BARGE 114

MAMBURAO DPP

TINGLOY DPP

TABLAS DPP

ROMBLON DPP

SAN JOSE DPP

CORCLIERA DPP

CONCEPCION DPF

BANTON DPP

IRAWAN

EL NIDO DPP

ROXAS DPP

TAYTAY DPP

SAN VICENTE DPP

BUSUANGA DPP

CULION DPP

CUYO DPP

ARACELI DPP

BALABAC DPP

AGUTAYA DPP

CAGAYANCILLO DPP

LINAPACAN DPP

BALONGBONG MHEP

POWER BARGE 110

POWER BARGE 120

PATNANUNGAN DPP

BOAC DPP

LOCATION

MARINDUQUE

MARINDUQUE

MARINDUQUE

QUEZON

QUEZON

QUEZON

BATANES

BATANES

BATANES

BATANES

CAGAYAN

KALINGA

APAYAO

AURORA

ALBAY

ALBAY

MASBATE

MASBATE

OCC. MINDORO

OCC. MINDORO

OR, MINDORO

OCC. MINDORO

ROMBLON

ROMBLON

ROMBLON

ROMBLON

ROMBLON

ROMBLON

ROMBLON

ROMBLON

PALAWAN

CATANDUANES

CATANDUANES

CATANDUANES

LIST OF SPUG POWER PLANTS

A. Existing Areas

VISAYAS

RATED CAP. (MW) DEP. CAP (MW)

5.650

0.480

3.100 2.920

0.307

0.320

1.540

0.320

0.320

0.250

0.425

0.590

1.260

1.800

3.600

1.200

0.470

0.300

11.300

1.100

8.300

1.600

17.000

5.500

1.125

4.550

1.000

1.400

0.650

0.280

0.320

0.770

0.320

6.300

5.000

1.800

1.350

0.780

0.340

0.102

1.730

0.130

0.300

0.214

0.150

5.650

0.500

7.200

3.180

0.317

0.326

2.591

0.180

0.326

0.326

0.426

0.550

0.643

0.523

1.935

1.800

6.884

2.240

2.240

0.709

0.326

12.500

3.251

1.400

12.600

1.704

17.000

5.750

1.183

5.810

1.200

1.720

1.300

2.186

0.576

0.326

0.826

0.326

6.300

5.000

2.200

1.403

0.830

0.923

1.680

0.423

0.108

3.948

0.326

0.326

0.217

0.217

	PLANT NAME	LOCATION	RATED CAP. (MW)	DEP. CAP. (MW)
54	BANTAYAN DPP	CEBU	4.000	4.000
	GUINTARCAN DPP	CEBU	0.263	0.263
	DOONG DPP	CEBU	0.326	0.326
	SIQUIJOR DPP	SIQUIJOR	1.500	1.130
	POWER BARGE 113	SIQUIJOR	2.620	2.000
	POWER BARGE 116	SIQUIJOR	2.800	1.750
	GIGANTES DPP	ILOILO	0.326	0.320
	CALUYA DPP	ANTIQUE	0.590	0.590
	CAMOTES DPP	CEBU	2.748	2.600
	PILAR DPP	CEBU	0.576	0.560
	MARIPIPI DPP	BILIRAN	0.326	0.320
	LIMASAWA DPP	LEYTE	0.326	0.326
	ZUMARRAGA DPP	W. SAMAR	0.589	0.480
	TAGAPUL-AN DPP	W. SAMAR	0.326	0.263
	ALMAGRO DPP	W. SAMAR	0.217	0.217
	STO. NIÑO DPP	W. SAMAR	0.426	0.263
	SAN ANTONIO DPP	N. SAMAR	0.576	0.546
	CAPUL DPP	N. SAMAR	0.326	0.300
	SAN VICENTE DPP	N. SAMAR	0.263	0.263
	BIRI DPP	N. SAMAR	0.489	0.420
		TOTAL VISAYAS	19.613	16.937

MINDANAO

	PLANT NAME	LOCATION	RATED CAP. (MW)	DEP. CAP (MW)
74	BASILAN DPP	BASILAN	4.272	2.300
75	POWER BARGE 119	BASILAN	7.200	6.400
76	JOLO DPP	SULU	7.900	6.730
77	LUUK DPP	SULU	0.229	0.200
78	SIASI DPP	SULU	2.640	2.360
79	BONGAO DPP	TAWI-TAWI	0.100	0.100
80	POWER BARGE 108	TAWI-TAWI	5.400	4.500
81	BALIMBING DPP	TAWI-TAWI	0.326	0.310
82	TANDUBAS DPP	TAWI-TAWI	0.258	0.240
83	SIBUTU DPP	TAWI-TAWI	0.326	0.300
84	SITANGKAY DPP	TAWI-TAWI	0.500	0.500
85	MANUK-MANGKAW DPP	TAWI-TAWI	0.163	0.150
86	WEST SIMUNUL DPP	TAWI-TAWI	0.618	0.500
87	CAGAYAN DE TAWI-TAWI	TAWI-TAWI	1.020	0.940
88	TANDUBANAK DPP	TAWI-TAWI	0.440	0.400
89	DINAGAT DPP	DINAGAT PROVINCE	3.422	1.685
90	LORETO DPP	DINAGAT PROVINCE	0.940	0.860
91	HIKDOP DPP	SURIGAO DEL NORTE	0.326	0.320
92	KALAMANSIG DPP	SULTAN KUDARAT	3.587	2.180
93	POWER BARGE 111	SULTAN KUDARAT	1.680	0.650
94	N. AQUINO DPP	SULTAN KUDARAT	0.326	0.310
95	A. SANTOS DPP	DAVAO DEL SUR	0.423	0.420
96	BALUT DPP	SARANGGANI	0.326	0.320
97	TALICUD DPP	DAVAO DEL NORTE	0.326	0.300
		TOTAL MINDANAO	42.748	32.975

TOTAL, EXISTING AREAS

	NO. OF PLANTS	RATED (MW)	DEP. CAP. (MW)
TOTAL LUZON	53	132.431	105.363
TOTAL VISAYAS	20	19.613	16.937
TOTAL MINDANAO	24	42.748	32.975
TOTAL PHILIPPINES	97	194.792	155.275

B. Mini-Grid and Transferred Areas

LUZON

	PLANT NAME	LOCATION	RATED CAP. (MW)	DEP. CAP. (MW)
98	MANIWAYA DPP	MARINDUQUE	0.104	0.098
	MONGPONG DPP	MARINDUQUE	0.104	0.048
	POLO DPP	MARINDUQUE	0.092	0.090
	GINAWAYAN DPP	MASBATE	0.035	0.035
	GILOTONGAN DPP	MASBATE	0.090	0.090
	NABUCTOT DPP	MASBATE	0.025	0.025
	PENA DPP	MASBATE	0.090	0.090
	CHICO DPP	MASBATE	0.035	0.035
	LAHUY DPP	CAMARINES SUR	0.120	0.096
	HAPONAN DPP	CAMARINES SUR	0.035	0.028
	QUINALASAG DPP	CAMARINES SUR	0.150	0.120
	RIZAL DPP	PALAWAN	0.516	0.410
	PALUAN DPP	OCC. MINDORO	0.800	0.620
		TOTAL LUZON	2.197	1.785

VISAYAS

	PLANT NAME	LOCATION	RATED CAP. (MW)	DEP. CAP. (MW)
111	COSTA RICA DPP	ALMAGRO	0.040	0.040
112	LUNANG DPP	ALMAGRO	0.060	0.060
113	BIASONG DPP	ALMAGRO	0.060	0.060
114	CABUNGAAN DPP	STO. NINO	0.040	0.040
115	ILIJAN DPP	STO. NINO	0.040	0.040
116	TAKUT DPP	STO. NINO	0.100	0.100
		TOTAL VISAYAS	0.340	0.340

MINDANAO

	PLANT NAME	LOCATION	RATED CAP. (MW)	DEP. CAP. (MW)
117	SACOL DPP	ZAMBOANGA	0.326	0.155
118	PALIMBANG DPP	SULTAN KUDARAT	0.054	0.044
		TOTAL MINDANAO	0.380	0.199

TOTAL, MINI-GRID & TRANSFERRED AREAS

NO. OF PLANTS	RATED (MW)	DEP. CAP. (MW)
13	2.197	1.785
6	0.340	0.340
2	0.380	0.199
21	2.917	2.324
	13 6 2	13 2.197 6 0.340 2 0.380

C. Philippine Rural Electric Service (PRES) Project*

LUZON

	PLANT NAME	LOCATION	RATED CAP. (MW)	DEP. CAP. (MW)
119	TITONG MGE 1	MASBATE	0.012	0.012
	B. TITONG MGE 2	MASBATE	0.012	0.012
	CAWAYAN EXT. (Pob)	MASBATE	0.012	0.012
	CAWAYAN EXT. (Bel-at)	MASBATE	0.012	0.012
	UBONGAN DACU	MASBATE	0.012	0.012
	CABANGCALAN	MASBATE	0.012	0.012
	PINANAAN	MASBATE	0.012	0.012
	LANANG	MASBATE	0.012	0.012
	SAN ISIDRO	MASBATE	0.012	0.012
	SYNDICATE	MASBATE	0.012	0.012
	SAWANG (MG1)	MASBATE	0.012	0.012
	SAWANG (MG2)	MASBATE	0.006	0.006
	TALIB (MG1)	MASBATE	0.012	0.012
	TALIB (MG2)	MASBATE	0.012	0.012
	CONCEPCION	MASBATE	0.012	0.012
	BALETE	MASBATE	0.012	0.012
	AMUTAG (MG1)	MASBATE	0.012	0.012
	AMUTAG (MG2)	MASBATE	0.012	0.012
	CALANAY (MG1)	MASBATE	0.012	0.012
	CALANAY (MG2)	MASBATE	0.006	0.006
	JAMORAWAN (MG1)	MASBATE	0.006	0.006
	JAMORAWAN (MG2)	MASBATE	0.012	0.012
	JAMORAWAN (MG3)	MASBATE	0.012	0.012
	JAMORAWAN (MG4)	MASBATE	0.006	0.006
	TAGBON	MASBATE	0.012	0.012
	DOCOL	MASBATE	0.006	0.006
	BAAO	MASBATE	0.006	0.006
	LOOC	MASBATE	0.012	0.012
	LANTANGAN (MG1)	MASBATE	0.012	0.012
	LANTANGAN (MG2)	MASBATE	0.006	0.006
	CABANGCALAN	MASBATE	0.012	0.012
	CALUMPANG	MASBATE	0.006	0.006
	LOCSOAN	MASBATE	0.012	0.012
	TAN-AWAN	MASBATE	0.012	0.012
	ITOMBATO	MASBATE	0.012	0.012
	IRAYA	MASBATE	0.012	0.012
	CAMPANA	MASBATE	0.006	0.006
	CANDELARIA (MG1)	MASBATE	0.012	0.012
157	CANDELARIA (MG2)	MASBATE	0.012	0.012
		TOTAL LUZON	0.414	0.414

TOTAL, PRES PROJECT

	NO. OF PLANTS	RATED (MW)	DEP. CAP. (MW)
TOTAL LUZON	39	0.414	0.414
TOTAL PHILIPPINES	39	0.414	0.414

^{*} Due to space constraints, Power Plants No. 119 to 157 are not reflected on the accompanying SPUG Map. As the above table indicates, all of the plants under the PRES Project are located in Masbate.

TOTAL SPUG POWER PLANTS

	NO. OF PLANTS	RATED (MW)	DEP. CAP. (MW)
TOTAL LUZON	105	135.042	107.562
TOTAL VISAYAS	26	19.953	17.277
TOTAL MINDANAO	26	43.128	33.174
TOTAL PHILIPPINES	157	198.123	158.013



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MA. SHEILA S. MUDLONG Corporate Staff Specialist C, PTSD

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Senior Watershed Management Specialist

CORPORATE SERVICES

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Manager, Planning & Technical Services Department

BERNADETTE T. RIVERO Corporate Staff Officer B, Power Economics Department

LOGISTICS

CONRADO G. SISON, JR. OIC- Manager, Materials Management Department

FELIX B. TACATA, JR. Manager, Materials Management Services Division

concept and design: Kestrel DDM | photography: Imagesmith Photography





Quezon Avenue corner BIR Road, Diliman, 1100 Quezon City, Philippines

Telephone: (632) 921 3541 Facsimile: (632) 921 2468 P.O. Box 10183 URL: http://www.napocor.gov.ph