



NATIONAL POWER CORPORATION

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Management of the National Power Corporation is responsible for the preparation of the financial statements as at 31 December 2017, including the additional components attached thereto in accordance with the prescribed financial reporting framework indicated therein. The responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error, selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

The Board of Directors reviews and confirms the submission of the financial statements prepared by the Management of the National Power Corporation to the regulators, creditors and other users.


BAYANI H. AGABIN

Designated Alternate of the Chairman
and
Undersecretary, Department of Finance

2-14-18
Date


LORNA T. DY
VP – Administration & Finance

Feb. 14, 2018
Date


PIO J. BENAVIDEZ
President & CEO

Feb. 14, 2018
Date

NATIONAL POWER CORPORATION
CONDENSED STATEMENT OF FINANCIAL POSITION
ALL FUNDS
AS AT DECEMBER 31, 2017

	<u>NOTE*</u>	<u>2017</u>	<u>2016</u> <i>(As Restated)</i>
ASSETS			
Current Assets			
Cash & Cash Equivalents	4	19,585,409,809	14,675,271,246
Receivables	5	4,508,638,003	5,241,214,966
Inventories	6	1,313,927,316	1,439,673,639
Other Current Assets	7	5,315,756,298	4,537,381,557
Total Current Assets		<u>30,723,731,426</u>	<u>25,893,541,408</u>
Non-Current Assets			
Other Investment	8	719,970	0
Receivables	9	1,040,395,613	1,518,593,161
Property, Plant and Equipment	10	7,801,868,621	8,027,757,339
Construction in Progress	11	3,520,316,129	3,397,837,384
Other Non-Current Assets	12	5,413,762,470	5,476,097,964
Total Non-Current Assets		<u>17,777,062,803</u>	<u>18,420,285,848</u>
TOTAL ASSETS		<u>48,500,794,229</u>	<u>44,313,827,256</u>
LIABILITIES			
Current Liabilities			
Financial Liabilities	13	5,732,481,535	4,620,844,679
Inter-Agency Payables	14	1,062,145,880	945,782,975
Trust Liabilities	15	28,534,285	30,029,740
Other Payables	16	373,865,719	289,399,735
Total Current Liabilities		<u>7,197,027,419</u>	<u>5,886,057,129</u>
Non-Current Liabilities			
Financial Liabilities	17	640,066,027	604,907,507
Deferred Credits/Unearned Income	18	4,616,636,722	1,934,730,181
Provisions	19	569,786,585	572,648,304
Trust Liabilities	12	5,585,079,468	4,892,201,624
Total Non-Current Liabilities		<u>11,411,568,802</u>	<u>8,004,487,616</u>
TOTAL LIABILITIES		<u>18,608,596,221</u>	<u>13,890,544,745</u>
Net Assets (Total Assets Less Total Liabilities)		<u>29,892,198,008</u>	<u>30,423,282,511</u>
NET ASSETS/EQUITY			
Share Capital	20	27,048,870,789	27,048,870,789
Other Equity Instruments	20	14,683,567	14,683,567
Accumulated Surplus	20	2,828,643,652	3,359,728,155
TOTAL NET ASSETS/EQUITY		<u>29,892,198,008</u>	<u>30,423,282,511</u>

* The notes on pages 11 to 62 form part of these statements.

NATIONAL POWER CORPORATION
CONDENSED STATEMENT OF FINANCIAL PERFORMANCE
ALL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>NOTE*</u>	<u>2017</u>	<u>2016</u> <i>(As Restated)</i>
Revenue			
Service and Business Income	21	3,034,695,834	3,234,896,090
Shares, Grants and Donations	22	8,665,834,494	6,407,998,353
Total Revenue		11,700,530,328	9,642,894,443
Current Operating Expenses			
Personnel Services	23	-881,950,643	-801,131,131
Maintenance and Other Operating Expenses	24	-2,101,238,209	-2,232,452,957
Financial Expenses	25	-7,393,435	-9,213,126
Direct Materials	26	-3,057,822,488	-2,714,796,036
Non-Cash Expenses	27	-992,861,394	-1,276,585,193
Total Current Operating Expenses		-7,041,266,169	(7,034,178,443)
Surplus from Current Operations		4,659,264,159	2,608,716,000
Other Non-Operating Income		576,247,638	594,020,954
Gains	29	450,681	792,701
Losses	30	-98,211,776	(71,542)
Surplus Before Tax		5,137,750,702	3,203,458,113
Income Tax Expense - Current		(520,276,732)	(512,636,135)
Surplus After Tax		4,617,473,970	2,690,821,978
Net Assistance/Subsidy/(Financial Assistance/Subsidy)	28	(2,405,262,663)	(1,043,967,441)
Net Surplus for the Period		2,212,211,307	1,646,854,537

* The notes on pages 11 to 62 form part of these statements.

**NATIONAL POWER CORPORATION
STATEMENT OF CHANGES IN NET ASSET/EQUITY
ALL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Accumulated Surplus (Deficit)	Share Capital	Other Equity Instruments (Donated Capital)	Total
BALANCE AT JANUARY 1, 2016	5,072,491,093	27,048,870,789	13,856,821	32,135,218,703
ADJUSTMENTS:				
Add/(Deduct):				
Dividend declared (CY 2015)	(300,000,000)	0	0	(300,000,000)
Other adjustment	(140,679,405)	0	0	(140,679,405)
RESTATED BALANCE AT JANUARY 1, 2016	4,631,811,688	27,048,870,789	13,856,821	31,694,539,298
Changes in Net Assets/Equity for CY 2016				
Add/(Deduct):				
Surplus/(Deficit for the period)	1,646,854,537	0	0	1,646,854,537
Other adjustments	(2,918,938,070)	0	826,746	(2,918,111,324)
BALANCE AT DECEMBER 31, 2016	3,359,728,155	27,048,870,789	14,683,567	30,423,282,511
Changes in Net Assets/Equity for CY 2017				
Add/(Deduct):				
Surplus/(Deficit) for the period	2,212,211,307	0	0	2,212,211,307
Dividend declared (2016)	(1,398,936,408)	0	0	(1,398,936,408)
Other adjustments	(1,344,359,402)	0	0	(1,344,359,402)
BALANCE AT DECEMBER 31, 2017	2,828,643,652	27,048,870,789	14,683,567	29,892,198,008

**NATIONAL POWER CORPORATION
CONDENSED STATEMENT OF CASH FLOWS
ALL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Inflows		
Collection of Service and Business Income	3,420,379,616	2,445,786,495
Receipts of Shares, Grants and Donations	10,804,581,000	11,191,361,682
Receipts of Assistance/Subsidy	1,191,680,204	980,822,175
Collection of Other Receivables	196,177,850	83,489,387
Trust Receipts	4,447,253	7,091,647
Other Receipts	899,562,188	745,618,818
Total Cash Inflows	16,516,828,111	15,454,170,204
Cash Outflows		
Payment of Expenses	1,972,390,667	2,721,561,372
Purchase of Inventories	3,113,450,587	2,448,292,656
Grant of Cash Advances	40,582,311	53,961,002
Refund of Deposits	6,052,211	27,790,348
Remittance of Personnel Benefit Contributions and Mandatory Deductions	2,022,567,303	1,658,991,523
Remittance of Other Payables	1,053,534	1,597,602,051
Grant of Other Assistance/Subsidy/Contributions	2,962,331,197	1,505,441,846
Other Disbursements	24,554,084	46,586,837
Total Cash Outflows	10,142,981,894	10,060,227,635
Net Cash Provided by Operating Activities	6,373,846,217	5,393,942,569
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash Inflows		
Receipt of Interest Earned	217,595,207	132,818,732
Proceeds from Sale of Other Assets	316,648	716,232
Investment in Government and Other Corporation	852,965,687	0
Total Cash Inflows	1,070,877,542	133,534,964
Cash Outflows		
Purchase/Construction of Property, Plant and Equipment	1,089,061,444	746,230,152
Total Cash Outflows	1,089,061,444	746,230,152
Net Cash Used in Investing Activities	(18,183,902)	(612,695,188)
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash Inflows		
Transfer to Restricted Cash Account	57,647	0
Total Cash Inflows	57,647	0
Cash Outflows		
Payment of Long-term Liabilities	52,002,207	41,884,559
Payment of Interests on Loans	7,059,256	9,148,348
Payment of Cash Dividends	1,398,936,408	300,000,000
Transfer to Restricted Cash Account	61,759	124,795
Total Cash Outflows	1,458,059,630	351,157,702
Net Cash Used in Financing Activities	(1,458,001,983)	(351,157,702)
Net Increase (Decrease) in Cash and Cash Equivalents	4,897,660,332	4,430,089,679
Effect of Exchange Rate Changes on Cash and Cash Equivalents	12,478,231	3,464,992
Cash and Cash Equivalents, January 1	14,675,271,246	10,241,716,575
Cash and Cash Equivalents, December 31	19,585,409,809	14,675,271,246

* The notes on pages 11 to 62 form part of these statements.

NATIONAL POWER CORPORATION
Notes to Consolidated Financial Statement
For the year ended December 31, 2017

1. CORPORATE INFORMATION

The National Power Corporation (NPC) was established originally as a non-stock government corporation under Commonwealth Act No. 120 on November 3, 1936. It was later on converted to stock Corporation wholly owned by the government under Republic Act 2641 in 1960. Not for long in 1971, by virtue of Republic Act 6395, its charter was then revised as amended.

As mandated by the Revised NPC Charter, the NPC shall undertake the development of hydroelectric generation of power and the production of electricity from nuclear, geothermal and other sources, as well as the transmission of electric power on a nationwide basis, shall continue to exist for fifty (50) years from and after expiration of its present corporate existence. It shall, as far as feasible spread the benefits of its projects and operations to the greatest number of the population possible, and the NPC shall execute faithfully such projects as will promote total electrification of Luzon Islands, Visayan Islands, and Mindanao Islands.

NPC's Charter provides that it shall be non-profit and shall devote all its returns from its capital investment, as well as excess revenues from its operation, for expansion. To enable the NPC to pay its indebtedness and obligations and, in furtherance and effective implementation of the government's policy of power generation, the NPC, including its subsidiaries, is declared exempt from the payment of all forms of taxes, duties, fees, imposts as well as costs and service fees including filing fees, appeal bonds, supersedeas bonds, in any court or administrative proceedings.

With the enactment of RA No. 9337, otherwise known as the Reformed Value-Added Tax (RVAT) Law of 2005, which took effect on November 1, 2005, NPC's purchases of fuel and purchased power as well as its sale of electricity are subjected to VAT, specifically stated under Sec. 24(A) of R.A. 9337 repealing Section 13 of R.A. No. 6395 on the NPC's exemption from VAT. Moreover, with the enactment of EPIRA, NPC as power generation Corporation has been declassified from being a public utility to an ordinary business activity, hence subject to income tax.

The EPIRA

Republic Act No. 9136, otherwise known as the "Electric Power Industry Reform Act of 2001", the "EPIRA", was enacted to institute reforms and provide framework for the restructuring of the electric power industry including, among others, the privatization of generation assets, real estate, other disposable assets, independent power plants and the liquidation of all liabilities and stranded contract cost of NPC.

The EPIRA organized the industry into 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 National Transmission Corporation (TRANSCO) and the Power Sector Assets and Liabilities Management Corporation (PSALM). NPC was retained as a GOCC to

perform the missionary electrification function, through the Small Power Utilities Group (SPUG), watershed management and the operation and maintenance of all undisposed generation assets.

Separation of TRANSCO Books from NPC and the Transfer of Assets and Liabilities 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 (except for SPUG) as of September 30, 2008. Full implementation was effected on December 31, 2008. This momentous 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 in 2008, NPC reported only the result of operation for SPUG and the financial condition of the residual NPC, consisting of accounts pertaining to SPUG & Watershed and the retained PSALM.

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 transferred generation and other assets/facilities owned by PSALM prior to privatization of such assets.

In CY 2015, PSALM and NPC executed a new OMA and made effective by both parties. NPC continue its obligation as Operator of the undisposed generating plants of PSALM. Under the agreement, NPC will be paid by PSALM an administrative fee equivalent to five percent (5%) margin on top of the total approved budget for personnel services, maintenance and other operating expenses inclusive of 12% VAT.

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

2. MAJOR ACCOMPLISHMENTS

Following are the highlights of accomplishments of SPUG and Watershed in 2017:

SPUG and WATERSHED

FINANCIAL HIGHLIGHTS

- **Revenue**

NPC realized a revenue of P11.7 billion for CY 2017 which is higher by 21% or P2.06 billion over its actual revenue of P9.64 billion in CY 2016.

- **Net Operating Income**

NPC posted a Net Operating Income of P4.66 billion which is higher by 79% or P2.05 billion from its Net Operating Income of P2.628 billion in CY 2016. The improvement was due to increase in Universal Charge Missionary Electrification (UCME).

- **Net Income**

NPC reported a Net Income of P2.21 billion compared with the previous year Net Income of P1.65 billion despite the significant increase of subsidy to New Power Providers (NPPs) by P1.57 billion.

OPERATIONAL HIGHLIGHTS

In furtherance of NPC's mandate to bring power as catalyst for development to the farthest, smallest and remotest areas and islands, the following are NPC's programs and projects accomplishments in CY 2017:

SMALL POWER UTILITIES GROUP (SPUG)

POWER PLANTS WITH INCREASE IN OPERATING HOURS IN 2017

NO.	SPUG POWER PLANTS	PROVINCE	OPERATING HOURS		DATE IMPLEMENTED
			From	To	
1	Sibolo DPP	Antique	6	8	1-Jan-17
2	Mantatao DPP	Bohol	4	8	1-Jan-17
3	Cabul-an DPP	Bohol	6	8	1-Jan-17
4	Ubay DPP	Bohol	5	8	1-Jan-17
5	Pangapasan DPP	Bohol	5	8	1-Jan-17
6	Hambongan DPP	Bohol	4	8	1-Jan-17
7	Mocaboc DPP	Bohol	5	8	1-Jan-17
8	Bilangbilangan DPP	Bohol	5	8	1-Jan-17
9	Buluan DPP	Western Samar	6	8	1-Jan-17
10	Concepcion DPP	Romblon	8	16	26-Jan-17
11	Batag DPP	Northern Samar	6	8	6-Feb-17
12	San Vicente DPP	Northern Samar	8	16	6-Feb-17
13	Sitangkai DPP	Tawi-Tawi	12	16	16-Feb-17
14	Lahuy DPP	Camarines Sur	4	8	25-Feb-17
15	Palanan DPP	Isabela	12	16	18-Mar-17

16	Doong DPP	Cebu	8 16	16 24	01-Feb-17 01-Apr-17
17	Sibutu DPP	Tawi-Tawi	12	16	16-Apr-17
18	Tandubanak DPP	Tawi-Tawi	8	12	1-May-17
19	Sacol DPP	Zamboanga City	12	16	27-May-17
20	Manuk Mangkaw DPP	Tawi-Tawi	6	8	27-May-17
21	West Simunul DPP	Tawi-Tawi	8	14	27-May-17
22	Mapun DPP	Tawi-Tawi	12	16	25-Jul-17
23	Pamilacan DPP	Bohol	8	24	5-Sep-17
24	Balicasag DPP	Bohol	6 8	8 24	01-Jan-17 04-Sep-17
25	Limasawa DPP	Southern Leyte	16	24	2-Oct-17
26	Batan DPP	Albay	8	16	26-Oct-17
27	Maripipi DPP	Biliran	16	24	15-Nov-17
28	Capul DPP	Northern Samar	8 16	16 24	07-Feb-17 01-Nov-17
29	Libucan Dacu DPP	Western Samar	6 8	8 16	01-Jan-17 16-Nov-17
30	Gigantes DPP	Iloilo	8 16	16 24	25-Feb-17 11-Dec-17
31	Pangutaran DPP	Sulu	6	8	11-Dec-17

WATERSHED MANAGEMENT DEPARTMENT

HIGHLIGHTS OF THE 2017 ACCOMPLISHMENTS

As stewards of about 485,199 hectares (ha.) of watersheds, the National Power Corporation through its Watershed Management Department (WMD) ably manages and administers them for their sustained production of water and steam in support to reliable power generation. In the attainment of this goal, watershed rehabilitation, protection, and community development works constitute the core functions of WMD.

For CY 2017, at least 1,991 hectares (ha.) of open and denuded areas were restored across the 11 watershed areas through reforestation (1,184 ha.), agroforestry (697 ha.) and other non-timber plantations (110 ha.). Of these rehabilitation efforts, indigenous seedlings and pioneer kind such as narra (*Pterocarpus indicus*), kalumpit (*Terminalia microcarpa*), duhat (*Syzygium cumini*) etc. were used. For agroforestry, high value crops such as cacao, pili, mangosteen were intercropped to provide additional income for the cooperators and/or stakeholders as a strategy of sustained rehabilitation projects. Corollary to

this, classified as minor forest products plantations of abaca, rattan and bamboo were also established. Of the abovementioned rehabilitation accomplishments, 47% (930 ha.) were planted through Universal Charge-Environmental Charge (UC-EC), 46% (920 ha.) were through National Greening Program of DENR, and seven percent (7%) (141 ha.) were from the initiative of private sectors such as Pilipinas Shell Foundation, Inc. (PSFI) under the cooperative planting. Alongside, at least 284,000 seedlings of indigenous forest and fruit bearing kinds were dispersed to different stakeholders.

Another colossal task of WMD is the law enforcement and its related regulatory functions. With its present 69 organic personnel, WMD resorted to hiring at least 65 forest guards to complement its work force. In addition, NPC maintained institutional partnerships with different law enforcement agencies/units such as Local Government Units (LGU), Philippine Army (PA), Philippine National Police (PNP), and Philippine Coast Guard (PCG). Complementing these partnerships is the mobilization and deployments of about 730 Bantay Watershed volunteers. These strengthened alliances resulted to confiscation of around 5,658 board foot (BDFT) of logs/lumber, seven (7) conveyances (van, motorcycle, tricycle), 11 units of chainsaw, three (3) water pumps and 128 sacks of charcoal. Aside from the conduct of regular forest patrol, including USAID's "Lawin Patrol Scheme", mobile and stationary checkpoints, periodic aerial surveillance were also conducted in Upper Agno, San Roque, Angat and Makiling-Banahaw areas.

Guided by NPC policies and related circulars, a total of 11,414 BDFT were donated to different stakeholders such as schools, LGUS, and peoples organizations for the purpose of fabrication of classroom chairs, handlooms, tribal hall and even coffins.

The authority of NPC encompasses regulation including the granting/issuances of permits for related and allowable land-use activities inside the NPC-managed reservations. At least 49 permits and two (2) watershed area clearances were issued in CY 2017. These generated an income of approximately P133,340.00 for the government.

Equally important in its protection efforts, is winning the support of the local communities inside the watersheds by sharing to them NPC's mandates and policies. Various avenue of information, education, and campaign such as lectures, fora, eco camps were undertaken. In addition, communities and stakeholders were mobilized during different environment related celebrations such as Earth Day and Arbor Day with tree planting, demonstrations on forest fire prevention/suppression activities. About 6,000 pieces of print materials such as calendars, posters, and folders/information kits were produced and distributed. For lectures on watershed management, at least 77 schools were visited. In addition, ten (10) medical and dental missions were conducted in internally displaced areas in Marawi City initiated by our Mindanao-based Watershed Management personnel. As shared responsibility, it is important that all stakeholders from youth to older generations be informed and be involved in the watershed management advocacies.

For these efforts to become effective, our Watershed Area Teams (WAT) took the much needed efforts in improving the socio-economic conditions of the forest

dependent communities by providing alternative livelihood opportunities. For CY 2017, at least 479 gilts, 30 doelings and assorted vegetable seeds and other farm inputs were dispersed to selected farmers-cooperators. NPC also seeded Angat Reservoir with about 200,000 tilapia fingerlings in collaboration with National Commission on Indigenous People (NCIP) and Bureau of Fisheries and Aquatic Resources (BFAR). Likewise, at least 18 livelihood trainings were initiated by the Watershed Area Teams which varied from nipa wine and vinegar making, handicrafts from abaca, water hyacinth, and rattan and soft broom production.

The indigenous peoples (IPs) such as Igorots (in Upper and Lower Agno), Dumagat (in Angat), Agta (in Bicol), and Talaandig (in Bukidnon) were substantially involved in watershed management activities while at the same time the principal beneficiaries of these livelihood endeavors.

On employment through various UC-EC projects, around 1,200 individuals were employed either as seasonal (by administration hiring) or pakyaw laborers in various rehabilitation projects including technical personnel as contract of service or job order personnel.

Along with these accomplishments, two (2) Watershed Area Teams, namely: Pantabangan-Carranglan and Caliraya-Lumot earned the “Dangal ng NPC Award” (Level 1), under NPC Program on Awards and Incentives for Service Excellence (NPC-PRAISE) in recognition of their exemplary performance.

Finally, as reference and guide for future endeavor and rehabilitation works, the **NPC 2020-2045 Watershed Master Plan** is now on its finalization phase for presentation and approval of NPC Management Committee.

POWER ENGINEERING SERVICES

MAJOR TARGETS AND ACCOMPLISHMENTS FOR 2017

Item No.	Project Title	Work Order No.	STATUS/ACCOMPLISHMENT
TRANSMISSION LINE PROJECTS			
1.	Mobo-Aroroy 69kV T/L Extension Project	I315A03	100% completed. <ul style="list-style-type: none"> • Mobo-Aroroy T/L was energized on 24 December 2017 and already in commercial operation. • Preparation of Project Close-Out Report - ongoing. • Contractor's Final Billing claim under evaluation.
2.	Mobo-Cataingan “1” & “2” 69KV T/L Project, Schedule 1 (34.0 kms.)	1321A01	100% completed. <ul style="list-style-type: none"> • Project completed as of 27 August 2017. • Preparation of Project Close-Out Report - ongoing.

3.	Mobo-Cataingan "1" & "2" 69KV T/L Project, Schedule 2 (42.0 kms.)	1321A02	100% completed. <ul style="list-style-type: none"> • Project completed as of 27 August 2017. • Preparation of Project Close-Out Report - ongoing.
4.	Mobo-Aroroy "1" & "2" 69kV T/L Rehabilitation Project (32.59 kms.)	1315A02	99.06% completed. All construction/ installation activities completed on 07 September 2017. Remaining activity is the demobilization of the contractor. <ul style="list-style-type: none"> • Per NP Board approved Completion Extension, the revised completion is 04 February 2016. • Mobo-Aroroy T/L was energized on 24 December 2017 and already in commercial operation.
5.	Bansud-Mansalay 69 kV T/L	F303A01	Under 2nd Contract Time Suspension, 96.67% completed. <ul style="list-style-type: none"> • NPC approved the 2nd Contract Time Suspension effective 22 February 2017, due to ROW Issues.
6.	Rehabilitation of Calapan - Bansud "1" 69 kV T/L Project, (44 kms.)	F304I01	Under Contract Time Suspension, 67.80% completed. <ul style="list-style-type: none"> • NPC approved the Contract Time Suspension effective 16 September 2017 due to pending grant of shutdown by ORMECO to de-energize the Calapan-Naujan T/L Section.
7.	Rehabilitation of Calapan – Puerto Galera 69 kV T/L Project, (41 kms.)	F305I01	Under Contract Time Suspension, 64.55% completed. <ul style="list-style-type: none"> • NPC approved the Contract Time Suspension effective 25 October 2017 due to delayed release of the Contractor's 15% Advance Payment Claim.
SUBSTATION PROJECTS			
1.	Virac (Marinawa) 69KV S/S Project (10 MVA)	I304A01	99.17% completed. Target completion of required equipment tests and delivery of remaining spare parts on January 2018. <ul style="list-style-type: none"> • Ceremonial inauguration was conducted on 21 July 2017. • For energization/commercial operation upon installation of two (2) additional Billing Meters.

2.	Mansalay Switching Station and Expansion of Bansud & San Jose Substation Project	F307A01	On-going implementation, 95.68% completed. <ul style="list-style-type: none"> • Joint Final Inspection (JFI) was conducted on 04-08 December 2017. • Correction/rectification of punchlist items in progress.
3.	Supply, Delivery, Construction/ Installation, Test and Commissioning 5MVA Codon 69kV S/S Project	I315A04	On-going implementation, 49.50% completed.
CAPACITY ADDITION PROJECTS			
1.	Supply, Delivery, Installation, Test & Commissioning of 14 x 600 KW Gensets for Various SPUG Areas	E800A01	100% completed. <ul style="list-style-type: none"> • NPC is holding in abeyance the payment of billings/claims for the Contract unless all pending issues are resolved.
2.	Supply, Delivery, Installation, Test and Commissioning for 10 x 600 KW Modular Gensets for Various SPUG Areas	K606A01	Project under Suspension. NPC is holding in abeyance implementation of all remaining activities unless all pending issues are resolved. 80.53% completed. <ul style="list-style-type: none"> • 7 out of 10 gensets already mounted/ installed. Test & Commissioning activities already conducted for 4 gensets (3 sites: El Nido DPP, Taytay DPP and Ticao DPP). For Rectification of punchlisted items.
3.	Supply, Delivery, Installation, Test & Commissioning of 300 KW and Below Gensets for Various SPUG Areas	I601A01	<ul style="list-style-type: none"> • NPC issued a Notice of Take-over of the Contract on 22 November 2016. • Test and Commissioning (T&C) completed for 19 units, 16 units successfully energized (3.55 MW) and connected to the grid. Three (3) units for further check-up/repair. Five (5) units still for T&C. • Pre-Procurement meeting for PR. No. HO-PIG17-001 (Programmable Logic Controller) conducted on 01 December 2017.
4.	Supply, Delivery, Installation, Test & Commissioning of 13 X 600 KW Gensets for Various SPUG Areas	E810A08	On-going implementation, 99.94% completed. <ul style="list-style-type: none"> • 12 out of 13 Units were already Commercially operated (7.2 MW). • Test & Commissioning works not completed for PB-116 at Siquijor, which is disconnected from the grid. PB-116 was transferred to Camotes

			Island. Target conduct of remaining tests on January 2018.
5.	Supply, Delivery, Installation, Test & Commissioning of 15 x 600kW Modular Diesel Generator sets & associated electrical equipment for various SPUG areas	F600A01	100% completed. <ul style="list-style-type: none"> • All units (9.0 MW) already in Commercial Operation. • Project Close-out Report already completed.
6.	Supply, Delivery, Installation, Test & Commissioning of 5x1MW Modular Diesel Generator sets & associated electrical equipment for Boac DPP	E810A09	On-going implementation, 99.03% completed. <ul style="list-style-type: none"> • All units (5MW) Commercially Operated as of 20 October 2017. • Rectification of remaining punchlisted items in progress. • Project Close-out Report preparation in progress.
7.	1 x 1.5 MW Modular Generating Sets for Dinagat DPP	K607A01	On-going implementation, 98.29% complete. <ul style="list-style-type: none"> • Rectification of remaining punchlisted items in progress. • Commercially operated on 20 December 2017.
8.	3 x 600 KW (Additional) Modular Generating Sets for SPUG Areas	K608A01	100% Completed. <ul style="list-style-type: none"> • Contractor's Final Billing already paid. • Project Close-Out Report completed.
9.	1 x 1.5 MW Modular Generating Sets for Dinagat DPP	K607A01	100% Completed. <ul style="list-style-type: none"> • Energized on 20 December 2017. • Commercially Operated on 21 December 2017.
10.	Construction of Power Facilities of 2 x 200kW Generator Sets for Languyan DPP	E610A06	On-going implementation, 40.16% completed. <ul style="list-style-type: none"> • Construction and Installation works in progress.
11.	Construction of Power Facilities including Supply, Erection/Installation and Test of Balance of Plant for 1 x 150kW Pandami Diesel Power Plant	E610A08	On-going implementation, 11.17% completed. <ul style="list-style-type: none"> • Civil and Architectural Works in progress.

12.	Supply, Delivery and Test of 2 x 200kW (for Languyan DPP) and 2 x 150kW (for Pandami DPP) Diesel Gensets and Associated Electrical Equipment	E810A27	On-going implementation, 74.05% completed. <ul style="list-style-type: none"> Gensets and associated electrical equipment already at Contractor's Warehouse in Cebu City. Site Acceptance Test (SAT) to be conducted upon approval of the SAT Procedure.
13.	Supply, Delivery, Installation, Test and Commissioning of 1 x 90kW Modular Diesel Generating Sets and Associated Electrical Equipment for Rama Cinco DPP	E810A16	On-going implementation, 56.23% completed. <ul style="list-style-type: none"> Genset and associated electrical equipment delivered at site on 19 December 2017.
14.	3 x 600KW D/G Sets for Power Barge-109 (1 Unit) and Power Barge-116 (2 Units)	E810A17	On-going implementation, 91.90% completed. PB 116: <ul style="list-style-type: none"> Commercially Operated on 21 October 2017. Currently stationed at San Francisco, Camotes Cebu. PB 109: <ul style="list-style-type: none"> Commercially Operated on 06 August 2017.

PLANT/FACILITIES BETTERMENT PROJECTS

1.	Rehabilitation of Pulangi IV HEP Reservoir Project (Selective Dredging of Lower Reservoir)	B161I64	100% Completed. <ul style="list-style-type: none"> Project was completed on 09 December 2017. Contractor's Final Billing claim already paid. Project Close-out Report completed.
2.	Complete Rehabilitation of Agus 2 HEP Spillway Radial Gate No. 1	B110I59	100% Completed. <ul style="list-style-type: none"> Contractor's First Progress Billing already paid. Preparation of Project Close-Out Report in progress.
3.	Rehabilitation of Pulangi IV HEP Reservoir Project - Phase 3 (Maintenance Dredging of Lower Reservoir)	B162I23	On-going implementation, 36% Accomplishment (Estimated). Computation of actual accomplishment upon approval of construction schedule.
4.	Remedial Works of San Roque MPP Spillway Plunge Pool Area	A990M51	100% completed. <ul style="list-style-type: none"> Completed three (3) months ahead of schedule. Project Close-out Report preparation in progress.

5.	Rehabilitation of Palawan Warehouse, Elevated Water Tank and Field Office Including Miscellaneous Structures	L990M01	100% completed. <ul style="list-style-type: none"> • Contractor's Final Billing already claimed. • Project Close-out Report preparation in progress.
PRE-CONSTRUCTION ACTIVITIES			
1.	Service Contract for the Topographic Survey and Geologic/Geotechnical Investigation Works on the Access Road Slope Protection of Agus 6/7 HEPC	B145E47	100% Completed. <ul style="list-style-type: none"> • Contractor's Final Billing claim already paid. • Project Close-Out Report completed.
2	Service Contract for the Investigation (Route) and Parcellary Survey of Abo-Abo-Quezon-Rizal 69kV Transmission Line and Switching Station	J306D01	97.68% completed. <ul style="list-style-type: none"> • Contractor's Final Report returned for correction. Rectification activities by the contractor in progress. • Certificate of No Title for lots with no land title were not yet released by LRA-Palawan, contributing to the delay in finalization of the report. • Liquidated damages for the unaccomplished activities shall be Imposed.
3.	Service Contract for the Parcellary Survey of Roxas-Taytay 69 kV T/L Project	J308P01	88.25% completed. <ul style="list-style-type: none"> • For correction of discrepancies in the Contractor's Final Report. Rectification activities by the contractor in progress.
4.	Service Contract for the Parcellary Survey of Lots affected by the Existing Narra-Brookes Point 69 kV T/L Project	J310P01	99.00% completed. <ul style="list-style-type: none"> • Review/evaluation of contractor's Final Report in progress.
5.	Investigation (Route) Parcellary Survey for Taytay-El Nido 69 kV T/L	J307P01	99.00% completed. <ul style="list-style-type: none"> • The contractor requested to start mobilization for the completion of the remaining activities by January 2018. • Liquidated damages for the unaccomplished activities shall be imposed.
6.	Investigation (Route) Parcellary Survey of Proposed Alimanguan-New Agutaya, San Vicente 69 kV T/L	I323P01	100% completed. <ul style="list-style-type: none"> • All project activities were completed on 05 July 2017. • Evaluation of contractor's final billing in progress.

7.	Service Contract for Parcellary Survey of Lots Affected by the Existing Puerto Princesa-Narra 69kV T/L Project	J309P01	88.25% completed. • For correction of discrepancies in the Contractor's Final Report. Rectification activities by the contractor in progress.
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**Dams Management Department (DMD)
DAMS, RESERVOIRS AND WATERWAYS DIVISION (DRWD)
Accomplishment Report for FY 2017**

In CY 2017, Dams Management Department (DMD), as part of its mandate, implemented a dam safety program in accordance to the 2013 version of the NPC Dam Safety Program (DSP). The Program includes the recent international standards and practices on the ownership, operations and maintenance of large dams. The DSP aims at not only maintaining the structural integrity of the NPC operated and maintained dams and their appurtenances for sustainable operation but also to ensure that communities immediately downstream of these structures will not be exposed to uninformed risks from their existence and operations.

Dams Integrity Surveillance

- The DMD-DRWD conducted ten (10) mandatory safety inspections/assessments. These inspections were done semi-annually for large dam to confirm the satisfactory behavior and condition of Ambuklao, Binga, San Roque, Angat and Caliraya-Lumot Dams and their appurtenant structures in Luzon Area. DRWD also conducted safety inspection of the dam and other non-power component of the privatized Amlan Hydroelectric Plant in the Visayas Area, as initiated by Power Sector Assets and Liabilities Management Corporation (PSALM).
- The safety inspections/assessments were carried-out to ensure the sustainability of the dam's safety and operability to effectively impound water needed for domestic water supply, irrigation, power generation and flood control. Inspection observations/findings and recommendations were reported and conveyed to the concerned Plant Management/Operator, and its compliance to the report recommendations were diligently being monitored.
- Dam instrumentation monitoring to observe the behavior of a structure is a continuing activity for DMD-DRWD as part of a reliable and suitable scientific data gathering and surveillance to ensure the long term performance and safety of dam and its appurtenances. These data are used for systematic evaluation of its structural safety and serves as basis for decision making.

Reservoir Water Utilization/Optimization

- The efficient reservoir management of DMD in coordination with the stakeholders and regulatory body conserved water and stored energy, hence alleviating the impending water crisis for the CY 2017, and efficient dam spilling operations minimized the effect of the outflow to downstream

communities during the passage of typhoons or weather disturbances. DMD was able to manage and conserve water for both San Roque and Angat reservoirs.

Public Information and Education Campaign

- DMD had also conducted a series of Public Information and Education Campaign (PIEC) in CY 2017 to impart and increase the level of awareness of the communities with dam operations and their benefits. The campaign communicated the clear, complete and up-to-date information regarding NPC operated and maintained dams and the assurance that NPC is committed to implement activities compliant to the DSP. This campaign, which is now a continual activity, opened the door towards better communication line among NPC, downstream communities and other stakeholders and helped strengthen the capacity of the Local Government Units (LGUs) to deal/cope with flood-related hazards.

In CY 2017, DMD had conducted 21 PIEC sessions at the following communities downstream of: Ambuklao – Binga Dams = 6, San Roque Dam = 2, Angat Dam & Dykes = 10 and Caliraya-Lumot Dams = 3.

Participation in the Implementation of Remedial/Strengthening Projects of Dams and Appurtenances

- DMD participated in the monitoring of the implementation of remedial/strengthening projects of dams and appurtenances, as follows:
 1. Remedial Works at the San Roque Plunge Pool Area, completed in 31 October 2017;
 2. Angat Dam and Dykes Strengthening Project (Embankment Works), 73% completed as of end of December 2017; and
 3. Improvement of Downstream Slope of Caliraya East Dyke, 84% completed in 25 December 2017

FLOOD FORECASTING AND WARNING SYSTEM DIVISION (FFWSD) Accomplishment Report for CY 2017

It is FFWSD's mandate to provide reliable flood forecasting and efficient dam discharge warning operation in order to protect the lives and properties of the communities at the downstream of the dams that are under NPC's responsibility namely Ambuklao, Binga, San Roque, Angat and Caliraya Dams. Aside from consistently following protocols and procedures relative to the operation of the dams, information and education campaign are annually being undertaken to strengthen the said mandate. Periodic preventive maintenance for the flood forecasting and warning system for dam operations (FFWSDO) equipment and facilities are also conducted for its sustainability. And in order to get abreast of the latest and innovative technologies, improvements are introduced or implemented to further enhance NPC's FFWSDO. Relative to these undertakings are accomplished this CY 2017, to wit:

FLOOD FORECASTING AND DAM DISCHARGE WARNING OPERATION

- The FFWSO has conducted flood forecasting and dam discharge warning operations in Ambuklao, Binga and Angat Dams due to Tropical Cyclones, Low Pressure Area, Monsoon and Tail End of the Cold Front. Details are as follows:
 - Four (4) in Ambuklao and Binga Dams = Tropical Gorio (July 27 – 31, 2017), Tropical Cyclone Jolina (August 25 – 26, 2017), Low Pressure Area (August 31 – September 1, 2017) and Tropical Cyclone Kiko (September 5, 2017).
 - Two (2) in Angat Dam = Tropical Cyclone Vinta and Tail End of the Cold Front (December 20 - 23, 2017), and Monsoon and Tail End of the Cold Front (December 28 - 29, 2017).

RESERVOIR WATER UTILIZATION/ OPTIMIZATION

- Efficient reservoir management in coordination with concerned stakeholders and regulatory body for the conservation of water and storage of energy for San Roque, Angat and Caliraya to alleviate the impending water crisis for CY 2017.
- Efficient dam spilling operations to minimize the effect of outflow at the downstream communities during the passage of typhoons or weather disturbances.

INFORMATION AND EDUCATION CAMPAIGN (IEC)

- The objective of this IEC is to impart important information and increase the level of awareness of concerned LGUs and the communities at the downstream of the dams with regards to the benefits of the dams and its operations in accordance with Dam Safety Program. This is a continuing activity to also prepare the communities and the LGUs in dealing with flood-related hazards that may be caused by dam operations. Twenty-one (21) IEC sessions were conducted with breakdown as follows: Ambuklao and Binga Dams = 6, San Roque Dam = 2, Angat Dam = 10, and Caliraya-Lumot Dams = 3.

RELIABILITY TESTING OF SPILLWAY GATES

- Annual spillway gates testing is being carried out with the Dam Operators to ensure reliability of the spillway gates in times of spilling operations. The tests were successfully conducted for the following dams: San Roque Dam on July 10-14, 2017; Angat Dam on August 10, 2017; and, Caliraya Dam on June 15 - 16 and 22 - 23, 2017. Spillway gate testing for Ambuklao and Binga dams was not conducted as scheduled due to the ongoing bridge construction at Brgy. Tinongdan, downstream of Binga.

COMPLETION OF THE RESTORATION OF HYDROLOGICAL MONITORING OF SAN ROQUE FFWSDO PROJECT

- This project brought back the usual hydrological data being gathered in real time basis using telemetry equipment, for monitoring and evaluating the water inflow at the San Roque Dam resulting to a more reliable forecast necessary for dam discharge operations. The restoration comprises of two (2) rain gauge stations & two (2) water level stations and the establishment of additional one (1) more rain gauge station. It also includes four (4) monitoring stations using Pan-Tilt-Zoom (PTZ) cameras. The Project was completed on March 31, 2017.

ANGAT DAM AND DYKE STRENGTHENING PROJECT (ADDSP)

- ***Schedule I - Enhancement of Angat Dam Flood Forecasting and Warning System for Dam Operations***

This Project involves installation of seven (7) rain gauge and seven (7) water level stations and additional ten (10) warning stations to improve the current flood forecasting and warning system of Angat dam.

- As of December 31, 2017, the actual accomplishment is 58.84%.
- Target completion is May 23, 2018.

- ***Schedule II - Enhancement of the Communication Network for Angat Flood Forecasting and Warning System for Dam Operations***

The Project aims to interconnect all dam offices to the Command Center at NPC-Diliman and to share all the data gathered to all stakeholders of Angat Dam including the PDRRMC in Malolos, Bulacan thus improving communication during dam releases.

- As of December 31, 2017, the actual accomplishment is 71.50%.
- Target completion is May 23, 2018.

- ***Schedule III - Automation and Remote Operation of the Spillway Gates***

The Project aims to remotely control and monitor the three (3) spillway gates of Angat from the Power House Control and Angat Dam Office.

- Completed on December 20, 2017.
- Ahead of schedule against target completion date of January 20, 2018.

- ***Schedule IV - Water Flow Measurement of Turbines and Bypass Valves***

The Project aims to automate the Data Acquisition of each turbine flow at the Main Turbine 1-4, Auxiliary Turbine 1-5 and bypass valve 1-2, and to view the

gathered data at preferred offices and stations through SCADA (Supervisory Control and Data Acquisition).

- As of December 31, 2017, the actual accomplishment is 98.83%.
- Target completion is January 20, 2018.

- ***Schedule V - Supply, Delivery, Installation, Test and Commissioning of X-Band Weather Radar***

The new X-band Dual Polarization Weather Radar will improve the weather data gathering, analyzing and forecasting specially during severe weather condition. This high performance radar can detect localized weather condition within the dam and river basin.

- As of December 31, 2017, the actual accomplishment is 82.68%.
- Target completion is May 17, 2018.

- ***Schedule VI - Supply, Delivery, Installation, Test and Commissioning of Geosynchronous Weather Satellite Ground Station***

A weather ground satellite receiver station is capable of receiving the Himawari 8/9 geostationary weather satellites which is sending data covering the Philippines every ten (10) minutes. It is very useful in monitoring rain accumulation and tracking tropical cyclones.

- Completed on December 18, 2017.
- Ahead of schedule against target completion date of January 29, 2018.

- ***Schedule VII - Replacement of Mobile Patrol Vehicles***

The procurement of 15 Patrol vehicles replaces ageing/dilapidated existing units. These patrol vehicles are used to disseminate flood and dam discharge warning messages to inhabitants at the downstream of the dams.

- Delivered on August 12, 2017.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of Financial Statement Preparation

The accompanying financial statements of NPC are prepared and presented in accordance with the Philippine Public Sector Accounting Standards (PPSAS) issued by the Commission on Audit (COA) per COA Resolution No. 2014-003 dated January 24, 2014.

Receivables and Allowance for Doubtful Accounts

Sales Contract Receivables are stated net of allowance for impairment. Allowance for impairment are determined through the specific identification of uncollectible accounts.

Time Deposit for Local and Foreign Currency as Temporary Investment

Local investments are recorded at face value. Investments in foreign currency are recorded using the Bangko Sentral ng Pilipinas (BSP) Reference Exchange Rate Bulletin at the date of the transaction in compliance to PPSAS No. 4. The balances are reported using the closing rate at each Balance Sheet date.

Inventories for Operation

Inventory Held for Consumption for operation are categorized as Fuel, Oil and Lubricants (including its related products) and Other Supplies and Materials for non-fuel items. The Fuel, Oil and Lubricant are composed of the fuel oil, diesel and thermal chemical stocks used by NPC plants for power generation. These inventories are valued using the weighted average method under PPSAS No. 12.

The other Supplies and Materials (S & M) which are non-fuel items, are valued using the moving average method and can be further broken down into non-fuel S & M of NPC plants and areas and those non-fuel S & M assigned to private Independent Power Producers (IPPs). The S & M of NPC plants and areas represent basically the materials, supplies and equipment received by NPC property custodian for use in operations; while non-fuel S & M assigned to private IPPs, which are included in the Asset in Trust account, includes spares, materials and supplies transferred to private contractors as stipulated in the individual contracts.

Infrastructure Assets - Power Supply System (Utility Plant and Depreciation)

For CY 2017, the Infrastructure Assets - Power Supply System accounts is carried in the books at cost. Prior to CY 2017, infrastructure assets are reported in the books at appraised values except for additions during the year which are recorded at cost. The change in accounting policy was made in compliance to Philippine Application Guidelines (PAG) No. 2 of the Philippine Public Sector Accounting Standards (PPSAS) No. 17 per COA Circular No. 2017-004 dated December 13, 2017 which provides that for consistency and uniformity, the cost model shall be adopted for all Property, Plant and Equipment (PPE).

Regular annual maintenance, repairs and minor replacements are charged to expense as they are incurred, whereas major maintenance, which is done on periodic three-to-five year intervals, is deferred, amortized and charged to operations over the number of years' interval. Rehabilitation expenditure which would result in improvement of the plant's efficiency beyond five (5) years are capitalized and transferred to plant cost upon completion of work orders.

Depreciation of fixed assets is charged from the date of acquisition of the fixed assets or after the completion of works. Depreciation based on depreciable values is computed using the straight line (SL) method pursuant to NPC Board Resolution No. 94-58 effective 1994, based on estimated economic lives as shown below:

Type of Plant	Economic Life
1. Diesel Plants and Barges	20
2. Transmission Lines	30

Capitalization of Interest

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

Taxes and Duties

With the enactment of R.A. 9337, otherwise known as the Reformed Value-Added Tax (RVAT) Law of 2005, which took effect on November 1, 2005, NPC's purchases of fuel and purchased power as well as its sale of electricity are subjected to VAT specifically stated under Sec. 24(A) of R.A. 9337 repealing Section 13 of R.A. No. 6395 on the exemption from VAT of the National Power Corporation. Effective February 1, 2006, the value-added tax rate increased from 10% to 12% pursuant to Revenue Memorandum Circular No. 7-2006 dated January 1, 2006. Moreover, with the enactment of EPIRA, NPC as power generation corporation has been declassified from being a public utility to an ordinary business activity, hence, subject to income tax.

Accounting for Foreign Exchange Transactions

The transactions denominated in foreign currencies are recorded using the BSP Reference Exchange Rate at the date of the transaction pursuant to PPSAS No. 4. Foreign exchange differentials resulting from these transactions are recorded as project cost for projects under construction while differentials pertaining to operating plants are recorded as Gain/Loss on Foreign Exchange Fluctuations. Outstanding payable accounts are reported using the closing rate at each Balance Sheet date.

Accounting for Donated Assets

NPC adopts the capital approach under Paragraph 14 of PAS 20 – Accounting for Government Grants and Disclosure of Government Assistance in recognizing donated power plants that expand the asset base regardless of whether from government or private entity. The fair values of the plants are recorded as Donated Capital under Equity, which will be reduced by annual depreciation. The PPSAS 23 recognition of revenue for non-exchange transaction was not applied.

Income Determination

The NPC 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 Net Asset/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 (PPSAS No. 17), while taxes and duties on materials and equipment for operation are expensed as incurred (PPSAS No 12).

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 (1) calendar year are included in the computation of Rate Base.

Accounting for Subsidy from National Government (Income Approach)

Adoption of Philippine Public Sector Accounting Standards (PPSAS) 23 – Revenue arising from non-exchange transactions derived from taxes or transfers whether cash or non cash, including grants, debt, forgiveness, fines, bequest, gifts, donations, goods and services in-kind, and the off-market portion of concessionary loans received.

For the NG subsidy i.e. SARO (Special Allotment Release Order) funds, income is recognized upon transfer of cash to NPC. The cash transfer is based on the approved contracts/purchase orders and progress billings for Capital expenditure (CAPEX) requirements of SPUG for the missionary electrification.

Rental/Lease of Generating Set

Lease of generating sets to suppliers/contractors to augment the existing power plant capacity and sustain the demands of power customers.

In case of the undelivered portion of the net generating capacity under the terms of the generating set lease contract, the supplier/contractor shall be subjected to penalties for capacity shortfall. Likewise over-consumption of fuel based on agreed fuel cap curve limit is also subject to penalties for excess fuel rate.

4. CASH AND CASH EQUIVALENTS

This account composed of the following:

	2017	2016
Cash in bank - local currency	701,947,079	189,290,364
Cash in bank - foreign currency	24,794,777	28,988,421
Cash equivalents - time deposit local currency	18,858,667,953	14,456,992,461
Total	19,585,409,809	14,675,271,246

The **Cash and Cash Equivalents** consists of collection from power and non-power customers, remittance of PSALM for UCME, receipts of NG Subsidy, project funds for Angat Dam and Dyke strengthening project and Languyan project, and working fund of various SPUG areas from Luzon, Visayas and Mindanao.

The **increase in Cash and Cash Equivalents** is attributed to the collections of receivables from power customers, remittance of UCME from PSALM, receipt of NG Subsidy and the transfer of working funds from Trust Assets Account (PSALM) to NPC under the Operations and Maintenance Agreement (OMA) for the operation and maintenance of the undisposed generating assets of PSALM. Pending utilization of the said funds, they are placed on a short term investments to maximize interest earnings.

5. RECEIVABLES

This account consists of the following:

	2017	2016
Sales contract receivables	6,034,009,974	5,566,620,689
Allowance for Impairment - Sales contract receivables	(4,116,212,738)	(3,621,152,205)
	1,917,797,236	1,945,468,484
Notes receivable	1,000,000	0
Interest receivables	773,020,998	1,183,812,505
Operating lease receivables	74,405	315,476
Due from National Government Agencies	84,620,118	48,422,503
Due from Government Corporations	2,658,769	378,093
Due from officers and employees	6,691,817	6,893,081
	868,066,107	1,239,821,658
Other receivables	1,725,132,024	2,058,282,188
Allowance for Impairment - Other receivables	(2,357,364)	(2,357,364)
	1,722,774,660	2,055,924,824
Total	4,508,638,003	5,241,214,966

The increase in Sales Contract Receivables was due to build-up of accounts of BASELCO, SULECO, CASELCO & TAWELCO (BASULTA), Masbate PRES and Catbalogan Mini Grids.

Increase in Allowance for Impairment- Sales Contract Receivables is due to build up of overdue power accounts of BASELCO, SULECO, CASELCO & TAWELCO (BASULTA), Masbate PRES and Catbalogan Mini Grid.

Other Receivables - This account also include the Output Tax Receivables amounting to P846.204 million consisting of Output VAT from power and non-power receivables of P823.78 million or 97 percent and P22.416 million or 3 percent, respectively, the details are as follows:

	2017	2016
Output Vat (Power Related)	823,788,214	763,405,009
Regular	341,482,446	281,078,518
Deferred VAT	482,305,768	482,326,491
Output Vat (Non-Power Related)	22,415,917	26,373,797
Total	846,204,131	789,778,806

Out of the total output VAT from power receivables, 59 percent or P482.305 million pertains to Deferred VAT of the following power customers:

Customer		2017	2016
Luzon Area			
1. LGU-Calayan	CALAYAN	536,948	536,948
2. Busuanga Electric Cooperative, Inc.	BISELCO	478,291	478,291
3. Marinduque Electric Cooperative, Inc.	MARELCO	66,795,031	66,795,031
4. Masbate Electric Cooperative, Inc.	MASELCO	72,711,733	72,711,733
5. Occidental Mindoro Electric Cooperative, Inc.	OMEKO	108,668,278	108,668,278
6. Oriental Mindoro Electric Cooperative, Inc.	ORMECO	21,201,310	21,222,033
7. Romblon Electric Cooperative, Inc.	ROMELCO	23,362,210	23,362,210
8. Ticao Island Electric Cooperative, Inc.	TISELCO	5,056,135	5,056,135
Visayas Area			
1. Camotes Electric Cooperative, Inc.	CELCO	4,617,059	4,617,059
Mindanao Area			
1. Basilan Electric Cooperative, Inc.	BASELCO	48,201,765	48,201,765
2. Cagayan De Sulu Electric Cooperative, Inc.	CASELCO	1,705,941	1,705,941
3. Siasi Electric Cooperative, Inc.	SIASELCO	2,623,134	2,623,134
4. Sulu Electric Cooperative, Inc.	SULECO	85,720,575	85,720,575
5. Tawi-Tawi Electric Cooperative, Inc.	TAWELCO	40,627,358	40,627,358
Total		482,305,768	482,326,491

Deferred VAT consists of overdue Output VAT Receivables from the above listed power customers (DU/ECs) of NPC as of August 25, 2012. According to BIR RMC No.

71-2012, the concerned DUs/ECs shall directly remit the Deferred VAT to the Bureau of Internal Revenue (BIR) in behalf of NPC. The DUs/ECs shall provide a copy of proof of remittance for offsetting from the outstanding balance of Deferred VAT.

The **Notes Receivables** pertain to outstanding balance of unredeemed Treasury Notes from the Bureau of the Treasury and restated in the books.

6. INVENTORIES

This account consists of the following:

	2017	2016
Fuel, oil and lubricants Inventory	442,420,127	438,151,111
Other supplies and materials inventory	871,507,189	1,001,522,528
Total	1,313,927,316	1,439,673,639

Other Supplies & Materials Inventory account includes materials in trust with CBK Power Ltd.

7. OTHER CURRENT ASSETS

ADVANCES AND PREPAYMENTS AND DEPOSITS

This account consists of the following:

	2017	2016
Advances and Prepayments		
Advances for Special Disbursing Officer	13,980,274	18,321,726
Advances to officers and employees	57,438	525,446
Advances to contractors	155,711,626	121,468,145
Creditable input tax	5,068,297,470	4,320,317,752
Other prepayments	73,728,009	75,859,309
	5,311,774,817	4,536,492,378
Deposits		
Guaranty deposits	494,025	483,913
Other deposits	3,487,456	405,266
	3,981,481	889,179
Total	5,315,756,298	4,537,381,557

Advances for Special Disbursing Officer pertain to cash advances to Disbursing Officers in Head Office, Field Offices and others as working fund for minor operating expenses and disbursement.

The **increase in Advances to Contractors** is mainly attributed to payment of mobilization for approved supply/construction contracts, work orders (WO) with contractors: Ambit Trading & Technical Service (WO No. E610A08), DM Consunji

Incorporated (WO No. F304I01 and F307A01), Japan Radio Co. Ltd. (WO No. Z998A05), MN Electro Industrial Supply (WO No. E300A11) and S.L & Development Construction (WO No. F605I01).

The **increase in Other Deposits** pertains to court deposit with the Regional Trial Court, Third Judicial Region Branch 93 at Balanga City, Bataan for Civil Case No. 10749 (Expropriation) NPC against spouses Dominador & Amparo Quiroz & heirs of Margarita Aquino-Amor.

8. OTHER INVESTMENT

	2017	2016
Other investments	719,970	0
Total	719,970	0

The **Other Investments** pertain to restatement in the books of the outstanding balance of unredeemed and matured certificated government securities with the Bureau of the Treasury.

9. NON-CURRENT RECEIVABLES

	2017	2016
Sales contract receivables	1,053,583,525	1,518,593,161
Allowance for impairment - Sales contract receivable	(13,187,912)	0
Total	1,040,395,613	1,518,593,161

The **Non-Current Sales Contract Receivables** account represents the long-term portion of the restructured accounts of power customers in accordance with the memorandum of agreements executed by and between NPC and the power customers. The allowance for impairment was provided for possible non collection due to default/non-compliance by customers of the agreed payment schedule.

10. PROPERTY PLANT AND EQUIPMENT (PPE)

This account consists of the following:

	2017	2016
Utility plant (Net)	7,355,286,034	7,478,060,646
Non - Utility plant (Net)	446,582,587	549,696,693
Total	7,801,868,621	8,027,757,339

The **decrease in Utility Property** is attributed to the unitization of procured generating sets and transformers with capacity of 80 kW, 160 kW, 300 kW and 600 kW installed in various SPUG areas.

The **Non-Utility Property** pertains to other properties and equipment owned by the Corporation but are not used in utility operations.

The Property, Plant and Equipment account in CY 2017 is reported at cost. Prior to this, PPE is carried in the books at appraised value. The change in accounting policy was made in compliance to the Philippine Application Guidelines (PAG) No. 2 of the Philippine Public Sector Accounting Standards (PPSAS) No. 17 under COA Circular No. 2017-004 dated December 13, 2017 which provides that for consistency and uniformity the cost model shall be adopted for all classes of PPE. Details are as follows:

UTILITY PLANT

As at December 31, 2017

COST	Land	Infrastructure Assets	Buildings & Other Structures	Machinery & Equipment	Others	Total
January 1, 2017	100,987,252	17,759,642,325	658,297,982	2,436,932,998	428,531,137	21,384,391,694
Additions	41,453	1,086,195,686	13,709,433	79,845,829	22,824,350	1,202,616,751
Disposals	0	0	0	0	0	0
Adjustments	0	(5,852,990,552)	3,840,806	79,067,573	(51,376,180)	(5,821,458,353)
December 31, 2017	101,028,705	12,992,847,459	675,848,221	2,595,846,400	399,979,307	16,765,550,092

ACCUMULATED DEPRECIATION	Land	Infrastructure Assets	Buildings & Other Structures	Machinery & Equipment	Others	Total
January 1, 2017	0	12,149,560,233	356,493,181	1,189,275,295	211,002,339	13,906,331,048
Depreciation Expense	0	354,551,100	12,180,649	70,941,956	20,279,131	457,952,836
Disposals	0	0	0	0	0	0
Adjustments	0	(4,966,591,081)	1,909,662	36,480,926	(25,819,333)	(4,954,019,826)
December 31, 2017	0	7,537,520,252	370,583,492	1,296,698,177	205,462,137	9,410,264,058

NET CARRYING AMOUNT	Land	Infrastructure Assets	Buildings & Other Structures	Machinery & Equipment	Others	Total
December 31, 2017	101,028,705	5,455,327,207	305,264,729	1,299,148,223	194,517,170	7,355,286,034

As at December 31, 2016

COST	Land	Infrastructure Assets	Buildings & Other Structures	Machinery & Equipment	Others	Total
January 1, 2016	100,987,252	12,953,169,474	1,231,088,144	2,902,197,615	378,419,029	17,565,861,514
Additions	0	27,792,345	312,669	4,822,958	55,387,892	88,315,864
Disposals	0	0	0	0	0	0
Adjustments	0	4,778,680,506	(573,102,831)	(470,087,575)	(5,275,784)	3,730,214,316
December 31, 2016	100,987,252	17,759,642,325	658,297,982	2,436,932,998	428,531,137	21,384,391,694

ACCUMULATED DEPRECIATION	Land	Infrastructure Assets	Buildings & Other Structures	Machinery & Equipment	Others	Total
January 1, 2016	0	7,804,486,458	586,941,813	1,383,671,134	180,417,586	9,955,516,992
Depreciation Expense	0	276,689,993	191,586	2,955,237	33,938,577	313,775,393
Disposals	0	0	0	0	0	0
Adjustments	0	4,068,383,782	(230,640,219)	(197,351,076)	(3,353,824)	3,637,038,664
December 31, 2016	0	12,149,560,233	356,493,181	1,189,275,295	211,002,339	13,906,331,048

NET CARRYING AMOUNT	Land	Infrastructure Assets	Buildings & Other Structures	Machinery & Equipment	Others	Total
December 31, 2016	100,987,252	5,610,082,092	301,804,801	1,247,657,703	217,528,798	7,478,060,646

NON-UTILITY PLANT

As at December 31, 2017

COST	Land	Infrastructure Assets	Buildings & Other Structures	Machinery & Equipment	Others	Total
January 1, 2017	0	1,736,357,228	0	0	0	1,736,357,228
Additions	0	0	0	0	0	0
Disposals	0	0	0	0	0	0
Adjustments	0	5,831,682	0	0	0	5,831,682
December 31, 2017	0	1,742,188,910	0	0	0	1,742,188,910

ACCUMULATED DEPRECIATION	Land	Infrastructure Assets	Buildings & Other Structures	Machinery & Equipment	Others	Total
January 1, 2017	0	1,186,660,536	0	0	0	1,186,660,536
Depreciation Expense	0	25,704,000	0	0	0	25,704,000
Disposals	0	0	0	0	0	0
Adjustments	0	83,241,787	0	0	0	83,241,787
December 31, 2017	0	1,295,606,323	0	0	0	1,295,606,323

NET CARRYING AMOUNT	Land	Infrastructure Assets	Buildings & Other Structures	Machinery & Equipment	Others	Total
December 31, 2017	0	446,582,587	0	0	0	446,582,587

As at December 31, 2016

COST	Land	Infrastructure Assets	Buildings & Other Structures	Machinery & Equipment	Others	Total
January 1, 2016	0	704,317,037	0	0	0	704,317,037
Additions	0	0	0	0	0	0
Disposals	0	0	0	0	0	0
Adjustments	0	1,032,040,191	0	0	0	1,032,040,191
December 31, 2016	0	1,736,357,228	0	0	0	1,736,357,228

ACCUMULATED DEPRECIATION	Land	Infrastructure Assets	Buildings & Other Structures	Machinery & Equipment	Others	Total
January 1, 2016	0	496,098,016	0	0	0	490,698,016
Depreciation Expense	0	28,476,000	0	0	0	28,476,000
Disposals	0	0	0	0	0	0
Adjustments	0	662,086,519	0	0	0	662,086,519
December 31, 2016	0	1,186,660,535	0	0	0	1,186,660,535

NET CARRYING AMOUNT	Land	Infrastructure Assets	Buildings & Other Structures	Machinery & Equipment	Others	Total
December 31, 2016	0	549,696,693	0	0	0	549,696,693

11. CONSTRUCTION IN PROGRESS

This account consists of the following:

	2017	2016
Construction in Progress (CIP)	3,520,316,129	3,397,837,384
Total	3,520,316,129	3,397,837,384

Construction In Progress – refers to the costs of projects under construction. The **increase** pertains to work orders and contracts of on-going projects for the additional rated capacity and construction and rehabilitation of transmission line projects, installation of fuel storage tanks, acquisition of right of way in Palawan and Mindoro and replacement of non-operating generator sets.

12. OTHER NON-CURRENT ASSETS

This account consists of the following:

	2017	2016
Restricted fund	4,327,646	4,205,474
Abandoned/Surrendered property/assets	162,504	3,337,669
Deferred charges	61,352,852	576,353,197
Other Assets		
Trust assets PSALM	3,504,482,839	4,892,201,624
Temporary Registry Accounts (TransCo)	1,843,436,629	0
Total	5,413,762,470	5,476,097,964

The **Restricted Fund** account pertains to the funds intended for purposes other than current operations and therefore, not immediately available to management for any disbursement transactions other than its specified purpose.

The **Abandoned/Surrendered Property/Assets** pertain to Other Non-Utility Plant items which are transferred to stock for disposal.

The **decrease in Deferred Charges** is mainly attributed to the application of tax credits from Bureau of Internal Revenue amounting to P542 million.

The **Other Assets** consist of the following:

	2017	2016
Total investments & other assets	1,312,891,850	1,372,283,408
Cash and cash equivalents	860,200,794	1,726,529,404
Materials and supplies for operation	1,326,999,428	1,788,246,265
Prepayments	316,693	408,798
Court and other deposits	235,112	516,249
Cash advances - officers and employees	0	34,133
Other receivables	3,838,962	4,183,367
Trust Assets PSALM	3,504,482,839	4,892,201,624
Temporary Registry Accounts (TransCo)	1,843,436,629	0
Total	5,347,919,468	4,892,201,624

Trust Assets - Power Sector Assets & Liabilities Management Corporation (PSALM) pertain to balances of accounts set-up as working capital for the operation, maintenance and management of the facilities and generating plants of the main grid under the OMA.

The **TRUST LIABILITIES** consist of the following:

	2017	2016
Trust Liabilities (PSALM)	3,504,482,839	4,892,201,624
Temporary Registry Accounts (TransCo)	1,843,436,629	0
	5,347,919,468	4,892,201,624
Advances for other work in progress	237,160,000	0
Total	5,585,079,468	4,892,201,624

Trust Liabilities (PSALM) represents the corresponding liability to PSALM for the Trust Assets.

Temporary Registry Accounts are accounts retained in NPC books pending validations and reconciliations. As soon as these accounts are validated and reconciled, the same shall be taken out of the Temporary Registry by NPC thru adjustments and/or by transferring to the books of National Transmission Corporation (TransCo).

Advances for Other Work in Progress refer to funds transferred by Metropolitan Water Works and Sewerage System (MWSS) to National Power Corporation (NPC) for the implementation of the project for Angat Dam Instrumentation (Flood Forecasting and Warning System on Dam Operation) per Memorandum of Agreement between MWSS and NPC dated May 3, 2016.

13. FINANCIAL LIABILITIES

This account consists of the following:

	2017	2016
Accounts payable	5,223,963,508	4,322,439,678
Due to officers and employees	430,572,354	257,749,112
Interest payable	129,684	201,485
Operating lease payable	12,783,218	0
Loans payable – Foreign current portion	65,032,771	40,454,404
Total	5,732,481,535	4,620,844,679

Operating Lease Payable pertains to current portion of payable under Contracts for the Lease of Desktop and Notebook/Laptop Computers for three (3) years between NPC and Advance Solutions, Inc. per Contract Nos. LOG MSSP 2015-10-86-JPP and LOG MSSP 2016-07-083-CPC. At the end of the contract period, ownership of the leased units shall be transferred to NPC at no extra cost.

Loans Payable pertains to current portion of the principal repayment due to BNP Paribas and Natixis (refer to Note 17 for the conversion of foreign exchange rate used), as follows:

CREDITOR/PROJECT	Maturities	Interest Rates	2017	2016
<i>Natixis / Credit National</i>				
Project-PRES Proj. of SPUG	2016 to 2031	Fixed at 0.40%	18,512,829	0
<i>Banque Paribas</i>				
Project-PRES Proj. of SPUG	2009 to 2019	Fixed at 5.09%	46,519,942	40,454,404
Total			65,032,771	40,454,404

14. INTER-AGENCY PAYABLES

This account consists of the following:

	2017	2016
Due to GSIS	14,206,982	15,763,295
Due to PAG-IBIG	1,137,986	1,461,325
Due to Phil-Health	748,724	495,839
Due to BIR-Income tax/Value added tax	1,023,011,980	908,529,251
Due to Government Corporation	9,745,775	9,524,400
Due to LGUs	13,294,433	10,008,865
Total	1,062,145,880	945,782,975

15. TRUST LIABILITIES

This account consists of the following:

	2017	2016
Bail bonds payable	26,947,495	28,437,401
Customer's deposits payable	1,586,790	1,592,339
Total	28,534,285	30,029,740

The account mainly includes amounts received and segregated for the execution of specific project or contract. It also includes the amounts deposited/advanced by suppliers, contractors and power customers to the NPC.

16. OTHER PAYABLES

This account consists of the following:

	2017	2016
Other payables	373,865,719	289,399,735
Total	373,865,719	289,399,735

The account pertains to ten percent (10%) retention for various work orders/purchase orders/contracts due to suppliers and contractors.

17. FINANCIAL LIABILITIES

	2017	2016
Operating lease payables	16,106,075	0
Loans payable – Foreign long-term debt	623,959,952	604,907,507
Total	640,066,027	604,907,507

Operating Lease Payables pertains to the long-term lease agreement of Advance Solutions, Inc. per Contract Nos. LOG MSSP 2015-10-86-JPP and LOG MSSP 2016-07-083-CPC. (Refer to Note 13)

The **Loans Payable – Foreign Long Term Debts** consist of the following:

CREDITOR/PROJECT	Maturities	Interest Rates	2017	2016
<i>Natixis/Credit National</i>				
Project-PRES Proj. of SPUG <i>Banque Paribas</i>	2016 to 2031	Fixed at 0.40%	600,699,993	544,225,912
Project-PRES Proj. of SPUG	2009 to 2019	Fixed at 5.09%	23,259,959	60,681,595
Total			623,959,952	604,907,507

Repayment of principal for Natixis started last September 2017. The increase in the level of foreign exchange rate has caused the increase in the level of principal and interest payments.

The year-end BSP Reference Exchange Rates used in compliance to PPSAS 4 are as follows:

Currency		December 31, 2017	December 31, 2016
Dollar	USD 1	49.9230	49.8130
Euro	EUR 1	59.6131	51.8404

18. DEFERRED CREDITS/UNEARNED INCOME

	2017	2016
Unearned Income (Interest)	187,382,500	601,824,657
Unearned Income (Revenue)	4,429,254,222	1,332,905,524
Total	4,616,636,722	1,934,730,181

Decrease in Unearned Income (Interest) was due to the pre-termination of the restructured account of Occidental Mindoro Electric Cooperative, Inc. (OMECO) on August 31, 2017 instead of July 30, 2020 and the reduction of interest rate from non-prime lending rate of the quarter to a fixed rate of six percent (6%) per annum effective August 16, 2017 imposed on power customer's overdue and restructured accounts as approved by the NP Board under its Board Resolution No. 2017-39 dated August 16, 2017.

Increase in Unearned Income (Revenues) mainly pertains to UCME amounting to P3.466 billion which will be considered as revenue in CY 2018.

19. PROVISIONS

This account consists of the following:

	2017	2016
Leave benefits payable	569,786,585	572,648,304
Total	569,786,585	572,648,304

Provisions for Vacation and Sick Leaves pertain mainly to accrued leave benefits of employees in compliance with PPSAS No.19 which requires that short term employee benefits, including paid annual vacation leave and sick leave be recognized as either a liability or expense on the period they were incurred.

20. EQUITY

This account consists of the following:

	2017	2016
Share capital	27,048,870,789	27,048,870,789
Other equity instruments	14,683,567	14,683,567
Accumulated Surplus	2,828,643,652	3,359,728,155
Total	29,892,198,008	30,423,282,511

The **Revaluation Surplus** was derecognized in compliance to the provision of PAG No. 2 of PPSAS No. 17 and pursuant to COA Circular No. 2017-004 dated December 13, 2017 (refer to Note 3 &10) and the net effect was re-classed to Retained Earnings account.

The **Accumulated Surplus** decreased from 3.360 billion to P2.829 billion due to increase in UCME, NG subsidy and the net effect of the adjustment made for the Revaluation Surplus account.

The National Power Board, in its Board Resolution No. 2017-29 dated 13 July 2017 has approved the payment/settlement of the dividend arrearages of NPC to the National Government (NG) covering the period the CYs 2012 to 2015, in five (5) equal annual amortizations of P594.2 million or a total of P2.5 billion commencing on the third quarter of CY 2017 until 2021. Thus, on 29 September 2017, NPC remitted to the National Government its first amortization of P594.2 million. Also, NPC remitted to the National Government a cash dividend amounting to P804.75 million for its CY 2016 earnings. Hence, a total of P1.399 billion has been remitted to the National Government for CY 2017.

As provided for in Section 8, item (a) of NPC Charter (R.A. 6395 as amended), the NPC shall set aside five percent (5%) of its annual net operating revenue before interest as reserve or Sinking Fund to answer for amount advanced to it by the National Government for any loan, credit and indebtedness contracted by the former,

the latter shall be held answerable as primary obligor or guarantor. The sinking fund reported for CY 2017 amounting to P760.713 million represents the five percent (5%) of the net operating income of 2016 (P141.442 million), 2015 (P269.579 million), 2014 (P162.496 million), 2013 (P120.958 million) and 2012 (P66.237 million).

21. SERVICE AND BUSINESS INCOME

This account consists of the following:

	2017	2016
Net sales	2,039,296,272	2,238,617,391
Interest income	920,991,061	910,569,375
Management fees	39,590,691	41,398,984
Fines and penalties-Business income	16,397,128	25,658,132
Power supply system fees	9,835,037	8,884,977
Lease income	8,217,658	8,477,104
Other business income	367,987	1,290,127
Total	3,034,695,834	3,234,896,090

The **decrease in Net Sales** is due to taking over by NPPs of some SPUG areas like Romblon and Tablas by SUWECO and Pulang Lupa by Occidental Mindoro Consolidated Power Corporation (OMCPC).

The **increase in Interest Income** is attributed to substantial increase in volume of temporary investments and interest earned from overdue accounts of Western Mindanao power customers which compose of BASILAN, SULU and TAWI-TAWI Electric Cooperatives.

The **Management Fees** are fees paid by PSALM to NPC to compensate for services rendered for the main grid pursuant to the Operations & Maintenance Agreement (OMA) which is five percent (5%) margin on top of the total approved budget for Personnel Services (PS) and Maintenance and Other Operating Expenses (MOOE), inclusive of 12% VAT.

22. INCOME FROM SHARES, GRANTS AND DONATIONS IN KIND

	2017	2016
Share in Universal Charge	8,664,142,565	6,406,011,229
Income from grants and donations in kind	1,691,929	1,987,124
Total	8,665,834,494	6,407,998,353

The **increase in Universal Charge for Missionary Electrification** (UCME) is attributed to higher revenue requirement to cover for the total operating expenses, NPP subsidy and return on rate base of twelve percent (12%) using the application of the ERC methodology in the computation of the UCME.

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 electricity end-users for the (a) payment of stranded debts and stranded 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 all 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 arrangements.

23. PERSONNEL SERVICES

This account consists of the following expenses:

	2017	2016
Salaries - regular	538,301,602	446,828,347
Year-end bonus	79,223,202	83,054,504
Productivity incentive allowance	60,567,118	62,033,941
Retirement and life insurance premium	52,526,857	55,062,311
Terminal leave benefits	43,028,104	42,902,609
Overtime and night pay	38,108,078	40,299,824
Personnel Economic Relief Allowance (PERA)	14,634,045	15,325,000
Wages - Casual/Contractual	14,143,011	13,631,761
Representation and transportation allowance	12,425,056	12,379,137
Clothing /Uniform allowance	6,057,340	6,390,000
PhilHealth contributions	4,834,725	5,061,862
Pag-IBIG contributions	1,465,400	1,534,500
Employees compensation insurance premiums	1,461,269	1,532,218
Other bonuses and allowance	1,332,500	4,196,500
Honoraria	407,999	4,141,177
Other personnel benefits	13,434,337	6,757,440
Total	881,950,643	801,131,131

The **increase in Salaries and Wages** is due to accrual of salary differentials on the implementation of the Modified Salary Scheme as per Executive Order No. 201.

The **decrease in Year-End Bonus** is due to retired and/or separated employees.

24. MAINTENANCE AND OTHER OPERATING EXPENSES (MOOE)

This account consists of the following:

	2017	2016
Rent/Lease expenses	553,301,845	643,874,876
Generation, transmission and distribution expenses	295,816,896	294,258,426
Repairs & maintenance- Infrastructure assets	165,741,406	211,258,212
Other general services	155,762,512	122,290,713
Security services	101,724,751	101,340,577
Travelling expenses - local	62,857,954	51,542,204
Taxes, duties and licenses	58,089,893	37,592,424
Awards/Rewards expenses	55,732,875	51,980,953
Insurance expenses	49,826,448	27,371,173
Janitorial services	44,902,187	44,723,048
Water and electricity expenses	24,200,182	26,494,252
Auditing services	18,478,368	18,286,806
Other supplies and materials expenses	16,529,597	22,453,931
Postage and telephone expenses	12,425,141	11,279,299
Repairs & maintenance- Buildings & other structures	10,345,683	13,053,284
Fuel, oil and lubricant expenses	8,013,261	6,579,018
Repairs and maintenance-Transportation equipment	6,705,458	7,643,438
Training expenses	6,605,741	9,721,958
Repairs and maintenance- Machinery and equipment	5,940,302	5,211,628
Transportation and delivery expenses	5,642,544	5,546,691
Office supplies expenses	4,687,513	6,518,749
Advertising, promotional and marketing expenses	4,234,983	6,085,922
Consultancy services	4,193,080	10,168,778
Travelling expenses - foreign	1,685,939	3,334,063
Extraordinary and miscellaneous expenses	772,408	709,200
Representation expenses	692,423	663,822
Director's & committee member's fee	396,800	18,750
Repairs and maintenance- Land	327,489	231,472
Donations	38,071	226,884
Other maintenance and operating expenses	425,566,459	491,992,406
Total	2,101,238,209	2,232,452,957

The **increase in travelling expenses** is due to ISO certification related surveillance audit.

The **decrease in water and electricity expenses** is due to cost-cutting measures.

The **decrease in rent/lease expenses** is the result of the taking over of New Power Providers in some SPUG areas like Pulang Lupa DPP.

The **decrease in Other Maintenance and Operating Expenses** is mainly due to lower budget for the OMA-MOOE of PSALM.

25. FINANCIAL EXPENSES

This account consists of the following:

	2017	2016
Interest expenses	7,017,345	9,057,761
Bank charges	376,090	155,365
Total	7,393,435	9,213,126

The interest expense pertains to outstanding foreign loans with BNP Paribas and Natixis.

26. DIRECT COST

This account consists of the following:

	2017	2016
Materials – fuel, oil and lubricant expenses	3,057,822,488	2,714,796,036
Total	3,057,822,488	2,714,796,036

The *increase in fuel cost* was attributed to substantial increase in the average fuel price per liter from P21.89 to P27.14.

27. NON-CASH EXPENSES

This account consists of the following expenses:

	2017	2016
Depreciation expenses - Infrastructure assets	354,551,100	276,689,993
Depreciation expenses - Other property, plant & equipment	129,105,736	65,561,400
Impairment losses - Loans and receivables	509,204,558	934,333,800
Total	992,861,394	1,276,585,193

28. ASSISTANCE/SUBSIDY / (FINANCIAL ASSISTANCE/SUBSIDY/CONTRIBUTION)

ASSISTANCE/SUBSIDY

	2017	2016
Subsidy from National Government	1,191,680,204	980,822,175
FINANCIAL ASSISTANCE/SUBSIDY/CONTRIBUTION		
Financial assistance to Local Government Units	(3,976,825)	(4,145,282)
Financial assistance/subsidy/contribution- others	(3,592,966,042)	(2,020,644,334)
	(3,596,942,867)	(2,024,789,616)
NET ASSISTANCE/SUBSIDY (FINANCIAL ASSISTANCE/ SUBSIDY/CONTRIBUTION)	(2,405,262,663)	(1,043,967,441)

The **Subsidy from NG** is intended for CAPEX utilization of NPC's SPUG missionary electrification. The cash transfers from Special Allotment Release Order (SARO) is reported as other income per PPSAS No. 23, (income derived from non-exchange transactions).

The cash transfers composed of the following approved SAROs:

SARO 2014	313,091,307
SARO 2015	708,439,618
SARO 2016	170,149,279
Total	1,191,680,204

The **Financial Assistance to Local Government Units** refers to benefits paid by NPC to LGU that host the energy resource and/or the energy generating facility.

The **Financial Assistance/Subsidy/Contribution-Others** pertains to the amount of share/subsidy from the Universal Charge given to New Power Providers (NPPs) which have been competitively selected to take over the electrification function of NPC in the areas not connected to the grid, and are authorized by the Energy Regulatory Commission (ERC) to receive UCME subsidies.

29. GAINS

This account consists of the following:

	2017	2016
Gain on sales of property, plant & equipment	28,859	0
Gain on foreign exchange (FOREX) from debt service	421,822	792,701
Total	450,681	792,701

The gain on foreign exchange from debt service is reported under Effect of Exchange Rate on Cash & Cash Equivalents of the Statement of Cash Flows per PPSAS No. 4.

30. LOSSES

This account consists of the following:

	2017	2016
Loss on foreign exchange (FOREX)	95,488,110	71,542
Other losses	2,723,666	0
Total	98,211,776	71,542

Loss on Foreign Exchange is from the revaluation of outstanding foreign loans as the results of the depreciation of Philippine Peso against the US Dollar.

Other Losses were incurred because of typhoon “Pablo” that hit and damaged Power Barge 113 on December 4, 2012, resulting to lost properties such as: fuel, tools, and equipment. On April 26, 2017, the Commission on Audit, in its Decision No. 2017-088 has granted Mr. Samuel S. Rivera, Officer-in-Charge of Power Barge 113, relief from said property accountability.

31. PROVISION FOR PRESENT OBLIGATIONS PURSUANT TO COURT RULINGS / DECISION

EXECUTIVE BRIEF
re NPC DAMA, ET AL. VS. NPC, ET AL.
G.R. No. 156208 – Third Division, Supreme Court

- Section 63 (Separation Benefits of Officials and Employees of Affected Agencies) of EPIRA provides, among others, that i. employees displaced or separated from service as a result of restructuring of the electricity industry and privatization of NPC assets **shall be entitled either to a separation pay and other benefits** in accordance with existing laws, rules or regulations **or be entitled to avail of the privileges provided under a separation plan which shall be 1.5 month salary for every year of service in the government** and ii. those who avail of such privileges shall start their government service anew if absorbed by any government-owned successor company and that there shall be no diminution of benefits under the separation plan until the full implementation of the restructuring and privatization.
- On **December 12, 2002**, petitioners (NPC DAMA, et al.) filed a petition before the Supreme Court (SC) questioning the authority of the NP Board in passing NPB Resolutions No. 2002-124 and No. 2002-125 on the ground that these were not passed and issued by the majority of the members of the duly constituted Board of Directors since only three (3) of its members were present.
- NPC basically argued that the said Resolutions are valid because the Directors were ably represented by their respective alternates.
- On **September 26, 2006**, the Supreme Court ruled that National Power Board Resolutions No. 2002-124 and No. 2002-125 are “**VOID and WITHOUT LEGAL EFFECT**” on the ground that “**department secretaries cannot delegate their**

duties as members of NPB, much less their power to vote and approve board resolutions, because it is their personal judgment that must be exercised in the fulfillment of such responsibility”.

- On **September 14, 2007**, NP Board issued Board Resolution No. 2007-55 that **“ratifies and confirms** NP Board Resolution Nos. 2003-01, 2003-11, 2003-12, 2003-15 and all other Board Resolutions related to the approval of the present Table of Organization of the National Power Corporation (NPC)”.
- Supreme Court issued its Resolution dated **September 17, 2008** clarifying the legal effects of the September 26, 2006 Decision that is, the right to reinstatement or separation pay in lieu of reinstatement plus backwages, wages adjustment and other benefits.
- On **October 27, 2008**, an Entry of Judgment was issued. On November 14, 2008, an Urgent Motion for Execution was filed by petitioner NPC DAMA.
- The Supreme Court promulgated its Resolution on **December 10, 2008** ordering the Chairman and Members of the NPC Board and the President of NPC to **cause the preparation of a list, under oath**, of the names of NPC employees and amounts due to each and directed the payment.
- On **March 9, 2009**, the OSG filed the Compliance to the December 10, 2008 Supreme Court Resolution wherein it manifested that:
 - 1) Only the top level employees were terminated on January 31, 2003 pursuant to the nullified NPB Resolution Nos. 2002-124 and 2002-125;
 - 2) These top level employees were also rehired the day after their termination and as such any additional payment of separation pay, backwages and other benefits would be unjust; and
 - 3) The NP Board adopted Resolution No. 2007-55 ratifying and confirming Resolution Nos. 2002-124 and 2002-125 and other Board Resolutions for the reorganization. Resolution No. 2007-55 was not “made subject of” the DAMA Petition.
- The Supreme Court promulgated on **December 2, 2009** a Resolution which GRANTED Petitioners (NPC DAMA) Manifestation in the Urgent Omnibus Motion dated February 09, 2009. The following are the salient points of the said resolution:
 - 1) Ordering NP Board and its President to SHOW CAUSE why they should not be held for contempt for failure to comply with the SC Resolution dated December 10, 2008;
 - 2) Ordering the Clerk of Court of the Third Division to IMPLEAD or JOIN PSALM as party-respondent to the case.
 - 3) Ordering NP Board and President of NPC to comply with the SC Resolution dated December 10, 2008; and
 - 4) Directing the Clerk of Court of the Regional Trial Court and Ex-Officio Sheriff of Quezon City to immediately execute the SC decision and for the Clerk of Court to submit compliance within thirty (30) days from receipt of the Resolution.

- In promulgating the said resolution, the Supreme Court reasoned that:
 - 1) The SC Resolutions dated September 26, 2006, January 24, 2007, September 17, 2008 and December 10, 2008 were referring to all employees of NPC and not only the sixteen (16) top-level employees;
 - 2) It is only after the decisions/resolutions became final and executory when NPC revealed that only 16 top-level employees were terminated on January 31, 2003;
 - 3) The approval of NP Board Resolution No. 2007-55 that adopted, confirmed and approved the contents of NP Board Resolution Nos. 2002-124 and 2002-125 only have prospective effect, not a retroactive effect;
 - 4) The approval cannot ratify and validate the voided NP Board Resolutions; and
 - 5) The approval of NP Board Resolution No. 2007-55 on September 14, 2007 means that the services of all NPC employees have been legally terminated on said date.

- The OSG filed Urgent Plea to Defer Execution of the December 02, 2009 Resolution.

- A Status Quo Order was issued on **January 7, 2010** such that no NPC assets/deposits will be garnished and at the same time, setting the case for oral arguments initially on January 13, 2010.

- Hearing on the oral arguments was actually held on **January 20, 2010** and the following issues were discussed that are still pending resolution:
 - 1) Who are the NPC personnel that were actually separated from the service as a result of the implementation of NP Board Resolution Nos. 2002-124 and 125;
 - 2) Whether the September 17, 2008 Resolution granted relief not sought in the September 26, 2006 Decision;
 - 3) Whether the December 10, 2008 Resolution exceeded the terms of the September 17, 2008 Resolution sought to be executed;
 - 4) What was the effect, if any, of NP Board Resolution No. 2007-55 on the nullified NP Board Resolution Nos. 2002-124 and 125; and
 - 5) What is the extent of PSALM's liability for NPC's liabilities in this case.

- On the offer of settlement of all pending monetary claims, OSG opined in its letter dated **February 17, 2012** that *"(i)t would be proper and prudent to await the resolution thereof before any action is undertaken in relation thereto. This is to ensure that justice is served and that disbursement of government funds is made only to legitimate and valid claims"*.

- In a meeting held on July 12, 2012, the NP Board confirmed that NPC management has no authority to start negotiation and placed on record its position to await the SC resolution.

- NPC through OSG filed an Urgent Motion to Resolve dated **April 8, 2013**.

- The Supreme Court in its Resolution dated **June 30, 2014** ruled on the five (5) pending issues and concluded that:

1. The finalities of the September 26, 2006 Decision and September 17, 2008 Resolution contemplate and cover all the NPC employees whose illegal termination from employment stemmed from NP Board Resolution Nos. 2002-124 and 2002-125, hence, NPC is barred from estoppel from raising arguments aimed at modifying the final rulings;
2. The September 17, 2008 Resolution did not grant additional reliefs as it merely clarified the consequences of the September 17, 2006 Decision;
3. The dispositive portion of the December 10, 2008 Resolution did not exceed the terms of the final September 17, 2008 Resolution;
4. The final rulings declared the nullified NP Board resolutions as void and without legal effects and as such, cannot be ratified and the issuance of NP Board Resolution No. 2007-55 did not affect its final rulings; and
5. PSALM assumed NPC's liabilities existing at the time of the EPIRA's effectivity including the separation benefits due to the petitioners. PSALM is considered as a necessary party to the case.

The Supreme Court likewise concluded that the refusal of NPC to comply with the December 10, 2008 Resolution and December 2, 2009 Resolution constitutes contumacious conduct for being unjustified and without legal and factual basis.

In effect, the Supreme Court denied, among others, the Motions for Reconsideration filed by NPC and PSALM and cited NPC and the Office of the Solicitor General for indirect contempt with fine of P30,000.00 each for non-compliance to final orders.

- The Clerk of Court and Executing Sheriffs issued a **Demand for Immediate Payment** in relation to the said Resolution of the Supreme Court addressed to the NP Board and NPC and the same was served upon NPC on **July 28, 2014** involving the amounts of:
 1. P60,244,316,841.88 less ten percent (10%) corresponding to the charging lien of DAMA, et al. counsels;
 2. P6,024,431,684.18 which represents the attorney's liens; and
 3. P1,807,329,725.25 as lawful fees and costs for the execution.
- On **August 5, 2014**, NPC wrote PSALM formally informing it of the said Resolution considering the conclusion of the Supreme Court that the judgment obligation is part of PSALM's assumed liability. NPC likewise wrote the Clerk of Court and Executing Sheriffs of RTC-QC with information that the Demand for Immediate Payment was referred to PSALM and its principal.
- Beginning **August 14, 2014**, notices of garnishment issued by the Executing Sheriffs of RTC, Quezon City were served upon Land Bank of The Philippines (LBP), National Transmission Corporation (TransCo), STEAG State Power, customers and other energy industry partners against NPC and PSALM properties.
- NPC, through the OSG, filed a Manifestation and Motion on **August 22, 2014** before the Supreme Court praying, among others, to declare the case as an en banc case and restrain the execution of the judgment obligation.

- PSALM, through the OGCC, likewise filed its Omnibus Motion (Second Motion for Reconsideration) dated **August 22, 2014**.
- On **September 9, 2014**, the Supreme Court issued a Resolution **deferring** the implementation of the Decision dated September 26, 2006 and Resolutions dated September 17, 2008, December 02, 2009 and June 30, 2014 until further notice and lifting the Notice of Garnishment dated August 14, 2014.
- The court likewise directed the parties to submit within forty-five (45) days the lists of NPC employees as of January 31, 2002. The required lists of the Supreme Court should include the data on the following:
 - 1) full name;
 - 2) date of hiring;
 - 3) last date of uninterrupted service after date of hire;
 - 4) position and salary as of last date of service; and
 - 5) if termination or separation pay has been received at anytime from NPC, the amount of termination or separation pay received and date of receipt.
- NPC received on November 27, 2014 the Resolution dated **October 20, 2014** of the Supreme Court modifying its September 9, 2014 Resolution by requiring the submission of list of NPC employees as of June 26, 2001 with additional information on the DAMA-affected employees' separation pay; wage adjustments; date of rehire by NPC/PSALM/TRANSCO and their subsequent positions and salaries; and subsequent termination and amount of separation pay received.
- On **March 16, 2015**, NPC thru OSG files its Compliance *Ad Cautelam* submitting the list of employees with the required information as well as the affidavit of NPC concerned official attesting the truthfulness and correctness of the list.
- A Resolution was issued by the Supreme Court En Banc on **November 21, 2017** resolving the motions filed by the parties. It ruled that i) PSALM is duty-bound to settle the liability since it was already existing at the time of EPIRA's effectivity and was transferred from NPC to PSALM as part of the "transferred obligation; ii) proper procedure to enforce a judgment award against the government is to file a separate action before the Commission on Audit for its satisfaction; and iii) the entitlement shall be computed based on "*Separation pay in lieu of reinstatement plus backwages plus other wage adjustments minus separation pay already received under the plan*".

EXECUTIVE BRIEF
re NPC AND NP BOARD vs. Hon. RALPH LEE and
EMMA Y. BAYSIC and NARCISA G. SANTIAGO
G.R. No. 213893 – Supreme Court
(CA-G.R. SP No. 115773 – Court of Appeals)

- Petitioners Baysic, et al. filed on July 12, 2007 a case for Mandamus with Prayer for Accounting and Motion for Evidentiary Hearing. Petitioners are

retirees of NPC from 1998 to 2001. They are claiming full amount of financial assistance provided for under the Special Early Disengagement Plan (SEDP). The said plan was authorized under NP Board Resolution No. 98-130.

Petitioners claim that the financial assistance provided for under said Board Resolution was fixed at 1.5 months salary for every year of government service computed as:

- a) the difference between the lump sum gratuity benefits under R.A. 1616 multiplied by 1.5 and the present value of the five (5) years lump sum benefit under PD 1146 as amended by R.A. 8291 or R.A. 660, for those qualified to retire under both R.A. 1616 and either PD 1146 or R.A. 660; and
- b) for those not qualified to retire under any of the retirement plans or those who have not yet reached 60 years old, a lump sum benefit equivalent to 1.5 months salary for every year of government service.”

Further, they claim that they did not receive financial assistance equivalent to 1.5 months salary for every year of government service because the amount of retirement pay they received from GSIS was deducted from the gross financial benefits.

When the EPIRA took effect in 2003, separation pay in the amount of 1.5 months for every year of government service was granted to legally terminated employees (as of 2003) without deducting gratuity/retirement pay received from GSIS.

- NPC filed its Answer dated October 17, 2008 alleging the following:
 - a) Petitioners Baysic, et al. should have first raised their issues before the Civil Service Commission as part of the exhaustion of administrative remedies;
 - b) Petitioners have no clear right because they are fully aware of the guidelines of retirement under NP Board Resolution No. 98-130 when they availed of it; and
 - c) The EPIRA provisions on separation/retirement cannot retroactively apply to the petitioners.
- A motion to strike out NPC’s Answer was filed by petitioners which questioned the Verification/Certification of NPC and which the court immediately granted. NPC moved for the reconsideration but was denied.
- On September 6, 2010, NPC through the OSG filed a petition for certiorari and prohibition before the Court of Appeals based on the following:
 - a) NPC complied with the Rules on Verification;
 - b) NPC’s Answer dated October 17, 2008 does not actually require Verification; and
 - c) The trial court committed grave abuse of discretion in issuing the Order of Default.

- On the same date (September 6, 2010), NPC received a copy of the August 16, 2010 Decision of the trial court ordering it to pay petitioners the aggregate sum of P301.5 million plus interest at six percent (6%) per annum, P1 million as exemplary damages and ten percent (10%) of the total amount as attorney's fees.
- Subsequently, OSG filed an Amended Petition on September 16, 2010 to include the August 16, 2010 Decision of the trial court.
- In a letter dated February 14, 2011, the petitioners offered to compromise certain components of the RTC decision. Petitioners are waiving portion of their separation pay under the EPIRA though this was not included in their original claim nor included in the Decision of the RTC. In addition, they are also proposing to waive the award of exemplary damages and one-half (1/2) of the award of legal interest.
- The initial proposal for settlement by petitioners was denied by the NP Board Review Committee in its February 17, 2011 meeting.
- Another proposal was received from the petitioners reducing by five percent (5%) the actual damages and waiving all its interest and P1 million exemplary damages.
- As of June 2011, the reduced total amount claimed by petitioners is P315.105 million with the waived components amounting to P97.3 million.
- After evaluation of the proposal, the OSG opined in its letter dated February 21, 2012 that *"accepting the compromise agreement was not sound and will not serve the best interest of NPC"*. Hence, it recommended that the petition for certiorari pending before the Court of Appeals be pursued.
- The proposal for settlement was again presented to the Board Review Committee in its July 5, 2012 meeting. In the said meeting, the BRC endorsed the matter to the NP Board.
- On various dates of October and November 2012, some of the individual claimants/petitioners wrote to the members of the NP Board seeking their assistance in the payment of their claims.
- During the BRC meeting held on May 2013, it confirmed that the issue will be decided upon by its principal. Subsequently, on the Special NP Board Meeting held on July 31, 2013, the Board decided to write the OSG on the matter of entering into Compromise Agreement with the claimants. As of July 2013, the judgment obligation is computed at P452.197 million with petitioners offering to settle at P315.015 million.
- In a letter dated September 13, 2013, DOF Undersecretary John P. Sevilla (as Alternate Chairman) and former NPC President Ma. Gladys Cruz-Sta. Rita wrote OSG seeking clarification on the effect of the Betoy Case and sworn statements of Messrs. Delgado and Viray and an opinion on the legality of entering into settlement with the claimants taking into consideration the supervening circumstances surrounding the case.

- On March 4, 2014, the Court of Appeals issued a Resolution dismissing the Amended Petition for Certiorari and Prohibition for being an improper remedy. The Court of Appeals ruled that the proper remedy in case of default judgment is an Appeal, a remedy available to NPC when it filed its Amended Petition. As of March 31, 2014, the total judgment obligation based on the RTC Decision amounts to P467.123 million.
- NPC retirees through Ms. Emma Baysic wrote the NPC President on March 13, 2014 furnishing the latter with a copy of the said March 4, 2014 Resolution of the Court of Appeals and soliciting the kind assistance to facilitate the immediate resolution of the retirees' financial claim.
- A Motion for Reconsideration dated March 24, 2014 was filed by OSG arguing that the certiorari will correct an invalid order and an order issued without jurisdiction. That jurisprudence does not prohibit the petition for certiorari if the order of default is being assailed, even if appeal is an available remedy. Hence, it stated that *"the resort to certiorari by herein petitioners is justified because the default judgment is being assailed on the ground that it is intrinsically void for having been rendered pursuant to a patently invalid order of default"*.
- The Court of Appeals issued a Resolution on August 11, 2014 denying the Motion for Reconsideration, there being no cogent and compelling reasons found to justify the modification or reversal of its March 4, 2014 Resolution.
- On October 10, 2014, NPC through the OSG filed a petition for review on certiorari before the Supreme Court.
- The OSG, a letter dated July 20, 2016, responded to NPC's request for clarification and opinion on the effect of the Beto ruling and the sworn statements of Messrs. Delgado and Viray on the subject case and the legality of entering into compromised agreement with Baysic et al.

The OSG opined that (i) Baysic, et al. received their retirement benefits under GSIS laws and it was only NPC's financial assistance which was diminished by the NP Board Resolution; (ii) the sworn statements of Messrs. Delgado and Viray are opinions that may be considered in the resolution of the case and in deciding whether a compromise agreement may be entered into between the parties; and (iii) management prerogative that should be left to the sound discretion of the NP Board but should be guided, among others, by Supreme Court's declaration that "the receipt of retirement benefits does not bar the retiree from receiving separation pay".

- NPC is awaiting resolution from the Supreme Court.

EXECUTIVE BRIEF
re RP, ET AL. VS. CORTEZ, NEWU/NECU (COLA/AA)
 G.R. No. 187257 – Supreme Court

- **January 3, 2008** – Petitioners Abner Eleria and Melito Lupangco filed their Petition for Mandamus before the Regional Trial Court of Quezon City, Branch 84. In the said petition, NECU/NEWU pray for the Court to order NPC and the NP Board to immediately **release and pay the COLA and AA** on the bases of:

1. *De Jesus vs. COA (294 SCRA 152 [1998])* which invalidated **DBM CCC No. 10** on the basis of its non-publication as required by law;
 2. *PPA vs. PPA Employees Hired After July 1, 1989 (469 SCRA 397 [2005])* which declared that all and not only incumbents as of July 1, 1989 should be allowed to receive back pay corresponding to the said benefits from July 1, 1989 to March 16, 1999; and
 3. *MWSS vs. Bautista, et al. (G.R. No. 171351, March 14, 2008)* reiterated the Supreme Court's pronouncements in the De Jesus and PPA cases.
- **February 18, 2008** – NECU and NEWU filed its Petition-in-Intervention supporting the release of the COLA/AA.
 - **May 30, 2008** – The OSG filed its Omnibus Motion praying that: (1) it be allowed to withdraw its appearance as counsel for NPC and the NP Board; (2) it be allowed to intervene as the People's Tribune; and (3) the petition be dismissed. The Regional Trial Court of Quezon City, Branch 84 promulgated its **Decision** in favor of the Petitioners on **November 28, 2008**. The Decision orders the NPC and the NP Board to:
 1. Release and pay the petitioners/intervenors/other non-union employees within 30 days from finality of the Decision, the amount of P6,496,055,339.98 representing the COLA and AA and P704,777,508.60 representing **interest** computed from December 28, 2007. The monetary judgment shall earn interest of twelve percent (12%) per annum from finality of the Decision until its full satisfaction;
 2. Pay Attorney's fees in the amount of P100,000.00 in favor of Petitioners and P200,000.00 in favor of intervenors NECU and NEWU;
 3. Deduct the amount of P145,464,872.55 representing deficiency payment of docket and other legal fees from the NPC officials/workers/employees including non-union beneficiaries similarly situated, and Remit and Pay the same to the Clerk of Court of RTC of Quezon City, Branch 84. The amount is subject to final computation and assessment of the Clerk of Court; and
 4. Deduct five percent (5%) of the amount payable to each NPC employee, including non-union beneficiaries similarly situated, for the said Attorney's Fees pro-rata and to pay the amount deducted to Attys. Galit and Presquito, after deducting the appropriate taxes.
 - A Motion for Execution against the Respondent NPC was filed by the Petitioners and Petitioners-Intervenors on **December 5, 2008**. A Notice of Appeal was filed by the OSG on **December 5, 2008**.
 - A Motion for Reconsideration of the RTC Decision was filed by Secretary Andaya (as member of the NP Board) on **December 18, 2008**. On the other hand, NPC-OGC filed a Manifestation in behalf of NPC Management on December 16, 2008 stating that the authority to decide upon the issue at hand

rests with the NP Board, although it was likewise reiterated that NPC Management, consistent with its previous position, supports the release of the COLA and AA.

- **March 20, 2009** – The Court promulgated its **Joint Order** with the following directive:
 1. The Motion for Execution is granted. The Branch Clerk of Court is directed to issue the Certificate of Finality of Judgment and the Writ of Execution;
 2. The Motion to Deposit the Amount Equivalent to the Judgment Award is granted. The NPC Management through its President, the NP Board and Treasurer are ordered to deposit the amount of P6,496,055,339.98 representing COLA and AA and P704,777,508.60 representing interest, with the Land Bank of the Philippines, with high yielding bearing interest, within 30 days from receipt of the order;
 3. The Notice of Appeal filed by the OSG is denied and dismissed; and
 4. The Motion for Reconsideration filed by Secretary Andaya is denied with finality.
- **March 23, 2009** - Finality of Judgment, Writ of Execution and Notice of Garnishment issued by the RTC.
- **March 27, 2009** - Letter of the OSG advising NPC to write its banks that the notice of garnishment as well as the writ of execution cannot be implemented.
- **April 15, 2009** - The SC issued a **TRO/Injunction** on the March 20, 2009 Decision and March 23, 2009 Writ of Execution issued by the RTC.
- **May 27, 2009** - DBM filed a separate Petition for Certiorari with the SC questioning the RTC's Decision, Joint Order and Writ of Execution.
- **September 9, 2009** - The Supreme Court issued a Resolution directing that:
 1. G.R. No. 187359 (NEWU and NECU, etc. vs. NPC, etc. et al.) be consolidated with G.R. 187257;
 2. G.R. 187776 (Andaya, etc., et al. vs. Hon. Cortez, etc., et al.) and G.R. 187420 (PGEA, etc. et al. vs. NPC, et al) be transferred to the First Division where G.R. 187257 and the two consolidated cases are assigned, to avoid conflicting decisions; and
 3. Note: G.R. 187359 and G.R. 187420 involve a common question of law - the validity of the Operations and Maintenance Agreement (OMA) dated January 30, 2009 in relation to the EPIRA.
- As of to date, all the cases cited above are still pending resolution by the Supreme Court.

- On the offer of settlement of all pending monetary claims, OSG opined in its letter dated February 17, 2012 that *“(i)t would be proper and prudent to await the resolution thereof before any action is undertaken in relation thereto. This is to ensure that justice is served and that disbursement of government funds is made only to legitimate and valid claims”*.
- In a meeting held on July 12, 2012, the NP Board confirmed that NPC management has no authority to start negotiation and placed on record its position to await the SC resolution.
- On May 3, 2013, the Officers and Members of PGEA-NPC wrote the NP Board and NPC Management requesting the release of COLA and AA. It is the group’s contention that the disallowance of COLA and AA provided under the Salary Standardization Law (SSL) does not cover the NPC and as such, its employees are long deprived of its rightful claim over the said allowances. The letter did not provide any terms except their willingness to execute a “Release, Waiver and Quitclaim”.

The Department of Budget and Management (DBM), thru Director Lorenzo C. Drapete, in a letter dated May 15, 2013 referring to National Power Corporation the subject letter of NPC-PGEA, stated that *“(t)he Supreme Court under G.R. No. 157492 dated March 10, 2006 (copy attached) denied the petition of Napocor Employees Consolidated Union, et. al. for Employee Welfare Allowance equivalent to 10% of employees basic salary since the subject allowance, like COLA and AA, are among the allowances actually integrated into the basic monthly salary of employees”*.

- Several letters to NPC was submitted by petitioners claiming payment of the COLA/AA. The latest of said letters were on August 18 and 28, 2014 from petitioners’ counsel offering the settlement of the claims. The said letters were referred to the NP Board for its information and consideration.
- An Entry of Judgment was issued by the Supreme Court certifying that its June 22, 2011 Resolution in the consolidated cases has become final and executory. In effect, the Court denied with finality the motion to consolidate G.R. 187420 with G.R. 156208 (DAMA Case) and resolved with finality the termination and closure of G.R. 187359.
- As represented by National Power People (NPP) thru Mr. Resty C. Dela Cruz in a letter dated June 11, 2015, some 1,500 mostly former NPC, the National Power People (NPP) requested the payment of COLA and AA with manifestation of their willingness to receive only the principal amounts of such claims which shall constitute full and final settlement thereof.
- On April 4, 2017, the Office of the NPC Corporate Secretary received a copy of the Supreme Court Decision promulgated on February 7, 2017 where it ruled that the “COLA and AA were already deemed integrated into the basic standardized salary from July 1, 1989 to December 31, 1993. These allowances need not be separately granted. All basic salaries by December 31, 1993 already included in the COLA and Amelioration Allowance. Considering there was no diminution in the salaries and benefits of the

NAPCOR employees upon the implementation of the New Compensation Plan, there was no basis for the Regional Trial Court to grant NECU and NEWU's money claims. To repeat, the indiscriminate grant of additional allowances would be tantamount to additional compensation, which is prescribed by Section 8, Article IX (B) of the Constitution”.

In the dispositive portion, the Supreme Court ruled as follows:

“WHEREFORE, the Petitions for the Certiorari and Prohibition in G.R. Nos. 187257 and 187776 are GRANTED. The Decision dated November 28, 2008, joint Order dated March 20, 2009 and Writ of Execution dated March 23, 2009 of the Regional Trial Court of Quezon City, Branch 84 in Civil Case No. Q-07-61728 are VACATED and SET ASIDE. The Temporary Restraining Order dated April 15, 2009 is made PERMANENT. SO ORDERED”.

- In a Resolution dated August 8, 2017, the Supreme Court denied with finality the Worker's solicitous Motion for Reconsideration as the basic issued have already been passed upon per its February 7, 2017 Decision. The SC further ruled that no further pleadings shall be entertained and directed that an entry of final judgment be issued immediately.

**OFFICE OF THE LEGAL COUNSEL
NON-OMA Case Filed by or against NPC
as of December 31, 2017**

Nature	Number of Cases
<i>Expropriation</i>	55
<i>Land Registration</i>	3
<i>ERC</i>	14
<i>Labor</i>	0
<i>Criminal</i>	0
<i>Administrative</i>	11
<i>Tax Cases</i>	1
<i>Other Civil Cases</i>	4
<i>Just Compensation</i>	1
<i>Ejectment / Recovery of Possession / Damages</i>	10
Total	99

**STATUS OF PENDING CASES
SUMMARY OF CONTINGENT CLAIMS AND LIABILITIES (NON-OMA)
As of December 31, 2017**

NATURE	NO. OF CASES WITHOUT AMOUNT INVOLVED / NO BASIS / TO BE DETERMINED	CONTINGENT CLAIMS * (ESTIMATED AMOUNT INVOLVED)		CONTINGENT LIABILITIES *			
		Number of Cases	Total Amount (Php)	Number of Cases	Total Amount (Php)	Number of Cases	Total Amount (\$ US Dollars)
EXPROPRIATION (Plant Related)	47	8	2,488,686.75				
Land Registration Cases	3						
ERC	14						
TAX							
<i>Real Property Cases (IPP)</i>							
<i>Real Property Cases (NPC)</i>							
<i>Local Tax</i>		1	2,253,697.92				
<i>Franchise Tax Cases</i>							
OTHER CIVIL CASES	4						
EJECTMENT/RECOVERY OF POSSESSION/DAMAGES	8	2	2,000,000.00				
JUST COMPENSATION	1						
LABOR CASES	0						
CRIMINAL CASES	0						
ADMINISTRATIVE CASES	11						
TOTAL NUMBER OF CASES	88	11					
TOTAL ESTIMATED AMOUNT (Php & \$)			6,742,384.67				

NOTE: * Claims and Liabilities of NPC are subject to change because the amounts among others are one of the areas under court litigation.

Cases decided in favor of NPC are still reflected in the Summary of Claims and Liabilities.

The amount involved in the DAMA Case is not included.

The amount involved in all notices of disallowance issued by COA pertaining to all employees' grants and benefits are included since in the event that the Supreme Courts affirms the disallowance, all recipients shall settle the disallowed amounts.

32. TARIFF DEVELOPMENT IN THE CY 2017

The following are the developments in Tariff for the CY 2017:

CY 2017 Basic UCME

- The National Power Corporation (NPC) implemented the Basic Universal Charge for Missionary Electrification (UCME) for CY 2017 of **P927 million** per month or equivalent to **P0.1544/kWh** (P0.1163/kWh regular UCME and

P0.0381/kWh True-up intended for CY 2013). The said recovery was based on the extension of Provisional Authority (PA) granted by the Energy Regulatory Commission (ERC) on ERC Case No. 2014-135 RC.

CY 2015 True-up

- On January 27, 2017, NPC filed its application for the recovery of revenue shortfall from UCME for CY 2015 before the ERC and docketed under ERC Case No. 2017-006 RC. The proposed recovery of CY 2015 True-up adjustment amounted to **P1.112 billion**, or equivalent to **P0.0134/kWh** is in compliance with ERC Resolution No. 21, Series of 2011 and ERC Resolution No. 22, Series of 2006, respectively.

15th GRAM

- On March 3, 2017, NPC filed its application for the 15th Generation Rate Adjustment Mechanism (GRAM) before the ERC as part of its compliance to the directives of the power rate regulator and docketed under ERC Case No. 2017-015 RC. Adjustments corresponding to this filing covering the billing period January to June 2015 are referred to as Deferred Accounting Adjustment or DAA which are pass-thru costs in NPC's rates. The proposed recovery amounted to **P1.078 billion** if approved would translate into upward adjustments of rates in Luzon, Visayas and Mindanao grids amounting to P1.0982/kWh, P1.0541/kWh and P0.7657/kWh respectively, or an average increase of **P0.9748/kWh** and will also have a corresponding reduction in the UCME True-up Recovery for the same year. The proposed recovery for the 15th GRAM are spread into twenty-four (24) months.

16th GRAM

- NPC filed its application for the 16th Generation Rate Adjustment Mechanism (GRAM) before the ERC on May 26, 2017 and docketed under ERC Case No. 2017-052 RC. Adjustments corresponding to this filing covering the billing period July to December 2015 amounted to **P931 million** if approved would translate into upward adjustments of rates in Luzon, Visayas and Mindanao grids amounting to P0.6202/kWh, P0.5068/kWh and P0.6428/kWh respectively, or an average increase of **P0.6177/kWh**. The proposed recovery for the 16th GRAM are spread into twenty-four (24) months.

14th, 15th, 16th Consolidated ICERA

- NPC also filed its application for the 14th, 15th, 16th Consolidated Incremental Currency Exchange Rate Adjustment (ICERA) DAA before the ERC on May 26, 2017 and docketed under ERC Case No. 2017-051 RC. Adjustments corresponding to foreign exchange rate fluctuations for the billing period July 2014 to December 2015 amounted to **P24.798 million** or equivalent to **P0.0472/kWh** are proposed to be recovered in twelve (12) months.

CY 2018 Basic UCME

- NPC filed its application of Basic UCME for the year 2018 before the ERC and docketed under ERC Case No. 2017-054 RC on May 30, 2017. In the said filing NPC prays for the adoption of the Proposed UCME for CY 2018 of **P13.034 billion**, or equivalent to **P0.1499/kWh**.

17th ICERA

- On December 5, 2017, NPC Management endorsed to NP Board the filing for the recovery of foreign exchange rate fluctuations for the year 2016. The proposed 17th ICERA amounted to **P17.665 million**, or equivalent to **P0.0243/kWh**.

Basic UCME, True-up, GRAM and ICERA public hearings

- NPC completed the ERC public hearing for the 13th GRAM and 13th ICERA DAA on January 27, 2017 and subsequently filed the Formal Offer of Evidence (FOE) on February 2, 2017.
- NPC also conducted ERC public hearings on CY 2017 Basic UCME (2nd and 4th quarter), CY 2014 True-up (3rd and 4th quarter), and 14th GRAM (4th quarter) for Luzon, Visayas and Mindanao.

33. SUPPLEMENTARY INFORMATION REQUIRED UNDER RR No. 15-2010

In compliance with the requirements set forth by Revenue Regulations No. 15-2010 hereunder are the information on taxes, duties, and license fees paid or accrued during the taxable year.

The Corporation is a VAT - registered company with VAT output tax declaration of P294,447,468 during the year based on the amount reflected in the Sales Account of P2,453,728,897.

The Corporation has zero-rated/exempt sales amounting to P91,932.19 pursuant to the provisions of Sections 106 (A)(2) and 108 (B) of the National Internal Revenue Code, as amended.

The amount of VAT Input taxes (net of Output VAT) claimed are broken down as follows:

Beginning Balance, January 2017	4,346,553,955
Current year's purchases:	
I. Non-Capital Goods (fuel, materials, equipment & spares)	349,976,770
II. Capital Goods	137,212,575
III. Services	581,246,558
Claims for tax credit/refund and other adjustment	0
Tax Credits on Sales to Government	28,867,579
	<u>5,443,857,437</u>
Less: CY 2017 Output VAT	<u>(294,447,468)</u>
Ending Balance, December 2017	<u>5,149,409,959</u>

Other taxes and licenses pertain to:

Realty Tax	882,108
	<u>882,108</u>

The amount of withholding taxes paid/occurred for the year amounted to:

Nature	
I. Tax on compensation and benefits	129,636,198
II. Creditable withholding taxes	165,132,002
III. Final VAT/Final withholding taxes	435,848,418
	<u>730,616,618</u>

34. RESTATEMENT OF ACCOUNTS

The presentation of figures in CY 2017 financial statements has made it necessary, for comparative purposes, to restate relevant figures in CY 2016.