



NATIONAL POWER CORPORATION

Statement of Management's Responsibility For Financial Statements

The Management of NATIONAL POWER CORPORATION is responsible for all information and representations contained in the accompanying Statement of Financial Position as of 31 December 2015 and the related Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended. The financial statements which have been prepared in conformity with generally accepted state accounting principles and Philippine Financial Reporting Standards, where applicable, reflect amounts that are based on the best estimates and informed judgment of management with an appropriate consideration to materiality.

In this regard, Management maintains a system of accounting and reporting which provides for the necessary internal controls to ensure that transactions are properly authorized and recorded, assets are safeguarded against unauthorized use or dispositions and liabilities are recognized.

(Original signed)

LORNA T. DY

VP – Administration & Finance

(Original signed)

MA. GLADYS CRUZ-STA. RITA

President & CEO

10 February 2016



NATIONAL POWER CORPORATION

10 February 2016

Ms. MINERVA T. CABIGTING

Supervising Auditor
Commission on Audit

This representation letter is provided in connection with your audit of the financial statements of NATIONAL POWER CORPORATION for the year ended December 31, 2015 for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material aspects, (or give a true and fair view) in accordance with International Financial Reporting Standards.

We confirm that (to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves):

Financial Statements

- We have fulfilled our responsibilities, as set out in the terms of the audit engagement dated January, 2016 for the preparation of the financial statements in accordance with the International Financial Reporting Standards: in particular the financial statements are fairly presented in accordance therewith.
- Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. (ISA 540)
- Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards. (ISA 550)
- All events subsequent to the date of the financial statements and for which International Financial Reporting Standards require adjustment or disclosure have been adjusted or disclosed. (ISA 560)

Information Provided

- We have provided you with:
 - Access to all information of which we are aware that is relevant to the preparation of the financial statements, such as records, documentation and other matters.
 - Additional information that you have requested from us for the purpose of the audit; and



NATIONAL POWER CORPORATION

- Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
- All transactions have been recorded in the accounting records and are reflected in the financial statements.
- We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the entity and involves:
 - Management;
 - Employees who have significant roles in internal control; or
 - Others where the fraud could have a material effect on the financial statements. (ISA 240)
- We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others. (ISA 240)
- We have disclosed to you all instances of non compliance or suspected non compliance with laws and regulations whose effects should be considered when preparing financial statements. (ISA 250)
- We have disclosed to you the identity of the entity's related parties and all the related party relationship and transactions of which we are aware. (ISA 550)

(Original signed)
LORNA T. DY
VP – Administration & Finance

(Original signed)
MA. GLADYS CRUZ-STA. RITA
President & CEO



Republic of the Philippines
COMMISSION ON AUDIT
Commonwealth Avenue, Quezon City, Philippines

INDEPENDENT AUDITOR'S REPORT

The Board of Directors

National Power Corporation
Diliman, Quezon City

Report on the Financial Statements

We have audited the accompanying financial statements of the National Power Corporation, which comprise the statement of financial position as at December 31, 2015, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Basis for Qualified Opinion

The existence, validity and accuracy of "Operation and Maintenance Agreement (OMA) Trust" accounts with aggregated year-end balance of P4.548 billion consisting of Utility Plants, Cash and Cash Equivalents, Other Receivables, Advances, Materials and Supplies for Operations and Other Assets were not ascertained mainly due to non-reconciliation with the "Assets Held in Trust with NPC" accounts totaling P6.585 billion, the reciprocal account maintained by PSALM for fund transfers for the operation and maintenance of the generation and other assets under the OMA between PSALM and NPC. The account also includes the following:

- a. Utility Plants with a carrying value of P2.722 million owned and already recorded in the books of PSALM;
- b. Cash and property accountabilities amounting to P1.569 million and P17.752 million, respectively or a total of P19.322 million of employees previously assigned to power plants already sold;

- c. Dormant accounts without documentations since CY 2009 amounting to P118.414 million and since CY 2012 to 2014 amounting to P36.082 million; and
- d. Variance of P59.177 million between the book balance and physical inventory report for Material, Supplies and Equipment for Operation.

The *Retained PSALM* and *Retained TRANSCO* accounts with aggregate year-end balances of P1.850 billion for asset accounts and P42.290 billion for liability accounts, remained outstanding/dormant since CY 2009 and undocumented.

The validity and existence of the aggregated year-end balance of *Accounts Payable and Accrued Expenses* accounts in the amount P5.523 billion were doubtful due to the inclusion of the following:

- a. SPUG – Luzon accounts amounting to P969.924 million which remained outstanding for more than two years;
- b. SPUG – Luzon and SPUG – Mindanao accounts with negative or debit balances totaling P293.980 million and P31.107 million, respectively; and
- c. SPUG – Luzon accounts of P10.12 million which did not reflect the name of creditors in the subsidiary ledgers.

The *Receivable-Disallowances* account was understated due to non-recording of disallowances totaling P563.517 million which have become final and executory contrary to COA Circular No. 2009-006.

Qualified Opinion

In our opinion, except for the effects and the possible effects of the matters discussed in the Basis for Qualified Opinion paragraphs, the financial statements present fairly, in all material respects, the financial position of the National Power Corporation as at December 31, 2015, and of its financial performance and cash flows for the year then ended in accordance with state accounting principles generally accepted in the Philippines.


Emphasis of Matter

We draw attention to Note 37.a of the Notes to Financial Statements which describes the uncertainty pertaining to the NPC-Divers and Mechanics Association (NPC-DAMA) case filed against the Corporation which may cost approximately P67 billion. Our opinion is not qualified in respect of this matter.

Supplementary Information Required Under Revenue Regulation No. 15-2010

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The supplementary information required by the Bureau of Internal Revenue on taxes, duties and license fees disclosed in Note 40 to the financial statements is presented for purposes of additional analysis and is not a required part of the financial statements prepared in accordance with state accounting principles generally accepted in the Philippines. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

COMMISSION ON AUDIT


MINERVA T. CABIGTING
Supervising Auditor

June 01, 2016

**NATIONAL POWER CORPORATION
STATEMENT OF FINANCIAL POSITION**

December 31, 2015

(With Comparative Figures as at December 31, 2014)

(In Philippine Peso)

	Notes	2015	2014
ASSETS			
Non-Current Assets			
Utility plant - net	4	8,345,458,649	6,819,509,267
Construction work in progress	5	2,437,000,564	1,516,564,768
Non-utility property - net	6	260,861,226	86,081,350
Non-current receivables (inclusive of non-current power receivables)	7	2,664,882,928	1,893,097,255
Deferred charges	8	32,898,970	0
Other Assets	9	10,213,326	9,103,436
Total Non-Current Assets		13,751,315,663	10,324,356,076
Current Assets			
Cash & cash equivalents	10	10,250,178,001	6,687,613,818
Power receivables - net	11	5,930,446,997	7,008,416,757
Other receivables - net	12	8,978,573,199	7,149,574,464
Materials and supplies for operation	13	1,479,358,596	1,251,265,184
Advances, prepayments and deposits	14	144,551,449	127,822,552
Total Current Assets		26,783,108,242	22,224,692,775
Trust Assets (PSALM)	15	4,547,950,367	8,066,043,145
Temporary Registry	16	1,848,501,658	2,583,570,109
TOTAL ASSETS		46,930,875,930	43,198,662,105
EQUITY AND LIABILITIES			
Equity	17/18/19	31,853,702,469	25,315,682,642
Non-Current Liabilities			
Long-term debts (net of current portion)	20	644,125,723	718,871,241
Deferred Credits	21	2,242,800,127	1,672,396,543
Total Non-Current Liabilities		2,886,925,850	2,391,267,784
Current Liabilities			
Accounts payable and accrued expense	22	5,523,020,148	4,638,849,537
Current portion of long-term debts	20	40,376,914	42,404,222
Retention on contract payments	23	179,773,783	110,216,731
Deposits and trust funds	24	50,332,669	50,220,656
Interest payable	20	292,072	407,279
Total Current Liabilities		5,793,795,586	4,842,098,425
Trust Liabilities (PSALM)	14	4,547,950,367	8,066,043,145
Temporary Registry	16	1,848,501,658	2,583,570,109
TOTAL EQUITY and LIABILITIES		46,930,875,930	43,198,662,105

See accompanying Notes to Financial Statements.

NATIONAL POWER CORPORATION
STATEMENT OF COMPREHENSIVE INCOME

For the Year Ended December 31, 2015

(With Comparative Figures for the Year Ended December 31, 2014)

(In Philippine Peso)

	Notes	2015	2014
OPERATING REVENUE			
Utility income		2,131,138,916	2,175,629,691
Transmission services income		6,477,991	9,555,322
Universal charge	25	9,706,676,769	8,696,594,212
Total operating revenue		11,844,293,676	10,881,779,225
Prompt payment discount		(25,486,631)	(25,775,867)
Other demand energy adjustment income		(63,702,401)	(61,190,220)
Net Operating Revenue		11,755,104,644	10,794,813,138
OPERATING EXPENSES			
Generation expenses	26	3,869,515,313	5,330,659,479
Administrative and general expenses	27	766,092,424	767,216,580
Depreciation and depletion		331,495,000	306,114,469
Bad debts	11	626,578,479	621,340,873
Transmission and distribution		39,082,017	36,559,304
Other operating expenses	28	730,756,674	482,983,493
Total Operating Expenses		6,363,519,907	7,544,874,198
OPERATING INCOME (LOSS)		5,391,584,737	3,249,938,940
OTHER INCOME(EXPENSES)			
Interest income		582,913,444	511,439,063
Income from administrative fee	29	68,340,179	94,099
Gain (Loss) on forex fluctuation	31	53,018,195	96,346,918
Gain (Loss) on debt service - ICERA/forex re	30	463,281	591,039
Gain Retirement of Assets		200,026	0
Extraordinary Gain		0	383,490,512
Miscellaneous income	32	1,191,641,906	107,135,010
Subsidy to NPP's of MEA	34	(2,015,220,175)	(2,750,398,947)
Depreciation - other plants/property		(56,537,600)	(29,642,317)
Interest expense	33	(10,787,200)	(14,577,005)
Finance & other bank charges		(43,971)	(34,327)
Loss on diesel/fuel transfer		0	(6,015,325)
Miscellaneous expenses	35	(877,100,183)	(12,093,194)
Other Income (Expenses)		(1,063,112,098)	(1,713,664,474)
NET INCOME (LOSS) Before NG Subsidy		4,328,472,639	1,536,274,466
NG Subsidy	36	2,000,000,000	1,000,000,000
NET INCOME (LOSS) Before Income Tax		6,328,472,639	2,536,274,466
Income Tax	41	(1,425,114,457)	0
NET INCOME (LOSS)		4,903,358,182	2,536,274,466

See accompanying Notes to Financial Statements.

**NATIONAL POWER CORPORATION
STATEMENT OF CHANGES IN EQUITY**

For the Year Ended December 31, 2015

(With Comparative Figures for the Year Ended December 31, 2014)

(In Philippine Peso)

	Notes	2015	2014
CAPITAL STOCK P100 par value			
Authorized 500,000,000 shares, issued 270,488,708		27,048,870,789	27,048,870,789
DONATED CAPITAL			
Balance, Beginning		2,906,505	3,051,865
Donation during the year/adjustments		14,497,006	65,456
Amortization		(3,546,690)	(210,816)
Balance, End	17	13,856,821	2,906,505
RETAINED EARNINGS			
Balance, Beginning		(3,952,184,937)	(6,659,122,654)
Appropriated Retained Earnings- Sinking fund		349,691,637	187,194,690
Net adjustments (effect of transfer of assets from PSALM to NPC)		1,231,413,737	0
Net income (loss) during the year		4,903,358,182	2,536,274,466
Correction of prior year's income		65,965,163	(16,531,439)
Balance, End	18	2,598,243,782	(3,952,184,937)
APPRAISAL CAPITAL			
Balance, Beginning		2,216,090,285	2,222,302,246
Adjustments		(23,359,208)	(6,211,961)
Balance, End	19	2,192,731,077	2,216,090,285
EQUITY		31,853,702,469	25,315,682,642

See accompanying Notes to Financial Statements.

**NATIONAL POWER CORPORATION
STATEMENT OF CASH FLOWS**

For the Year Ended December 31, 2015

(With Comparative Figures for the Year Ended December 31, 2014)

(In Philippine Peso)

	Notes	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash collected from Universal Levy		10,820,404,330	7,955,355,000
Collections from power customers		1,810,699,892	2,040,001,277
Subsidies Received from Other Govt Agencies		615,042,606	1,062,802,737
Amount withheld from employees, suppliers & other creditors		708,428,902	872,062,196
Interest and dividends received		382,964,118	347,184,003
Deposits and trust funds received		6,101,088	27,529,215
Collections on deposits & advances		9,000	16,905,623
Collections of other receivables		155,108,077	10,446,146
Purchase of fuel for generation		(3,481,844,097)	(4,839,064,586)
Genset rental		(271,582,088)	0
Statutory remittances		(1,849,063,791)	(2,010,555,874)
Taxes and duties		(374,095,695)	0
Other operating expenses		(2,324,511,882)	(1,683,085,403)
Other expenses		(1,639,194,275)	(1,871,345,490)
Personnel cost		(340,771,459)	(340,709,086)
Financial Assistance		(12,239,610)	(32,284,180)
Refund of deposits and trust funds		(5,407,558)	(8,134,993)
Net funds transferred		(85,275,866)	(5,857,068)
Realty tax paid		(903,253)	(1,822,458)
Share of local government units in the national wealth		(1,534,128)	(1,090,937)
Interest paid		(64,587)	0
Deposits and other advances		(45,959,102)	(4,383,613)
Net Cash Provided by/(Used in) Operating Activities		4,066,310,622	1,533,952,509
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received from investments		53,516,403	32,713,374
Proceeds from sale of assets		8,357,759	2,942,282
Capital expenditures		(365,390,046)	(237,908,708)
Net Cash Used in Investing Activities		(303,515,884)	(202,253,052)
CASH FLOWS FROM FINANCING ACTIVITIES			
Gain on FOREX (Debt Service)		463,281	591,039
Transfer to restricted cash account		(41,828)	0
Dividend payment to Bureau of Treasury		(150,000,000)	(100,000,000)
Interest paid on loans		(10,902,407)	(14,625,552)
Payment of loans		(40,474,560)	(45,395,467)
Net Cash Used in Financing Activities		(200,955,514)	(159,429,980)
EFFECT OF EXCHANGE RATE ON CASH & CASH EQUIVALENTS		724,959	0
NET INCREASE IN CASH & CASH EQUIVALENTS		3,562,564,183	1,172,269,477
CASH & CASH EQUIVALENTS, BEGINNING OF THE YEAR		6,687,613,818	5,515,344,341
CASH & CASH EQUIVALENTS, END OF YEAR		10,250,178,001	6,687,613,818

See accompanying Notes to Financial Statements.

NATIONAL POWER CORPORATION
NOTES TO FINANCIAL STATEMENTS
(With Comparative Figures for CY 2014)

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 Corporation 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 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 Corporation 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 Corporation to pay its indebtedness and obligations and, in furtherance and effective implementation of the government's policy of power generation, the Corporation, 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, supersede as 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 Corporation'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 (GOCC's), 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/TRANSCO accounts which are reported in the balance sheet under the Temporary Registry Accounts. **(See Note 15)**

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.

On 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 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 2015:

SPUG and WATERHED

FINANCIAL HIGHLIGHTS

- **Revenue**

NPC realized a revenue of P11.755 billion for CY 2015 which is higher by 9% or P960 million over its actual revenue of P10.795 billion in CY 2014.

- **Net Operating Income**

NPC posted a Net Operating Income P5.392 billion which is higher by 66% from its Net Operating Income of P3.250 billion in CY 2014.

- **Net Income**

NPC reported a Net Income of P4.903 billion compared with the previous year Net Income of P2.536 billion. The significant increase is attributed mainly to lower generation cost as a result of the substantial decrease in fuel prices in the world market along with the higher collection of UCME and UCEC amounting to a total of P9.706 billion in 2015 and P8.696 billion in 2014

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 2015:

Small Power Utilities Group (SPUG)

- **2015 Increase in Operating Hours of the following SPUG Power Plants:**

SPUG POWER PLANTS	PROVINCE	OPERATING HOURS		DATE IMPLEMENTED
		From	To	
Nabuctot DPP	Masbate	6	8	Jan. 1, 2015
Balimbing DPP	Tawi-Tawi	8	16	Feb. 7, 2015
Culion DPP	Palawan	12	24	Mar. 31, 2015
Limasawa DPP	Leyte	8	12	Apr. 26, 2015
Siasi DPP	Sulu	20	24	Apr. 29, 2015
Ninoy Aquino DPP	Sultan Kudarat	12	14	Oct. 16, 2015
Talicut DPP	Davao del Norte	10	16	Oct. 26, 2015
Araceli DPP	Palawan	12	16	Nov. 5, 2015
Burias DPP	Masbate	8	12	Dec. 12, 2015

SPUG PROJECT STATUS REPORT

As of 31 December 2015

	Project Name/Description	Project Location	Contract Amount	Utilized Amount	For Billing (2016)	Remarks
1	Construction of SPUG-CMOD Office and Facilities (LuzP14Z454Sc / S1-CAT13-023)	Brgy. Peñafrancia, Daraga, Albay	5,199,809.54	3,266,476.07	2,668,006.79	100% completed.
2	Construction of Power Facilities Including Supply, Delivery, Erection/Installation, Test and Commissioning of 1 x 90 kW Genset and its Auxiliaries and Associated Electrical Equipment for the Electrification of 3 Barangays at Calaguas Group of Islands, Vinzons, Camarines Norte under the Off-Grid Electrification Project	Sitio Sugod, Brgy. Banocboc, Vinzons, Camarines Norte	19,376,570.87	2,906,485.63	16,470,085.24	28.521% completed as of 23 December 2015
3	Construction of Power Facilities (Civil Works) Including Supply, Delivery, Erection/ Installation, Test and Commissioning of 1 x 100 kW Genset and its Auxiliaries and Associated Electrical Equipment for the Electrification of 6 Barangays at Camandag Island, Sto. Niño, Samar (VisP14Z481Se)	Kurukawayan, Camandag Island, Western Samar	16,633,105.50	2,494,965.83	14,138,139.67	20.167% completed as of 11 December 2015
4	Construction of Power Facilities (Civil Works) including Relocation Works, Supply, Delivery, Erection/Installation and Test of Balance of Plant (BOP) for Calayan Diesel Power Plant Project (LuzP14Z480Sc) under PR No. SO-PMA15-001	Barangay Centro II, Calayan, Cagayan	28,387,392.25	-	28,387,392.25	7.41% completed as of 7 December 2015
5	Supply, Delivery, Installation and Test of 60 cu.m., 35 cu.m. and 10 cu.m. Fuel Storage Tank for Various SPUG Areas including Construction of associated facilities for Schedule 2 (San Pascual DPP - 1 x 35 cu.m., Lahuy DPP - 1 x 10 cu.m., Quinalasag DPP - 1 x 10 cu.m., Peña DPP - 1 x 10 cu.m., Gilotongan DPP - 1 x 10 cu.m., Ginawayan DPP - 1 x 10 cu.m. & Nabuctot DPP - 1 x 10 cu.m.)	San Pascual DPP, Lahuy DPP, Quinalasag DPP, Peña DPP, Gilotongan DPP, Ginawayan DPP & Nabuctot DPP	14,485,975.53	9,708,027.84	2,684,864.08	100% completed.

SPUG PROJECT STATUS REPORT

As of 31 December 2015

	Project Name/Description	Project Location	Contract Amount	Utilized Amount	For Billing (2016)	Remarks
6	Supply, Delivery, Installation and Test of 60 cu.m., 35 cu.m. and 10 cu.m. Fuel Storage Tank for Various SPUG Areas including Construction of associated facilities for Schedule 3 (Caluya DPP - 2 x 60 cu.m., Pilar DPP - 2 x 60 cu.m. & Gigantes DPP - 1 x 35 cu.m.)	Caluya DPP, Pilar DPP & Gigantes DPP	10,316,625.65	8,804,540.35	1,539,663.62	100% completed.
7	Supply, Delivery, Installation and Test of 60 cu.m., 35 cu.m. and 10 cu.m. Fuel Storage Tank for Various SPUG Areas including Construction of associated facilities for Schedule 5 (Siasi DPP - 2 x 60 cu.m., Sitangkay DPP - 2 x 35 cu.m., Tandubas DPP - 1 x 35 cu.m. & Luuk/Cabungaan DPP - 1 x 10 cu.m.)	Siasi DPP, Sitangkay DPP, Tandubas DPP & Luuk/Cabungaan DPP	13,144,990.17	9,147,971.24	2,763,057.38	100% completed for Siasi, Sitangkay & Tandubas DPP 80% completed for Cabungaan DPP. Note: Transfer of location due to peace and order problem at Luuk Area. Remaining amount will be billed by the Contractor upon completion of the project at Cabungaan DPP
8	1 x 500 cu.m. Fuel Oil Storage Tank for Boac DPP LuzP13Z416Sc	Boac DPP	7,371,527.77	1,105,729.17	6,365,798.60	100% completed.
9	Supply, Delivery and Test of 10 x 300 kW Emergency Diesel Genset for SPUG	Minuyan, Daraga, Zamboanga and Cebu	48,354,706.90	38,152,370.74	5,727,629.26	100% completed.
10	Supply, Delivery and Test of 5 x 600kW Modular Diesel Generating Stes	Minuyan	43,880,000.00	6,582,000.00	37,298,000.00	100% at Indentrade Warehouse due to no available space at Minuyan. Ongoing Site Acceptance Test
11	Supply, Delivery & Test of 22 x 160 kW (200 kVA) and 22 x 80 kW (100 kVA) Calamity Diesel Generating Set	Minuyan, Daraga, Cebu, Zamboanga & Davao	112,699,999.13		112,699,999.13	100% completed.

SPUG PROJECT STATUS REPORT

As of 31 December 2015

	Project Name/Description	Project Location	Contract Amount	Utilized Amount	For Billing (2016)	Remarks
12	Supply, Delivery and Test of 1 x 600kW Modular Diesel Generating Stes (Repeat Order)	Minuyan (delivery site but intended for Camotes DPP)	7,324,100.00		7,324,100.00	100% at Indentrade Warehouse due to no available space at Minuyan. Ongoing Site Acceptance Test
13	Supply, Delivery and Test of 2 x 300 kW Emergency Diesel Genset for SPUG (Repeat Order)	Sto. Niño DPP & Sitangkay DPP	7,266,038.83		7,266,038.83	For Delivery
14	Supply, Delivery & Test of 5 x 160 kW (200 kVA) and 5 x 80 kW (100 kVA) Calamity Diesel Generating Set (Repeat Order)	Minuyan, Cebu & Zamboanga	23,611,776.80		23,611,776.80	100% delivered. Ongoing Site Acceptance Test
15	Flow Meter	SPUG Areas (Luzon, Visayas & Mindanao)	24,888,640.00	24,888,640.00		100% completed.
16	Recloser	SPUG Areas (Luzon, Visayas & Mindanao)	57,934,500.00	57,934,500.00		100% completed.

**SPUG - Mindanao
STATUS OF WORK ORDER
AS OF DECEMBER 31, 2015**

<u>PLANTS</u>	<u>CC No.</u>	<u>WORK ORDER No.</u>	<u>AMOUNT</u>	<u>DESCRIPTION</u>	<u>STATUS</u>
Dinagat DPP	6681026	E775A15 P	254,154.05	Construction of Fuel Catch Basin & Fuel Pipe Line to Pump Motor at New Dinagat DPP	Completed. For Unitization
Dinagat DPP	6681026	E778Z02	887,632.59	Relocation/Transfer of Fuel Tank (Settling & Service Tank)	Completed. For Unitization
Dinagat DPP	6683006	E778A52	2,000,000.00	Construction & Concreting of Access Road	For Bidding
Dinagat DPP	6683006	E779A54	1,499,999.00	Construction of Office & Warehouse	For Bidding
Dinagat DPP	6683006	E779A55	896,000.00	Construction of Retrofitting of Perimeter Fence, West Side	For Bidding
Dinagat DPP	6683006	E779A57	2,240,000.00	Installation of Rock Wall/ Pavement Fuel Containment Wall	For Bidding
Pangutaran DPP	6682006	E776A13	7,644,087.44	Construction of Power Facilities (2 x 300KW Gensets)	Substantially Completed
West Simunul DPP	6682096	E778A21	401,071.43	Installation of Fire Hydrant Beside Fuel Storage Tank	Completed. For Unitization
Siasi DPP	6682116	E778A15	154,470.00	Renovation of Workshop and Provision of Shelves	Completed.
Siasi DPP	6682116	E778A22	271,387.73	Provision of Concrete Wall for Perimeter Fence a the Rear Side	Completed.
Siasi DPP	6682116	E778A23	270,308.75	Construction of Function Room	Completed.
Siasi DPP	6682116	E778A30	194,178.57	Construction of Oil/Water Separator	Completed.
Siasi DPP	6682116	E779A28	3,600,000.00	Installation of OverHead Crane	For Bidding
Siasi DPP	6682116	E779A29	671,999.00	Concreting of Two Sides Perimeter Fence	For Bidding
Sacol DPP	6682127	E776A01	41,710.46	Construction of Perimeter Fence	Completed.
Sacol DPP	6682127	E776A02	9,821.43	Drilling of Water System	Completed.

**SPUG - Mindanao
STATUS OF WORK ORDER
AS OF DECEMBER 31, 2015**

<u>PLANTS</u>	<u>CC No.</u>	<u>WORK ORDER No.</u>	<u>AMOUNT</u>	<u>DESCRIPTION</u>	<u>STATUS</u>
Sacol DPP	6682127	E778A26	352,026.93	Construction of Elevated Water Tank	Completed. For Unitization
Sacol DPP	6682127	E778A27	202,581.23	Construction of Stock Room/ Stock House	Completed. For Unitization
Sacol DPP	6682127	E779A31	806,404.00	Construction of Access Road	For Bidding
Sacol DPP	6682127	E779A32	464,800.00	Construction of Guard House	For Bidding
Sacol DPP	6682127	E779A67	392,000.00	Construction of Rain Water Collector	For Bidding
Tandubanak DPP	6682128	E775A41	15,625.00	Construction of Working Area	Completed. For Unitization
Tandubanak DPP	6682128	E779A33	1,200,000.00	Expansion of Power House for New Gensets	For Bidding
Tandubanak DPP	6682128	E779A34	600,000.00	Construction of Control Room	For Bidding
Tandubanak DPP	6682128	E779A35	975,000.00	Construction of Fuel Catch Basin with Storage Tank Foundation	For Bidding
Kalamansig DPP	6683016	E778A04	203,795.23	Construction of Concrete Pavement for Lube Oil Storage	Completed. For Unitization
Kalamansig DPP	6683016	E778A13	77,314.86	Construction of Concrete Pavement for Fuel Delivery	Completed. For Unitization
Kalamansig DPP	6683016	E779A45	3,920,000.00	Supply/Delivery/Installation, Test & Commissioning of 1,500KVA Power Transformer	For Bidding at HO
Kalamansig DPP	6683016	E779A46	5,040,000.00	Supply/Delivery/Installation, Test & Commissioning of 2,500KVA Power Transformer	For Bidding at HO
Kalamansig DPP	6683016	E779A48	336,000.00	Construction of Workshop Extension	For Bidding
Ninoy Aquino DPP	6683026	E778A08	128,799.74	Construction/Fab./Inst. Of 10KL Fuel Storage Tank to 23 KL Fuel Storage Tank	Completed. For Unitization
Power Barge 119	5885093	E779A01	531,200.00	Installation of Shade/Roof Along Barge Hull	For Bidding
Power Barge 119	5885093	E779A48	500,000.00	Supply & Installation of Rocker Arm Lube Oil Storage Tank & Pipings	For Bidding

**SPUG - Mindanao
STATUS OF WORK ORDER
AS OF DECEMBER 31, 2015**

<u>PLANTS</u>	<u>CC No.</u>	<u>WORK ORDER No.</u>	<u>AMOUNT</u>	<u>DESCRIPTION</u>	<u>STATUS</u>
WMOD Office	6682006	E779A05	168,000.00	Supply of Thermal Imaging Tools w/ Product Demo	For Bidding
Basilan DPP	6682016	E779A07	350,000.00	Const. & Extension of Guard House	For Bidding
Bongao DPP	6682036	E779A11	728,000.00	Construction of 100KL Rain Water Tank	For Bidding
Bongao DPP	6682036	E779A12	2,940,000.00	Purchase of Transformer	For Bidding at HO
Bongao DPP	6682036	E779A13	3,024,000.00	Purchase of Cable Wire	For Bidding at HO
Tandubas DPP	6682046	E779A14	896,000.00	Construction of Operators Quarter	For Bidding
Tandubas DPP	6682046	E779A15	560,000.00	Concreting of Power Plant Pathways & Working Area & Riprapping of Rear Portion of the Power House	For Bidding
Sitangkai DPP	6682076	E779A18	335,950.00	Construction of Office & Personnel Quarter	For Bidding
Balimbing DPP	6682216	E779A36	800,000.00	Construction of Perimeter Fence for Fuel Storage Tank	For Bidding
Balimbing DPP	6682216	E779A38	3,920,000.00	Construction of Fuel Storage Tank w/ Pump House & Water Separator	On - going
Balimbing DPP	6682216	E779A39	1,120,000.00	Power Cables	For Delivery
EMOD Office	6683006	E779A43	493,937.00	Construction of Office Extension	For Bidding
EMOD Office	6683006	E779A44	390,960.00	Construction of Garage of EMOD	For Bidding
Balut DPP	6683066	E779A61	500,000.00	Construction of Additional Perimeter Fence	For Bidding
			<u>53,009,214.44</u>		

**Dams Management Department
Major Targets and Accomplishments for CY 2015**

NO.	PROGRAM COMPONENTS/ ACTIVITIES	Rel. Wt		2015												Status as of	
				JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	31-Dec-15	
1)	Dam Integrity Inspections:	12%	12.00%														Completed
	Ambuklao-Binga																
	San Roque																
	Angat																
	Caliraya-Lumot																
2)	PSALM Initiated Dam Inspection	2%	2.00%														Completed
	Amlan																
	Buhi-Barit and Cawayan																
	Loboc																
3)	Information Educational Campaign (IEC)	10%	10.00%														Completed
	Ambuklao-Binga																
	San Roque																
	Angat																
	Caliraya- Lumot																
Dams, Reservoir and Waterways Division (DRWD)																	
4)	Monitoring , Surveillance & Analysis of dams/reservoir and non-power components instrumentations.	9%	9.00%														Continous Activity
5)	Reservoir Monitoring	9%	9.00%														Continous Activity
6)	Deformation Survey:	2%	1.00%														1st Sem Completed
	Caliraya Dam and Lumot Dam & Dykes																
7)	Bathymetric Survey Caliraya Reservoir	5%	5.00%														Completed
8)	Maintenance Clearing of NPC Managed Dams:																Completed
	Caliraya and Lumot Dams and Dykes	3%	3.00%														
9)	Caliraya Dykes Improvement Project	4%	1.00%														Pending due to overlap DPWH Road Expansion Project
	9.1 Construction of Wave Breaker Wall at West Dyke																
	9.2 Procurement and Installation of Buoy and Signages at Caliraya and Lumot Dam & Dykes (CLWEC)																
10)	Drafting of Proposed Dam Regulatory Bill (PNCOLD with other partner agencies and stakeholders)	10%	10.00%														Completed

WATERSHED MANAGEMENT DEPARTMENT (WMD)

I. **Watershed Rehabilitation.** Established a total of 982 hectares of open and denuded areas in various NPC-managed watersheds nationwide through reforestation, agro forestry and non-timber forest resources management. This translates to an average of 500,000 seedlings of indigenous forest and fruit bearing tree species and other non-timber forest products such as rattan, abaca, coffee, etc. As of December 31, 2015, a total of 4,170 hectares were rehabilitated under the Universal Charge-Environmental Charge (UC-EC) fund.

- In addition, cooperative tree planting in partnership with various groups, with a total of 47.26 has. were also undertaken in 2015. The Philippine Postal Corporation, Jollibee, Lions Club of Norzagaray, Aboitiz Power Renewables, Inc. (APRI), AKO BIKOL Partylist, CFC Handmaid of the Lord, and Central Bicol State University of Agriculture were among political parties, academe and private companies which participated in the rehabilitation program.

Table 1. List of Rehabilitation Accomplishments for CY 2015

Watershed Areas	Areas Rehabilitated (ha)		
	UC-EC Funded	Cooperative Planting	Total
North Luzon Watershed Area Operations			
Angat	100.00	5.76	105.76
Upper Agno River	107.00	-	107.00
San Roque	50.00	-	50.00
Pantabangan	80.00	-	80.00
South Luzon Watershed Area Operations			
Caliraya-Lumot	50.00	3.00	53.00
Makiling-Banahaw	10.00	3.73	13.73
Buhi-Barit	80.00	6.00	86.00
Tiwi	40.00	11.76	65.00
Mindanao Watershed Area Operations			
Pulangui	110.00	-	115.00
Lake Lanao	325.00	17.01	342.01
TOTAL	952.00	47.26	1,017.46

- In support to various rehabilitation projects and other environmental commitments of local groups to plant trees, WMD has embarked on the propagation/production of forest and fruit bearing trees for dispersal. A total of 328,203 seedlings were propagated and/or produced for landholdings development and greening projects in partnership with other groups.

II. Watershed Protection

- Intensification of watershed protection and law enforcement campaign have been undertaken in the 11 NPC-managed watershed reservation. Embarked on a community-based approach, the 11 Bantay Watershed Groups comprised of 730 volunteers are in the forefront of our Bantay Watershed Task Force. As a result, a total of 15,600.66 bd.ft of forest products were seized and apprehended.

Table 2. List of Result of Bantay Gubat Program

Apprehended Items	Quantity
Forest Products (lumber, fuelwood, charcoal)	15,600.66 bd.ft
Chainsaw	8 units
Conveyances	
Truck, Tamaraw fx, tricycle etc.	6 units
Boat	6 units
Animal	1 head
Tools	4 pcs.

Table 3. Volume of Apprehended Forest Products per Area Team

Watershed Areas	Total (Bd.ft)
North Luzon Watershed Area Operations	
Angat	3,844.09
Upper Agno River	1,032.00
San Roque	1,272.00
South Luzon Watershed Area Operations	
Caliraya-Lumot	1,737.80
Buhi-Barit	1,785.70
Tiwi	5,929.07
TOTAL	15,600.66

The success of joint patrol operations will not be realized without the active involvement of the following different military contingents (Philippine Army) and Philippine National Police:

Table 4. List of Military Contingents Involved in Bantay Watershed Task Force

Military/PNP	Area
PNP –Malinao, PNP –Tiwi	Tiwi Geothermal Reservation
PNP-Buhi	Buhi Geothermal Reservation
Phil. Coast Guard, PPSC, SRPC Security Grp	San Roque Watershed Reservation
202 nd Infantry (Unifier) Brigade, 2ID, Philippine Army	Caliraya-Lumot Watershed Reservation
2 nd Infantry (Jungle Fighter) Division, Philippine Army	Mak-Ban Geothermal Reservation
48 th Infantry Brigade, 1ID, Philippine Army	Angat Watershed Reservation
51 st Infantry Brigade, Philippine Army	Pulangui-Talomo
PNP-Bokod, PNP-Itogon, PNP-Kabayan	Upper Agno Watershed Reservation

- Aerial surveillance

Conducted aerial surveillance in Angat Watershed Reservation to have an aerial view of the reservation and validate hotspots. Observations results are considered in forest protection program.

- The National Power Corporation, with President & CEO, Ma. Gladys Cruz-Sta.Rita at its helm, continuously spearheaded the mobilization of Caliraya-Lumot Watershed Ecological Community (CLWEC), an organization of various stakeholders (NPC, CBK Power Company Ltd., DENR, LGUs and resort owners). The initiatives resulted to launching of Caliraya-Lumot Watershed Eco-Park and draft Lake Safety Protocol which aims to promote responsible travel among tourists and promote different attractions inside and around the watershed reservation.

III. Corporate Social Responsibility Program

- Donation of 3,313 bd. ft. of forfeited forest products were donated to various primary schools in Angat, Bulacan, Tiwi and Malinao, Albay and Buhi, Camarines Sur, for use in the construction of Reading Center, refurbishing of school building and construction of classroom tables and chairs.
- A total of 414 gilts were dispersed in Tiwi and Malinao (394 gilts), Bokod, Itogon and Kabayan, Benguet (20gilts) in 2015.
- A total of eight (8) trainings were conducted to increase capability of NPCs' stakeholders. These trainings pertains to law enforcement and fire suppression and disaster risk reduction detailed as follows :
 - Basic Forest Fire Behavior & Suppression
 - Forest Law Enforcement
 - Disaster Risk Reduction and Management and Climate Change Adaptation
 - Sustainable Forest Management & Ecological Solid Waste
 - Bamboo Production and Management
 - Coco by-product Processing

NPC also extends its expertise in the field watershed management in LGUS as resource speakers to capacity building training programs of LGUs, academe, and other sectors.

IV. Information Education Campaign

- **Batang Kalikasan**

Batang Kalikasan-Youth Environmental Champions ((BK-YEC) was continuously mobilized in Caliraya, Tiwi, and Bukidnon, San Roque, Pantabangan. BK-YEC members were involved in Power Caravan, tree planting activities, and were given leadership training to become effective partners in watershed management.

In Buhi for instance, three (3) schools namely San Rafael Elementary School, St. Bridget School signed a Memorandum of Agreement with NPC to effect the “One Student – One Tree Policy”.

- **Production of IEC materials/Broadcast/ Radio Lakbay Aral**

Various information drive in the form of school lectures and film showing (17), 4,854 pcs of leaflets/folders/calendars production and poster making contest were undertaken.

To cover a wider range and give timely information, Tiwi and Buhi areas also conducted radio plugging in local stations at least 7 spots daily.

Lakbay Aral or cross farm visits were also conducted to facilitate sharing of experience and draw inspiration from other cooperators and partners.

V. Community Development & Extension

Indigenous Peoples/Indigenous Cultural Communities

- Most of the NPC-managed watersheds have indigenous peoples/indigenous cultural communities. Aside from respecting their cultural practices and beliefs, NPC also provide assistance with them for their economic well-being.

In Angat, at least 300 families of Dumagats were granted gratuitous permit to harvest minor forest products and catch fish to approximately amounting to PhP 5,172,475.00. The following minor forest products and fish caught are either used for domestic or are sold.

Table 5. Estimated Cost and Volume of Minor Forest Products and other Resources harvested by Dumagats at Angat

Minor Forest Products	U/M	Qty	Farm Gate Price	
			U/P	TOTAL
Bamboo (Boho)	poles	100,000	15.00	1,500,000.00
Bamboo (Bocau)	poles	75,000	10.00	750,000.00
Rattan	Lin.m	83,000	10.00	830,000.00
Vines (hingiw,gugo)	kg	10,000	15.00	150,000.00
Wood debris	sack	2,000	150.00	300,000.00
Fisheries/Aquaculture				
Fish	kg	6,000*	55.00	330,000.00
			TOTAL	3,860,000.00

*Total fish caught recorded = 29,845 kg

In addition, Angat WAT and Lake Lanao continued seeding of the lake/ reservoir totalling to about 252,660 fingerlings of tilapia.

Likewise, in Bokod and Itogon, Benguet, at least 127 families of Ibaloi, Kankanaey, Ikarao, and Kalanguya were aided to develop their farm with coffee. To

further strengthen them, they were then organized into Cobabeng Bobok Arabica Planters Association, Inc.

In Bicol Region, at least 30 families of Agta (Tabagnon) were employed as laborers in various reforestation and construction projects.

Down south, at least 200 families of Talaandigin Bukidnon are cooperators-beneficiaries of various agroforestry projects.

Livelihood Training

- Various livelihood trainings to communities supporting and helping NPC in its mission to protect its watershed reservations. A total of 13 livelihood training were conducted such as the following:
 - Mango & Ube Production Technology
 - Organic Fertilizer
 - Coffee arabica Propagation and Plantation Establishment
 - Meat Processing
 - Bamboo Production(Nursery Operation & Plantation Establishment)
 - Good Sloping Agricultural Practices

Structural rehabilitation

- Also, structural rehabilitation measures of about 1,450 m³ of rip-rap, and or silt deposit catchment with side slope riprap protection were constructed in Tiwi (500m³), Buhi (500m³) and Pulangui (450 m³) to stabilize slope, minimize soil erosion and siltation.

VI. Ecotourism

Angat Rainforest Eco-Park (AREP)

A year after the Angat Rainforest Eco-park was launched, Angat Watershed Area Team continued to develop and maintain the Manalo and Tarictic Trails. Aside from these known trails, a bambusetum and genebank (of assorted indigenous tree species and fruit bearing trees) were established, and landscaping of viewdeck were realized as added attractions to AREP. To date, a total of 5,284 visitors were recorded.

Caliraya-Lumot Watershed Eco-Park

With the support of CLWEC members, the Caliraya-Lumot Eco-park was finally launched last December 4, 2015. The event was also culminated by the opening of Caliraya-Lumot Watershed Eco-center in Brgy. Caliraya, Lumban, Laguna. The Eco-center resembles the OTOP (One Town-One Product program) and which showcases different products (Barong in Lumban, food items/delicacies, native hat (made of pandan) of Cavinti) and attractions of (Twin Falls of Cavinti, Spillway of Lumban) and recreational resorts.

POWER ENGINEERING SERVICES

Major Targets and Accomplishments for 2015

As of 31 December 2015

Item No.	Project Title	Work Order No.	STATUS/ACCOMPLISHMENT
TRANSMISSION LINE PROJECTS			
1.	Mobo-Aroroy "3" 69kV T/L Rehabilitation Project	I315A01	100% completed. - Joint Final Inspection conducted 28-30 September 2015. Remaining punchlist items are attributed to ROW Issues.
2.	Remaining Works for Puerto Princesa-Roxas 138KV T/L Project (5 kms.)	J301A06	100% completed. - Joint Final Inspection conducted 04 – 18 December 2015. Remaining works is conduct of ROW Clearing.
3.	Mobo-Aroroy "1" & "2" 69kV T/L Project (32.59 kms.)	1315A02	On-going implementation, 49.18% complete. - Per NPC Board approved Completion Extension, the revised completion is 04 February 2016.
4.	Mobo-Cataingan "1" & "2" 69KV T/L Project, Schedule 1 (34.0 kms.)	1321A01	On-going implementation, 96.80% complete.
5.	Mobo-Cataingan "1" & "2" 69KV T/L Project, Schedule 2 (42.0 kms.)	1321A02	On-going implementation, 90.96% complete.
6.	Codon-Virac 69KV T/L Project (31.28 kms.)	I323A01	On-going implementation, 85.85% complete. - Due to approved Contract Suspension/Resumption, Revised Contract Expiry is on 12 February 2016.
7.	Mamburao-Sabluyan-Ligaya 69KV T/L Rehabilitation Project (87.00 kms.)	F302A01	On-going implementation, 80.97% complete. - 53.80 km. out of 87 km. already strung/energized.
SUBSTATION PROJECTS			
1.	Virac (Marinawa) 69KV S/S Project (10 MVA)	I304A01	On-going implementation, 78.65% complete.
CAPACITY ADDITION PROJECTS			
1.	Supply, Delivery, Installation, Test & Commissioning of 14 x 600 KW Gensets for Various SPUG Areas	E800A01	100% completed. - NPC is holding in abeyance the payment of billings/claims for the Contract unless all pending issues are resolved.

2.	Supply, Delivery, Installation, Test & Commissioning of 300 KW and Below Gensets for Various SPUG Areas	I601A01	On-going implementation, 82.71% complete. - 25 gensets already delivered at site. 21 out of 25 gensets already installed. Only 1 out of 6 plants with T&C conducted is partially completed. Contractor to re-submit revised schedule of Pre-Test/ Testing & Commissioning.
3.	Supply, Delivery, Installation, Test and Commissioning for 10 x 600 KW Modular Gensets for Various SPUG Areas	K606A01	On-going implementation, 80.53% complete. - 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 works of punchlisted items.
4.	Supply , Delivery, Installation, Test and Commissioning for 3 x 1,000 KW and Below Genset for Various SPUG Areas	I800A01	On-going implementation, 96.00 % complete. - All activities completed. For replacement of defective deep sea controller and faulty transformer regulator by the manufacturer.

PLANT/FACILITIES BETTERMENT PROJECTS

1.	Restoration of Mindanao Generation Building	K999Z18	100% Completed. - Certificate of Final Completion (Provisional Acceptance) already approved.
2.	Renovation of CMTSD Building	B185I02	100% Completed. - Certificate of Final Completion (Provisional Acceptance) already approved.
3.	Supply and Installation of Hoisting Structure at Agus 2 HEP Spillway Project	B110J28	On-going implementation, 79.63% complete. - Contractor's request for Contract Time Suspension due to peace and order situation at project site is under evaluation by NPC.
4.	Construction of Upstream Barrier Protection for Agus 6 HEP	B150A92	On-going implementation, 27.37% complete. - Contractor is requesting for Contract Time Extension due to additional/extra works, unfavorable weather condition , inaccessible road leading to project site, etc.

**POWER ENGINEERING SERVICES
PROJECT STATUS REPORT
AS OF DECEMBER 31, 2015**

PROJECT IMPLEMENTING GROUP CLUSTER A:

Project: Rehabilitation of Mobo-Aroroy "3"
69 KV Transmission Line Project Cost: P 41,927,990.23

Location: Masbate Fund Source/s: NCA 2013 (SARO)

Implementing Agency/ies: National Power Corporation

Development Partners: N/A

Contractor/Supplier: Power Dimension Inc. (PDI)

Brief Description of Project: 10.83 km., 69 kV

Project Details:

Project Date			Project Status				Remarks
Duration	Started	Target Date of Completion	Percentage of Completion	As of (Date)	Cost Incurred to Date	Date Completed	
180 Calendar Days +40 C.D. Time Extension	2-Jul-13	4-Feb-16	100.00%	31-Dec-15	34,347,347.41	N/A	- 36 out of 54 punchlist items already corrected/rectified by the contractor. - 2nd Joint Final Inspection (JFI) was conducted 1-4 December 2015. - There are 18 remaining punchlist items under NPC scope (demolition of houses) for compliance. 8 Disbursement Voucher (DV) Claims are still for audit, while 10 Claims are for DV preparation. - Contract expired 06 February 2014.

Project: Service Contract for the Investigation (Route) and Parcellary Survey of Abo-Abo-Quezon-Rizal 69kV Transmission Line and Switching Station Cost: P 5,179,000.00

Location: Palawan Fund Source/s: NCA 2013 (SARO)

Implementing Agency/ies: National Power Corporation

Development Partners: N/A

Contractor/Supplier: RASA Surveying and Realty

Brief Description of Project: 78 km., Survey Activities

Project Details:

Project Date			Project Status				Remarks
Duration	Started	Target Date of Completion	Percentage of Completion	As of (Date)	Cost Incurred to Date	Date Completed	
210 Calendar Days	5-Nov-13	23-May-14	83.52%	31-Dec-15	1,553,700.00	N/A	- Conduct of Parcenary Survey activities completed. Finalization of outputs (Index Maps & Subdivision Plans) cannot be completed due to lacking data/ attachments (i.e. Lot No./Tax Declaration/TCT/OCT/TD) that need to be secured from other gov't. agencies (ROD, Assessors Office, LMB, etc.). - Contract expired last 23 May 2014.

Project: Mobo-Cataingan "1" & "2" 69 kV Transmission Line Project, Schedule II

Cost: P 108,645,214.00

Location: Masbate

Fund Source/s: NCA 2013 (SARO)

Implementing Agency/ies: National Power Corporation

Development Partners: N/A

Contractor/Supplier: Power Dimension Inc. (PDI)

Brief Description of Project: 42 km., 69 kV

Project Details:

Project Date			Project Status				Remarks
Duration	Started	Target Date of Completion	Percentage of Completion	As of (Date)	Cost Incurred to Date	Date Completed	
210 Calendar Days	10-Jun-14	25-Feb-15	90.96%	31-Dec-15	71,650,387.04	N/A	On-going contract implementation. - Delivery of 574 Poles, 100% complete. 527 Poles already erected. - Late delivery of Concrete and Steel Poles, minor ROW problems with landowners/tenants and lack of Cutting Permit affected the progress of implementation works.

Note: Previous entry is 93.52% for Percentage of Completion.
 Updated/revised to reflect actual accomplishment.

Project: Construction for the Remaining Works of Puerto Princesa - Roxas 138 kV T/L Project **Cost:** P 29,447,000.00

Location: Palawan **Fund Source/s:** NCA 2014 (SARO)

Implementing Agency/ies: National Power Corporation

Development Partners: N/A

Contractor/Supplier: SL Development Construction Corporation

Brief Description of Project: 5 km., 138 kV

Project Details:

Project Date			Project Status				Remarks
Duration	Started	Target Date of Completion	Percentage of Completion	As of (Date)	Cost Incurred to Date	Date Completed	
120 Calendar Days	17-Apr-15	9-Dec-15	100.00%	31-Dec-15	5,437,263.30	N/A	<p>- Joint Final Inspection conducted on 14-18 December 2015. On-going conduct of rectification works for 47 identified punchlist items.</p> <p>- Revised Contract Expiry is 09 December 2015 due to the approved Suspension of Work, effective 06 July to 27 October 2015, due to the delayed approval of Application for Special Land-use Permit (SLUP) with Tree Cutting Permit and Forest Land-use Agreement with Road Right-of-Way (FLAg-RRW) with Tree Cutting Permit.</p>

Project: Supply, Delivery, Installation, Test and Commissioning of 3 x 1,000 KW Generator Sets for Marinawa **Cost:** P 47,364,579.89

Location: Catanduanes **Fund Source/s:** NCA 2013 (SARO)

Implementing Agency/ies: National Power Corporation
Development Partners: N/A
Contractor/Supplier: Frontier Power Tech. and Allied Services
Brief Description of Project: 3.0 MW (3 Units - 1,000 KW D/G Sets)

Project Details:

Project Date			Project Status				Remarks
Duration	Started	Target Date of Completion	Percentage of Completion	As of (Date)	Cost Incurred to Date	Date Completed	
240 Calendar Days	22-Apr-14	17-Dec-14	96.00%	31-Dec-15	-	N/A	<ul style="list-style-type: none"> - Delivery and installation of 3 genset units already completed. - Contract expired last 17 December 2014. -Delays attributed to Contractor's failure to immediately commence works at project site and late delivery of major equipment. - Pre-Test activities were not completed due to defective Voltage Transformer and Control Module. Replacement parts will be sourced from the manufacturer in China.

Project: Supply, Delivery and Construction of Codon - Virac 69 kV T/L Project **Cost:** P 251,902,939.50

Location: Catanduanes **Fund Source/s:** NCA 2014 (SARO)

Implementing Agency/ies: National Power Corporation
Development Partners: N/A
Contractor/Supplier: SL Development Construction Corporation
Brief Description of Project: 31.28 km., 69 kV

Project Details:

Project Date			Project Status				Remarks
Duration	Started	Target Date of Completion	Percentage of Completion	As of (Date)	Cost Incurred to Date	Date Completed	
300 Calendar Days	27-Jan-15	12-Feb-16	85.85%	31-Dec-15	171,318,188.64	N/A	- On-going implementation. - Revised Contract Expiry is 12 February 2015 due to the approved Work Suspension effective 07 August to 27 October 2015, due to issue on peace and order.

Project: Supply, Delivery and Construction of Virac (Marinawa) 69 kV S/S Project

Cost: P 134,996,496.06

Location: Catanduanes

Fund Source/s: NCA 2014 (SARO)

Implementing Agency/ies: National Power Corporation

Development Partners: N/A

Contractor/Supplier: Power Dimension Inc. (PDI)

Brief Description of Project: 10 MVA

Project Details:

Project Date			Project Status				Remarks
Duration	Started	Target Date of Completion	Percentage of Completion	As of (Date)	Cost Incurred to Date	Date Completed	
270 Calendar Days	27-Apr-15	1-Jan-16	78.65%	31-Dec-15	53,230,445.76	N/A	- On-going implementation. - Delays attributed to the Contractor's insufficient manpower, Logistical support and issues on electrical equipment.

Project: Service Contract for the Parcenary Survey of Lots affected by the Existing Narra-Brookes Point 69 kV T/L Project

Cost: P 2,586,980.00

Location: Palawan

Fund Source/s: NCA 2014 (SARO)

Implementing Agency/ies: National Power Corporation

Development Partners: N/A

Contractor/Supplier: Thetan Computerized Mapping & Engineering Services

Brief Description of Project: Parcellary Survey Services

Project Details:

Project Date			Project Status				Remarks
Duration	Started	Target Date of Completion	Percentage of Completion	As of (Date)	Cost Incurred to Date	Date Completed	
140 Calendar Days	28-Nov-14	16-Apr-15	87.00%	31-Dec-15	N/A	N/A	- Conduct of Parcellary Survey activities completed. Finalization of outputs (Index Maps & Subdivision Plans) cannot be completed due to lacking data/attachments (i.e. Lot No./Tax Declaration/TCT/OCT/TD) that need to be secured from other gov't. agencies (ROD, Assessors Office, LMB, etc.). - Contract expired last 16 April 2015

Project: Geological/Geotechnical Investigation for Roxas-Taytay 69 kV T/L

Cost: P 3,351,598.74

Location: Palawan

Fund Source/s: NCA 2014 (SARO)

Implementing Agency/ies: National Power Corporation

Development Partners: N/A

Contractor/Supplier: Universal Testing Laboratory & inspection, Inc.

Brief Description of Project: Geological/Geotechnical Investigation Services

Project Details:

Project Date			Project Status				Remarks
Duration	Started	Target Date of Completion	Percentage of Completion	As of (Date)	Cost Incurred to Date	Date Completed	
180 Calendar Days	19-Nov-14	17-May-15	100.00%	31-Dec-15	502,739.81	17-May-15	- Conduct of Geological/ Geotechnical Investigation activities completed. Final Report already submitted.

								- Contractor required to submit required supporting documents for the payment of Final Billing claim
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Project: Investigation (Route) Parcellary Survey for Taytay-El Nido 69 kV T/L

Cost: P 3,836,600.00

Location: Palawan

Fund Source/s: NCA 2014 (SARO)

Implementing Agency/ies: National Power Corporation

Development Partners: N/A

Contractor/Supplier: AB Surveying & Development

Brief Description of Project: Route and Parcellary Survey

Project Details:

Project Date			Project Status				Remarks
Duration	Started	Target Date of Completion	Percentage of Completion	As of (Date)	Cost Incurred to Date	Date Completed	
120 Calendar Days	19-May-15	15-Sep-15	82.94%	31-Dec-15	1,150,800.00	N/A	- Investigation/Plan & Profile Survey 100% completed. - Spotting of Pole Sites 100% completed. - On-going finalization of report/output.

Project: Service Contract for Geological Investigation for Abo-Abo-Quezon-Rizal 69 kV T/L

Cost: P5,122,611.42

Location: Palawan

Fund Source/s: NCA 2014 (SARO)

Implementing Agency/ies: National Power Corporation

Development Partners: N/A

Contractor/Supplier: RS Jardin & Associates

Brief Description of Project: Geological Works/Investigation

Project Details:

Project Date			Project Status				Remarks
Duration	Started	Target Date of Completion	Percentage of Completion	As of (Date)	Cost Incurred to Date	Date Completed	
185 Calendar Days	7-Aug-15	7-Feb-16	80.14%	31-Dec-15	N/A	N/A	- Conduct of Soil Investigation 100% completed. - On-going conduct of Geo-mapping along T/L Route.

PROJECT IMPLEMENTING GROUP CLUSTER B:

Project: 138 kV Steel Tower and Steel Pole for Taguilan, Colonia and San Agustin River Crossing

Cost: P 23,714,937.00

Location: Occidental Mindoro

Fund NCA 2013 (SARO)

Source/s:

Implementing Agency/ies: National Power Corporation

Development Partners: N/A

Contractor/Supplier: SL Development Construction Corporation

Brief Description of Project: 3.81 km., 138 kV

Project Details:

Project Date			Project Status				Remarks
Duration	Started	Target Date of Completion	Percentage of Completion	As of (Date)	Cost Incurred to Date	Date Completed	
150 Calendar Days - with 87 C.D. Time Suspension/ Resumption	3-Feb-14	26-Sep-14	100%	31-Dec-15	23,436,867.10	26-Sep-14	-Completed. - Certificate of Taking-over already approved by the end-user. - Certificate of Final Completion already issued to the Contractor. - Turn-over of Operation to SPUG per memo dated 08 January 2015. - Final Billing Claim already processed.

Project: Mamburao - Sablayan - Ligaya 69 kV
T/L Rehabilitation Project

Cost: P 155,678,900.00

Location: Occidental Mindoro

Fund Source/s: NCA 2013/2014 (SARO)

Implementing Agency/ies: National Power Corporation

Development Partners: N/A

Contractor/Supplier: D. M. Consunji, Inc. (DMCI)

Brief Description of Project: 62.63 km., 69 kV

Project Details

Project Date			Project Status				Remarks
Duration	Started	Target Date of Completion	Percentage of Completion	As of (Date)	Cost Incurred to Date	Date Completed	
360 Calendar Days	2-Mar-15	23-Feb-16	80.97%	31-Dec-15	53,546,208.49	N/A	<p>- Stage 1 (31.30 km.) energized on 22 September 2015.</p> <p>-Section of Stage 2, from Brgy. Pag-asa, Sablayan to Tower MSJ-308 at Brgy. Barahan, Sta. Cruz, (22.5km) was energized last 03 December 2015.</p> <p>- On-going Extraction/Erection of Pole Structures for Stage 2 (55.70 km.).</p> <p>- Delays attributed to limited activities in some areas due to the rice harvest season and shallow ground water for 1 tower site.</p>

Project: Service Contract for the Parcellary Survey of Remaining Lots affected by the existing Calapan - Bansud 69 kV T/L

Cost: P 3,832,999.99

Location: Oriental Mindoro

Fund Source/s: NCA 2014 (SARO)

Implementing Agency/ies: National Power Corporation

Development Partners: N/A

Contractor/Supplier: A.D. Taccad Surveying Services

Brief Description of Project: Parcellary Survey Services

Project Details:

Project Date			Project Status				Remarks
Duration	Started	Target Date of Completion	Percentage of Completion	As of (Date)	Cost Incurred to Date	Date Completed	
140 Calendar Days	14-Nov-14	2-Apr-15	95.00%	31-Dec-15	974,371.81	N/A	- Completed consolidation of data, i.e. certified copies of cadastral maps, TCT/OCT, NTD, TD, etc., for lots affected by the T/L route as final output of the Parcellery services - Completed rectification of inconsistencies/ errors discovered after validation of the submitted drawings/ end products. - Contract expired last 02 April 2015.

Project: Construction of New Mooring Facilities for PB-120 at Balanacan Port **Cost:** P 27,878,682.28

Location: Mogpog, Marinduque **Fund Source/s:** ICG

Implementing Agency/ies: National Power Corporation

Development Partners: N/A

Contractor/Supplier: HG-III Construction and Development Corporation

Brief Description of Project: Construction of new Mooring Facilities

Project Details:

Project Date			Project Status				Remarks
Duration	Started	Target Date of Completion	Percentage of Completion	As of (Date)	Cost Incurred to Date	Date Completed	
120 Calendar Days	9-Oct-15	5-Feb-16	22.64%	31-Dec-15	N/A	N/A	On-going implementation. - Delays attributed to the Contractor's late mobilization at project site. Typhoons (Nona and Onyok) hindered the embarkation of the power barge from the Port of Manila.

								- Power barge arrived at Mogpog, Marinduque on 29 December 2015.
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PROJECT IMPLEMENTING GROUP CLUSTER C:

Project: Restoration of Mindanao Generation Building Cost: Original: P 99,999,999.40
With Variation: P 104,523,659.10

Location: Ditucalan, Iligan City Fund Source/s: OMA/PSALM

Implementing Agency/ies: National Power Corporation

Development Partners: N/A

Contractor/Supplier: JV of MRRM Trading & Const. & R.R. Encabo Constructors Inc.

Brief Description of Project: Restoration/Construction

Project Details:

Project Date			Project Status				Remarks
Duration	Started	Target Date of Completion	Percentage of Completion	As of (Date)	Cost Incurred to Date	Date Completed	
240 Calendar Days + 56 C.D. Time Extension - with 87 C.D. Time Suspension/Resumption	14-Nov-13	1-Dec-14	100%	31-Dec-15	104,523,659.10	15-Dec-14	- Completed. -Certificate of Final Completion (Provisional Acceptance) already approved. - Revised Contract expiry is 01 December 2014. - Corrected As-Built Drawings re-submitted by the Contractor.

Project: Rehabilitation/Renovation of CMTSD Building Cost: P 36,209,978.00

Location: Ditucalan, Iligan City Fund Source/s: OMA/PSALM

Implementing Agency/ies: National Power Corporation

Development Partners: N/A

Contractor/Supplier: MRRM Trading & Const.

Brief Description of Project: Rehabilitation/Renovation

Project Details:

Project Date			Project Status				Remarks
Duration	Started	Target Date of Completion	Percentage of Completion	As of (Date)	Cost Incurred to Date	Date Completed	
180 Calendar Days - with 48 C.D. Time – - Suspension/ Resumption 42 C.D. Time Extension	25-Mar-14	19-Dec-14	100%	31-Dec-15	30,326,035.89	9-Jan-15	Completed. - Certificate of Final Completion (Provisional Acceptance) already approved. - Revised Contract Expiry is 19 December 2014. - On-going preparation of As-Built Drawings by the Contractor.

Project: Supply, Delivery, Installation, Test and Commissioning of 10 x 600 KW Modular Generator Sets for Various SPUG Areas **Cost:** P 77,471,398.80

Location: Palawan/Masbate/Surigao Del Norte/Sultan Kudarat/Tawi-Tawi **Fund Source/s:** NCA 2013 (SARO)

Implementing Agency/ies: National Power Corporation
Development Partners: N/A
Contractor/Supplier: Thermo Power Incorporated (TPI)
Brief Description of Project: 6.0 MW (10 Units - 600 KW D/G Sets)

Project Details:

Project Date			Project Status				Remarks
Duration	Started	Target Date of Completion	Percentage of Completion	As of (Date)	Cost Incurred to Date	Date Completed	
240 Calendar Days	4-Mar-14	29-Oct-14	80.53%	31-Dec-15	11,620,709.82	N/A	- 7 out of 10 Gensets already mounted/ installed. Test and Commissioning (T&C) activities already conducted for 4 Gensets. For scheduling of T&C for the remaining units. For conduct of Rectification works for 3 sites (El Nido DPP, Taytay DPP and Ticao DPP).

Project: Construction of Upstream Barrier Protection for Agus 6 HEP Cost: P 6,647,235.84

Location: Iligan City Fund: Internal Cash Generation (ICG)
Source/s:

Implementing Agency/ies: National Power Corporation
Development Partners: N/A
Contractor/Supplier: F.M. HAIM Construction
Brief Description of Project: Supply and Installation of Hoisting Structure

Project Details:

Project Date			Project Status				Remarks
Duration	Started	Target Date of Completion	Percentage of Completion	As of (Date)	Cost Incurred to Date	Date Completed	
120 Calendar Days	3-Jun-15	20-Dec-15	27.37%	31-Dec-15	N/A	N/A	<ul style="list-style-type: none"> - Per approved Time Suspension/ Resumption the revised Contract Expiry is 20 December 2015. - Revised Construction Schedule under review/evaluation. - Contractor is requesting for Contract Time Extension due to additional/extra works, unfavorable weather condition, inaccessible road leading to project site, etc.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of Financial Statement Preparation

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

Pursuant to the provisions on the *Scope and Authority*, paragraph 7 of the Preface to Philippine Financial Reporting Standards, PFRS are designed to apply to the general purpose financial statements and other financial reporting of *all profit-oriented entities*. Hence, NPC, being a GOCC of non-profit character, may not be subject to the full compliance with the same, in its strict sense. Nevertheless, the following PFRS/Philippine Accounting Standards (PAS), as appropriate, were adopted and made

the basis, in the preparation of the Financial Statements in order to achieve the primary objective of fairly presenting the Corporation's financial condition, results of operation and cash flow, in so far as practicable and consistent with the standards and principles consistently applied pursuant to the former SFAS/IAS, which are now governed by PFRS/PAS.

Utility Plant and Depreciation

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

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 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

Appraisal of Utility Plants

Electric Plants in Service are recorded at appraised values in pursuance to PAS No.16 which permits the appraisal of property, plant and equipment.

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

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

The last revaluation of generation asset was made in 1996 and has not been updated to date. Considering the exemptions allowed under IFRS 1, paragraph 16-19, the

Corporation may establish such revalued amounts of the generation assets as “deemed cost” in line with the ongoing privatization of the NPC’s plants.

Capitalization of Interest

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

Investments

Local Investments are recorded at face value. Investments in foreign currency are recorded in compliance with PAS 21 using Bangko Sentral ng Pilipinas (BSP) guiding rate at the date of the transaction. Balances are reported using the closing rate at each Balance Sheet date.

Interest earnings on placements follow the accrual method of accounting.

Receivables and Allowance for Doubtful Accounts

Power and other receivables are stated net of allowance for doubtful accounts. Allowances are determined through the specific identification of uncollectible accounts.

Materials and Supplies for Operation

Materials and supplies (M & S) for operation are categorized as fuel (and its related products) and non-fuel. The Fuel M & S are composed of the fuel oil, diesel, coal & thermal chemical stocks used by NPC plants for power generation. These inventories are valued using the weighted average method. The change in accounting treatment for Fuel M & S that is from Last-in-First-out (LIFO) to weighted average method has been made effective on January 1, 2006 in compliance with PAS 2 for “Inventories”.

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

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 percent 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

In compliance with PAS 21 which was made effective January 1, 2005, transactions denominated in foreign currencies are recorded at BSP Guiding Rate at the date of the transaction. 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.

Income Determination

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

Accounting for Taxes and Duties on Importation

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

Composition of Rate Base

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

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

Accounting for Subsidy from National Government (Income Approach)

As per Philippine Accounting Standards (PAS) 20/IAS 20- Item No. 12. Government grants shall be recognized in profit or loss on a systematic basis over the period in which the entity recognized as expenses the related cost for which the grants are intended to compensate.

Rental/Lease of Generating Set

Payment for lease of generating sets to suppliers/contractors that 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 shall also be subjected to penalties for excess fuel rate.

4. UTILITY PLANT

This account consists of the following:

	Hydradulic Production Plant	Other Production Plant	Transmission Plant	Distribution Plant	Others	Total
Cost						
Beginning	915,053,877	10,320,737,876	5,112,082,887	485,397,403	2,136,293,969	18,969,566,012
Additions	1,078,581,551	8,278,891	0	0	1,582,849,855	2,669,710,297
Adjustments	0	(735,954,532)	421,941,261	502,525	117,649,691	(195,861,055)
Ending Accumulated Depreciation	1,993,635,428	9,593,062,235	5,534,024,148	485,899,928	3,836,793,515	21,443,415,254
Beginning	64,900,406	7,872,922,734	2,231,306,696	130,119,870	1,850,936,946	12,150,186,652
Additions	822,383,720	135,540,000	192,300,000	21,025,000	31,389,600	1,202,638,320
Adjustments	0	(455,052,824)	75,698,113	16,641,892	107,845,452	(254,867,367)
Ending	887,284,126	7,553,409,910	2,499,304,809	167,786,762	1,990,171,998	13,097,956,605
Carrying Value						
December 31, 2015	1,106,351,302	2,039,652,325	3,034,719,339	318,113,166	1,846,621,517	8,345,458,649
Carrying Value						
December 31, 2014	850,153,470	2,447,815,142	2,880,777,191	355,277,533	285,357,022	6,819,509,267

The **increase** pertains to the completion and unitization of Palawan Backbone Transmission Line Project; Work Orders for supply of generating sets; supply and delivery of insulators for Mobo-Cataignan Transmission Line; 69kv substation equipment for Bansud Substation Expansion Project, Calapan & San Jose Substation Project; supply and delivery of protection and telecommunication equipments for various substations; completion of fuel storage of SPUG for Luzon, Visayas and Mindanao areas and the transfer of Other Utility Property from PSALM to NPC account as part of the cleaning of the assets accounts under the Temporary Registry Accounts (TRA) as agreed between PSALM and NPC.

Likewise, the increase was partly offset by the decommissioned generating sets of Hikdop Diesel Power Plant (DPP) and Power Barge 110 and asset plants/facilities of Agutaya DPP, Cuyo DPP, Cullion DPP Diesel Power Plant and Roxas DPP, and reclassification of Masbate DPP Unit 1 Power Barge 110, 15MW modular DPP, Busuanga DPP and Roxas DPP and 2 units of generating sets from Tawi-Tawi DPP to Non-Utility Property account.

5. CONSTRUCTION WORK IN PROGRESS (CWIP)

This account consists of the following:

	2015	2014
CWIP – Work Order	2,437,000,564	1,516,564,768
	2,437,000,564	1,516,564,768

CWIP – Work Order refers to the costs of projects under construction, The **increase** pertains to work orders and contracts for various on-going projects for the rehabilitation and installation of additional transmission line projects, supply and delivery of generators and construction of power facilities necessary for the continuous operation of SPUG power plants.

6. NON-UTILITY PROPERTY

Non-utility property account consists of the following:

	2015	2014
Cost of Non-Utility Property	1,120,307,839	526,942,179
Accumulated Depreciation	(859,446,613)	(440,860,829)
Net Book Value	260,861,226	86,081,350

This amount pertains to other properties and equipments owned by the Corporation but are not used in utility operations. The **increase** pertains to reclassification of Masbate DPP Unit 1.15MW Modular Diesel Power Plant, Power Barge 110 to Non-Utility Property account but partly offset by the disposal of Power Barge 105 and reclassification of BNPP Preservation Division office to Other Utility Property account.

7. NON-CURRENT RECEIVABLES

	2015	2014
Non-Current Power Receivables (net)	1,664,882,928	1,893,097,255
Non-Current Receivables	1,000,000,000	0
	2,664,882,928	1,893,097,255

The **Non-Current Power Receivables** account represents the long-term portion of the restructured accounts of power customers in accordance with memorandum of agreements executed by and between NPC and the power customers. The **Decrease** was due to full payment of Marinduque Electric Cooperative (MARELCO) and reclassification of accounts from Non-Current to Current.

The **Non-Current Receivables** account represents the balance on the approved P2 billion NG subsidy per SARO No. BMB-F-15-0001471 dated February 20, 2015.

8. DEFERRED CHARGES

This account consists of the following:

	2015	2014
Preliminary Surveys and Investigation	3,547,065	0
Other Deferred Debits	29,351,905	0
	32,898,970	0

Preliminary Surveys and Investigation pertains to expenditures related to preliminary surveys, studies, investigations and other related undertakings to determine the feasibility of a project for development by the Corporation FOR THE Engineering, geological/geotechnical investigation of Virac-San manuel Transmission Project and Roxas-Taytay 69KV under work Order Nos. I322E01 and J30E01, respectively.

Other Deferred Debits pertains to materials, supplies and equipment which have not been delivered but covered by purchase orders and correspondingly covered by Certified Obligations with Suppliers and Contractors account. These items shall be classified in their proper asset accounts upon delivery and acceptance.

9. OTHER NON-CURRENT ASSETS

This account consists of the following:

	2015	2014
Restricted Cash	4,023,032	3,981,203
Stock for Disposal	6,190,294	5,122,233
	10,213,326	9,103,436

The **Restricted Cash** 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 **increase in stock for disposal** pertains to Other Utility Plants items which were transferred to Stock for Disposal account.

10. CASH AND CASH EQUIVALENTS

This account composed of the following:

	2015	2014
Cash in Bank	905,357,197	679,518,101
Working Fund	10,406,035	31,095,717
Temporary Investments	9,334,414,769	5,977,000,000
	10,250,178,001	6,687,613,818

The **increase in Cash and Cash Equivalent** is mainly attributed to the partial release of CY 2014 NG Subsidy SARO No. BMB-F-14-0005155 and 2015 SARO No. BMB-F-150001471 in the total amount of P615 million and the remittance of UCME and UCEC for 2015 from PSALM.

11. POWER RECEIVABLES

Receivables from power customers consist of the following:

	2015	2014
Power Receivables	4,733,254,199	4,311,352,397
Allowance for Bad Debts	(2,686,841,739)	(2,126,246,049)
	2,046,412,460	2,185,106,348
Accrued Utility Revenue	402,106,633	172,108,426
Restructured Power Receivables	21,782,371	78,132,889
Due from Other Agency	3,459,341,533	4,573,069,094
	5,930,446,997	7,008,416,757

The **increase in Power Receivables** was due to build up/increase of outstanding balance of BASELCO, SULECO, TAWELCO & CASELCO (BASULTA) power customers.

The **increase in Accrued Utility Revenue** was due to reclassification of accounts from Non-Current Power Receivables to Accrued Utility Revenue account.

The **decrease in Restructured Accounts** was due to full payment of MARELCO and the reversal of outstanding balance of old restructured account of MASELCO and TISELCO.

The **Due From Other Agency** represents receivables from PSALM pertaining to UCME which is due for remittance to NPC in 2016.

Increase of Allowance for Bad Debts is due to new estimates on the Provisions for Bad Debts using the following composite rates:

- 100 percent of power receivables aged over 4 years
- 50 percent of power receivables aged over 2 years to 4 years
- 30 percent of power receivables aged over 1 year to 2 years
- 20 percent of power receivables aged over 6 months to 1 year

This was partly offset by the reversal of Allowance for Bad Debts due to the following:

- a. New Restructuring of Account –
 - Masbate Electric Cooperative, Inc. (MASELCO)
 - Ticao Island Electric Cooperative, Inc. (TISELCO)
- b. Request of Bantayan Electric Cooperative, Inc. (BANELCO) for condonation of interest charges which was already approved by the NP Board and endorsed to COA for review and endorsement to Congress.

12. OTHER RECEIVABLES

This account consists of the following:

	2015	2014
Interest Receivable	1,084,633,626	592,114,244
Rent Receivable	389,881	324,405
Receivable from the National Gov't.	48,422,503	47,518,921
Receivable from Officers & Employees	7,172,667	6,657,965
Accounts Receivable – Others	3,296,130,016	2,600,152,133
Output Tax Receivable	722,570,811	665,871,002
Input Tax Credit on Non-Depr. Capital	3,816,644,350	3,232,610,507
Input Tax Credit on Depreciable Capital	4,966,709	6,682,651
	8,980,930,563	7,151,931,828
Allowance for Bad Debts	(2,357,364)	(2,357,364)
	8,978,573,199	7,149,574,464

The increase in Accounts Receivables – Others account is mainly attributed to the approved NG subsidy under SARO No. F 15-0001471 amounts to P1 billion with partial released of P42 million and OMA – MOOE receivables with PSALM per Operations and Maintenance Agreement between PSALM and NPC.

13. MATERIALS AND SUPPLIES FOR OPERATION

This account consists of the following:

	2015	2014
Materials, Supplies and Equipment	709,706,391	505,012,141
Diesel	454,708,201	476,026,728
MSE in Transit - Operating Plants	130,908,926	134,154,631
Asset in Trust	58,033,591	0
Stock Transfer-Clearing Accounts	44,143,822	31,181,336
Fuel Oil Stock	15,978,106	28,282,656
Thermal Chemicals	422,035	422,035
Gasoline	247,500	159,874
Materials & supplies Temporary Adjust.	57,025,077	56,848,834
Other Oil Products	8,184,947	19,176,949
	1,479,358,596	1,251,265,184

Asset in Trust pertains to the remaining MSE stocks at CBK Power Ltd.

14. ADVANCES AND PREPAYMENTS AND DEPOSITS

This account consists of the following:

	2015	2014
Advances and Prepayments		
Advances to Gov't. Bodies & Institutions	378,093	378,093
Advances to Contractors/ Prepaid Charges	97,138,122	71,640,839
Marginal & Guaranty Deposits	467,801	452,951
	97,984,016	72,471,883
Court and Other Deposits		
Advances for Medical Group Life Ins.	6,509,146	6,838,672
Court and Other Deposits	405,266	29,632,599
Other Advances	39,504,171	18,831,897
	46,418,583	55,303,168
Cash Advances to Officers & Employees	148,850	47,501
	144,551,449	127,822,552

The **increase in Advances to Contractors/Prepaid Charges** was attributed to the payment of mobilization expenses to Cruz Esguerra Const. & Supply (WO No. E60D1S1), DMCI (WO No. I321A01, I1331A02, F302A01), Indentrade System Corporation (WO No. 4700400), Power Dimension Inc, (WO No. I321AO2, 1324A01, E800A05 & E800A06), and S. L. Dev. & Const. Corp. (WO No. I323A1)

Advances for Medical & Medical Group Life Insurance refers to the advance payment to insurance companies of employees' medical benefits which are subject to reimbursement through salary deductions.

The decrease in Court and Other Deposits refers to the full compliance of Occidental Mindoro Electric Cooperative's (OMECO) to the Notice of Garnishment issued in the CC No. Q-1170129, Chona Dimayuga vs. NPC payment of power bills.

The increase in Other Advances pertains to the payment of insurance premiums for Motor Vehicles, Marine Cargo and Marine Hull and Industrial All Risk Insurance Policy with GSIS.

15. TRUST ACCOUNTS

Trust Assets (PSALM) pertains to balances of accounts set-up as working capital for the operation, maintenance and management of the facilities and generation plants of the main grid under the OMA, details as follows:

	2015	2014
Net Utility Plant	2,722,142	1,667,615,994
Total Investments & Other Assets	1,365,475,022	1,350,612,221
Cash and Cash Equivalents	1,124,186,959	570,969,662
Materials and Supplies for Operation	2,049,920,299	4,471,273,758
Prepayments	466,439	633,520
Court and Other Deposits	846,420	317,374
Cash Advances - Officers and Employees	0	276,788
Other Receivables	4,333,086	4,343,827
	4,547,950,367	8,066,043,145

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

16. TEMPORARY REGISTRY ACCOUNTS

Temporary Registry Accounts consist of the following:

	2015	2014
Retained PSALM Accounts	0	735,068,451
Retained Transco Accounts	1,848,501,658	1,848,501,658
	1,848,501,658	2,583,570,109

Details as follows:

	RETAINED PSALM ACCOUNTS	RETAINED TRANSCO ACCOUNTS
UTILITY PLANT at Appraised Values	0	2,544,297
Accumulated Depreciation & Depletion	0	(1,053,723)
Construction Work in Progress	0	1,023,183,912
TOTAL UTILITY PLANT		1,024,674,486
Investment in government and Other Corporation	0	36,262
Non-Utility Property – NET	0	500,899,936
Accounts and Other Receivables – NET	0	404,192
Other Assets	0	1,000,331
	0	502,340,721
Cash & Cash Equivalent	0	5,064,981
Other Receivables	0	8,064,153
Materials & Supplies for Operation	0	289,198,542
Advances	0	2,624,243
Prepayments	0	14,857
Court & Other Deposits	0	5,797,624
Cash Advances – Officers & Employees	0	10,454
TOTAL CURRENT ASSETS	0	310,774,854

DEFERRED CHARGES	0	3,040,786
CONTINGENT ASSETS	0	7,670,811
TOTAL ASSETS	0	1,848,501,658
Retained Earnings	(42,032,827,978)	1,583,316,610
Appraisal Capital	(57,438)	0
Contingent Surplus	0	7,670,811
TOTAL PROPRIETARY CAPITAL	(42,032,885,416)	1,590,987,421
Long-term Debts	40,992,590,278	0
Accounts Payable and Accrued Exp.	986,465,285	72,344,024
Retention on Contract Payments	49,223,830	158,093,550
Deposits and Trust Funds	4,606,023	1,100,215
TOTAL CURRENT LIABILITIES	1,040,295,138	231,537,789
DEFERRED CREDITS	0	25,976,448
TOTAL PROPRIETARY CAPITAL & LIABILITIES		1,848,501,658

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

17. DONATED CAPITAL

	2015	2014
Donated Capital	13,856,821	2,906,505

The **increase** in the **Donated Capital Account** pertains to donation of gensets, power plant, industrial building to JP Rizal Diesel Power Plant by LGU of Palawan and adjustment of market value of San Vicente DPP, Agutaya DPP, Aracelli DPP, Cuco DPP, Balabac DPP, Taytay DPP, El Nido DPP and Linapacan DPP based on tax declaration. The donated properties are amortized over the remaining life of the assets under the Equity Method for grant.

18. RETAINED EARNINGS

The accumulated Retained Earnings remained in the negative until 2014 at P3,952,184,937. With the significant improvement in the NPC's financial operations from 2012 until 2015, however, the negative balance of the Retained Earnings has finally turned positive at P2,598,243,782.

APPROPRIATED RETAINED EARNINGS – SINKING FUND

As provided for in Section 8, item (a) of NPC Charter (R.A. 6395 as amended), the Corporation shall set aside five percent 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 2015 amounting to P349,691,637 represents the five percent of the net operating revenue of 2014 (P162.496 million), 2013 (P120.958 million) and 2012 (P66.237 million).

19. APPRAISAL CAPITAL

	2015	2014
Appraisal Capital	2,192,731,077	2,216,090,285

The **decrease in Appraisal Capital** pertains to the adjustments on revaluation corresponding to the remaining salvage value of PB105 which was already sold/disposed.

20. LONG-TERM DEBTS/ CURRENT PORTION

This account consists of the outstanding foreign borrowings as follows:

CREDITOR/PROJECT	Maturities	Interest Rates	2015	2014
Natixis / Credit National				
Project-PRES Proj. of SPUG	2016 to 2031	Fixed at 0.40%	543,183,450	570,456,474
Banque Paribas				
Project-PRES Proj. of SPUG	2009 to 2019	Fixed at 5.09%	100,942,273	148,414,767
			644,125,723	718,871,241

Year-end BSP guiding rates:

		December 31, 2015	December 31, 2014
Dollar	USD 1	47.1660	44.617
Euro	EUR 1	51.7411	54.339

CURRENT PORTION:

CREDITOR/PROJECT	Maturities	Interest Rates	2015	2014
Natixis / Credit National				
Project-PRES Proj. of SPUG	2016 to 2031	Fixed at 0.40%	0.00	0.00
Banque Paribas				
Project-PRES Proj. of SPUG	2009 to 2019	Fixed at 5.09%	40,376,914	42,404,222
			40,376,914	42,404,222

Repayment of principal for Natixis will start on September 30, 2017. The decrease of principal is due to amortization of loan with Banque Paribas and appreciation of Philippine peso against EURO.

21. DEFERRED CREDITS

	2015	2014
Provision for Vacation and Sick Leave	576,002,226	564,929,608
Unearned Interest Income – (Non-Current)	659,809,120	100,795,547
Other Deferred Credits	1,006,988,781	1,006,671,388
	2,242,800,127	1,672,396,543

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

Increase Unearned Interest Income - (Non-Current) was due to the new set-up of interest charges due on the restructured power receivables account of Masbate Electric Cooperative, Inc. (MASELCO) and Ticao Electric Cooperative, Inc. (TICELCO).

Other Deferred Credits - pertains to the P1 billion NG Subsidy from the total approved P2 billion per SARO No. F 15-0001471.

22. ACCOUNTS PAYABLES AND ACCRUED EXPENSES

This account consist the following payables:

	2015	2014
Financial Assistance/Benefits Payable	5,863,583	14,048,961
Gasoline and Other Oil Products Payable	22,665,604	20,309,586
Fuel Payable	493,638,327	938,372,670
M & S Equipment Payables	228,290,787	179,277,985
Accounts Payable - Others	324,680,280	318,393,214
Check Vouchers Payable	649,378,617	779,688,948
Cert. Obligations - Suppliers and Contractors	2,077,139,653	1,209,092,405
Certified Obligations - NPC Employees	218,490,163	235,684,346
Accrued Salaries and Wages	62,955,643	98,504,748
Interest Payable - Fuel	1,862	1,862
GSIS Premiums and Loan Payable	14,458,441	11,993,006
Phil Health Insurance Payable	473,175	1,193,600
HDMF Contributions & Loans Payable	1,641,386	2,322,160
Medical Insurance Premiums Payable	1,307	1,307
Taxes Payable	562,362,415	0
Cash Vouchers Payable	22,989,727	46,419,312
Due to Other Agency	9,351,799	9,051,125
Output Tax Payable	828,637,379	774,494,302
	5,523,020,148	4,638,849,537

23. RETENTION ON CONTRACT OF PAYMENTS

	2015	2014
Retention on Contract of Payments	179,773,783	110,216,730

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

24. DEPOSITS AND TRUST FUNDS

	2015	2014
Deposits and Trust Funds	50,332,669	50,220,656

Deposits and Trust Funds account mainly includes amounts received and segregated for the execution of specific projects or contracts. It also includes the amounts deposited/advanced by suppliers, contractors and power customers to the Corporation.

25. UNIVERSAL CHARGE

	2015	2014
Universal Charge	9,706,676,769	8,696,594,212

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

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

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

The Universal Charge for 2015 consists of UC-ME and UC-EC amounting to P8.929 billion and P777 million, respectively, while there was no UC-EC remittance in 2014.

CY 2015 UC-ME

The ERC Provisional Approval (PA) granted to NPC on November 3, 2014 under ERC Case No. 2014-135RC for the CY 2015 regular UCME Subsidy, retained the approved UCME of P0.0454/kWh until May 2015. Effective June 2015 to August 2015, the UCME was adjusted to P0.1163/kWh regular UCME and P0.0381kWh CY2010 True-up, respectively, or a total of P0.1544/kWh equivalent to P927Mn/mo.

On 17 August 2015, ERC issued an Order for the extension of the PA until revoked or made permanent by the Commission with an equivalent rate of P0.1561/kWh (inclusive of P0.0017/kWh Cash Incentive for Renewal Energy Developer). The total amount accrued for the year based on the PA may change when the final approval of ERC is issued.

CY 2015 UC-EC

On 15 December 2014 ERC approved Universal Charge Case Nos. 2010-019 RC, 2011-067RC, 20120-040 RC and 2013-038 RC or Plan 7, 8, 9 and 10, respectively, amounting to P777 million for the rehabilitation and management of watershed areas by virtue of RA 6395 where the NPC filed the proposed watershed management program for universal levy funding for CY2010 to 2013 (Plan 7 to 10) that will serve as the basis for the utilization of the Environmental Charge for the rehabilitation and maintenance of NPCs' watershed areas.

26. GENERATION EXPENSES

This account consists of the following expenses for the power generation:

	2015	2014
Fuel & Additives	3,041,974,067	4,468,451,548
Operation of Diesel Plant <u>1/</u>	794,998,377	852,820,156
Maintenance of Diesel Plant	26,462,276	6,124,053
Operation of Hydro Plant	6,073,333	3,205,552
Operation of Renewable Source of Energy	7,260	0
Maintenance of Hydro Plant	0	58,170
	3,869,515,313	5,330,659,479

The **decrease of fuel cost** was the result of the substantial decrease of fuel prices in the market world wide.

27. ADMINISTRATIVE AND GENERAL EXPENSES – SUPPORT GROUP

This account consists of the following expenses of Support Group:

	2015	2014
Personnel Services		
Salaries & Wages	241,085,763	232,818,081

Benefits/Allowances/Social Security	204,705,998	161,115,192
Overtime/NSD Pay	9,787,582	25,974,316
Maint. and Other Operating Expenses-		
Maintenance of General Plant Equipment	20,280,321	33,952,286
Other Operating Expenses	290,232,760	313,356,705
	766,092,424	767,216,580

28. OTHER OPERATING EXPENSES

This account consists of the following expenses:

	2015	2014
Insurance Expense	48,572,833	42,570,467
Job Order for Support Group & Eng'g	91,221,647	77,508,647
Cost of Audit Services	20,943,198	37,190,043
Financial Assistance	4,060,378	4,042,699
Realty Tax	1,298,310	1,822,458
Share in National Wealth	444,944	644,835
Rental/lease of Generating set	564,215,364	319,204,344
	730,756,674	482,983,493

The **increase** in rental of generating sets was attributed to the extension of operating hours in Boac, Pulang Lupa, Basco, El Nido, Kalamansig, Basilan and Bongao.

29. INCOME FROM ADMINISTRATIVE FEE

	2015	2014
Income from Adm/Backup/Other Service Fee	68,340,179	94,099

The account pertains to the administrative fee pursuant to Operations and Management Agreement executed between PSALM and NPC as operator of the undisposed generation assets of PSALM .to compensate the services rendered for the main grid.

30. LOSS / GAIN ON DEBT SERVICE

	2015	2014
(Loss)/Gain on Debt Service- Prin/ICERA	463,281	591,039

This account consists of the additional costs incurred as a result of the appreciation or devaluation of the peso currency which affects the costs of servicing foreign currency debts (excluding interest). These costs are recoverable / refundable from/to power consumers under the ICERA (Incremental Currency Exchange Rate Adjustment) upon approval by the ERC.

31. LOSS / GAIN ON FOREX FLUCTUATION

This account consists of:

	2015	2014
Gain/(Loss) on Revaluation:		
Loan Payable	53,018,195	96,346,918

The account pertains to the gain / loss in the restatement of the outstanding balance of foreign currency denominated loans as of reporting date using the BSP guiding rates. The decrease was due to reduced principal loan balance.

32. MISCELLANEOUS INCOME

This account consists of the following:

	2015	2014
Income from Liquidated Damages	14,809,470	16,538,377
Supplier's Discount	4,537,988	117,785
Rental Income	6,670,321	4,959,680
Bid Related Income	5,241,901	4,811,642
Revenue from Lease of Electric Plant	1,893,857	2,567,976
Income from Donation	2,375,558	5,612,743
Others	1,156,117,811	72,526,807
	1,191,646,906	107,135,010

The ***Increase of Other Miscellaneous Income*** was attributed to the execution of Operation & Maintenance Agreement between PSALM and National Power Corporation wherein NPC as Operator of the undisposed generating assets of PSALM will bill the latter MOOE fee corresponding to the actual approved MOOE budget for the operation and maintenance of the said undisposed assets.

33. INTEREST EXPENSE

	2015	2014
Interest Expense	10,787,200	14,577,005

This account pertains to interest expense on foreign & domestic loans. The interest expense for CY 2015 pertains to the outstanding foreign loans with BNP Paribas and Natixis. Repayment of principal with BNP Paribas commenced on December 2009 and Natixis will start on September 2017.

34. SUBSIDY TO NPP'S OF MEA

	2015	2014
Subsidy to NPP's of MEA and to SIG Customers	2,015,220,175	2,750,398,947

This account pertains to subsidy to New Power Providers (NPP) of Missionary Electrification Areas (MEA) as approved by the Energy Regulatory Commission (ERC). The decrease in expenses was partly effect of the substantial decline of fuel prices in the market world wide.

35. MISCELLANEOUS EXPENSES

This account consists of:

	2015	2014
Extra Ordinary Loss	30,386,122	0
Other Taxes	13,556,322	8,155,454
Gender and Development (GAD)	401,782	654,464
Loss on disposal/retirement of asset	144,885	0
Miscellaneous Expenses:		
OMA-MOOE expenses	799,102,058	0
BNPP preservation expenses	9,377,953	0
Other miscellaneous expenses	24,131,061	3,283,277
	877,100,183	12,093,195

The **increase** in Miscellaneous Expenses was attributed to the new OMA Agreement between PSALM and NPC (refer to Note 32) and the extra ordinary loss as the result of the disposal of PB 105.

36. SUBSIDY FROM NG

Special Allotment Release Order refers to NG Subsidy intended for CAPEX utilization for missionary electrification.

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

37.a

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 no diminution of benefits under the separation plan until the full implementation of the restructuring and privatization.

- On **12 December 2002**, petitioners (NPC DAMA, et al.) filed a petition before the Supreme Court 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 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 **26 September 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 **14 September 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 **17 September 2008** clarifying the legal effects of the 26 September 2006 Decision that is, the right to reinstatement or separation pay in lieu of reinstatement plus backwages, wages adjustment and other benefits.
- On **27 October 2008**, an Entry of Judgment was issued. On 14 November 2008, an Urgent Motion for Execution was filed by petitioner NPC DAMA.
- The Supreme Court promulgated its Resolution on **10 December 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 **09 March 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 **02 December 2009** a Resolution which GRANTED Petitioners (NPC DAMA) Manifestation in the Urgent Omnibus Motion dated 09 February 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 10 December 2008;
 - 2) Ordering the Clerk of Court of the Third Division to IMPLEAD or JOIN PSALM as party-respondent to the case **(please refer to pages 21 to 25 re discussion on whether or not the assets of PSALM can be subject of execution)** ;
 - 3) Ordering NP Board and President of NPC to comply with the SC Resolution dated 10 December 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 26 September 2006, 24 January 2007, 17 September 2008 and 10 December 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 31 January 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.
 - 5) The approval of NP Board Resolution No. 2007-55 on 14 September 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 02 December 2009 Resolution.

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

- Hearing on the oral arguments was actually held on **20 January 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 17 September 2008 Resolution granted relief not sought in the 26 September 2006 Decision;
 - 3) Whether the 10 December 2008 Resolution exceeded the terms of the 17 September 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 **17 February 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 12 July 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 **08 April 2013**.
- The Supreme Court in its Resolution dated **30 June 2014** ruled on the five (5) pending issues and concluded that:
 1. The finalities of the 26 September 2006 Decision and 17 September 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 17 September 2008 Resolution did not grant additional reliefs as it merely clarified the consequences of the 17 September 2006 Decision;
 3. The dispositive portion of the 10 December 2008 Resolution did not exceed the terms of the final 17 September 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 (**please refer to pages 38 to 40 re: discussion on whether separation benefits are existing liabilities of NPC**).

The Supreme Court likewise concluded that the refusal of NPC to comply with the 10 December 2008 Resolution and 2 December 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 **28 July 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 **5 August 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 **14 August 2014**, notices of garnishment issued by the Executing Sheriffs of RTC, Quezon City were served upon Land Bank of The Philippines, National Transmission Corporation, STEAG State Power, customers and other energy industry partners against NPC and PSALM properties.
- NPC, through the OSG, filed a Manifestation and Motion on **22 August 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 **22 August 2014**.
- On **09 September 2014**, the Supreme Court issued a Resolution **deferring** the implementation of the Decision dated 26 September 2006 and Resolutions dated 17 September 2008, 02 December 2009 and 30 June 2014 until further notice and lifting the Notice of Garnishment dated 14 August 2014. The court likewise directed the parties to submit within forty-five (45) days the lists of NPC employees as of 31 January 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 and PSALM were likewise required to comment within ten (10) days on the (i) letter of 31 July 2014 of Atty. Perlita V. Ele and the letter of 05 August 2014 of Attys. Orocio and Aldon; (ii) Motion to Expunge filed by NPC-DAMA; and (iii) Special Appearance of MERALCO.
- NPC, through OSG, filed its Comment dated **7 October 2014** and prayed for the denial of petitioner's Motion to Expunge and Meralco's Special Appearance on the ground that the same were superseded by the 9 September 2014 Resolution. The OSG merely noted the letters of Attys. Ele, Orocio and Aldon.
- Attys. Orocio and Aldon, in a letter dated **16 October 2014**, wrote the National Power Corporation that the " xxx the rate of interest on the principal amount of the award was not correct as it was done on a straight basis, and not compounded as should have been the case xxx ". It advised NPC that "in the event the pending incidents of the case in the Supreme Court are disposed of and the decision/resolution is ultimately implemented, a re-computation be made to arrive at the proper and correct amount of interests on the principal amounts of the award due our clients, the petitioners." NPC referred the same to OSG per letter dated 4 November 2014.

- NPC through OSG filed its Compliance Ad Cautelam on **24 November 2014**, within the extendible period to comply with the 09 September 2014 Resolution to submit the required list.
- NPC received on 27 November 2014 the Resolution dated **20 October 2014** of the Supreme Court modifying its 09 September 2014 Resolution by requiring the submission of list of NPC employees as of 26 June 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; subsequent termination and amount of separation pay received.
- NPC complied the same on 16 March 2015.

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 12 July 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 (SEPD). 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 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 17 October 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 6 September 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 17 October 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 (6 September 2010), NPC received a copy of the 16 August 2010 Decision of the trial court ordering it to pay petitioners the aggregate sum of P301.5 million plus interest at 6% per annum, P1 million as exemplary damages and 10% of the total amount as attorney's fees.
 - Subsequently, OSG filed an Amended Petition on 16 September 2010 to include the 16 August 2010 Decision of the trial court.
 - In a letter dated 14 February 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 17 February 2011 meeting.
 - Another proposal was received from the petitioners reducing by five percent 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 21 February 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 5 July 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 31 July 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 13 September 2013, DOF Undersecretary John P. Sevilla (as Alternate Chairman) and 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 04 March 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 31 March 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 13 March 2014 furnishing the latter with a copy of the said 04 March 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 24 March 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 11 August 2014 denying the Motion for Reconsideration, there being no cogent and compelling reasons found to justify the modification or reversal of its 04 March 2014 Resolution.
- On 10 October 2014, NPC through the OSG filed a petition for review on certiorari before the Supreme Court.

**EXECUTIVE BRIEF
NEWU VS. DEL CALLAR (as NPC President)
CA-GR S.P. No. 113743**

- A Petition for mandamus with prayer for a temporary restraining order and preliminary injunction was filed on 19 October 2007 by NEWU and 21 other NPC employees seeking the release of the so-called "net increase adjustment" which was purportedly withheld from them. NEWU also claims to represent other NPC employees similarly situated.
- Pursuant to NPC Circular No. 2003-09, a Step Increase Adjustment was given to employees. The said adjustment is a consequence of the step increment, a salary increase based on the number of years of service in the same position starting 1 January 1994.

- NPC discontinued the Step Increment because of the issue of Disallowance and that the EPIRA required the downsizing of personnel as a consequence of privatization. NPC employees were eventually terminated in January to February 2003.
- The issue arose on which amount of basic salary will be used in the computation of separation benefits. Some argued that it should be the “**pre-rollback rate**” or the highest monthly salary of the employee while in government service. Others argued that it should be the “**rollback rate**” or the basic monthly salary net of the total salary adjustments including additional bonus. This issue was brought before the court for adjudication.
- Pending resolution of the case, NPC deposited on escrow the amount corresponding to the difference between “pre-rollback rate” and “rollback rate”. The difference is the ***step increment adjustment***.
- A substantial number of NPC employees voluntarily signed waivers losing their right to claim the difference. (They are now the petitioners in this case.)
- The step increment adjustment was intended for those NPC employees, whether rehired or not after legal termination, but did not waive their additional separation benefits.
- Petitioners filed the instant case seeking the release of the “net increase adjustment”. NPC posited that there was no “net increase adjustment”, only a “step increase adjustment”.
- On 31 August 2008, NPC moved for the dismissal of the case based on the following grounds:
 1. Petitioner NEWU has no legal standing on behalf of all NPC employees before the court;
 2. The payment of Step Increment Adjustment to petitioners is not a ministerial duty of NPC;
 3. Petitioners have no cause of action against NPC; and
 4. Petitioners failed to exhaust all administrative remedies.
- NPC’s motion to dismiss was denied by the court on 25 June 2008.
- NPC filed its Memorandum on 11 February 2009.
- The trial court in its decision dated 9 June 2009 denied the petition of NEWU for injunction but ordered NPC to pay the employees of the so-called net increase adjustment.
- NPC filed a Motion for Partial Reconsideration which was denied by the trial court in an Order dated 27 November 2009.
- NPC, through the OSG, filed a petition before the Court of Appeals and was submitted for decision as of 27 July 2010.

- On the offer of settlement of all pending monetary claims including the step increment (P549.408 Million per claimants' proposal), OSG opined in its letter dated 05 March 2012 that "*considering the merits of the NPC's appeal which is anchored on the ground that NPC Circular No. 2001-51 is invalid, it having been repealed and superseded by NPC Board Resolution No. 2002-81, and considering further that a resolution of the appeal may already be forthcoming, it would be more prudent to await the same. It must be emphasized that NPC has raised meritorious grounds and thus its appeal must be pursued until the very end*".
- On 23 October 2013, the Court of Appeals rendered a Decision granting the appeal of NPC such that the 9 June 2009 Decision of the trial court was reversed and set aside insofar as it directed the NPC President to pay its employees covered under NPC Circular No. 2001-51. The denial of the prayer for injunction was sustained.
- In granting NPC's appeal, the Court of Appeals noted that the issue raised by appellees' NEWU was already decided in the case of Boncodin vs. NECU where the Supreme Court stated that "the step increments enjoyed by the NAPOCOR employees could not have ripened into vested rights. In brief, it is seriously contended that because they were granted without the required DBM approval, no vested rights to the step increments could have been acquired."
- The 23 October 2013 Decision has become final and executory on 02 October 2014 as per Entry of Judgment received by the OSG on 03 February 2015.

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 12 percent 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 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.
 - **9 September 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 30 January 2009 in relation to the EPIRA.
 - As of 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 17 February 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 12 July 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 03 May 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 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, thru Director Lorenzo C. Drapete, in a letter dated 15 May 2013 referring to National Power 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 18 and 28 August 2014 from petitioners’ counsel offering the settlement of the claims. The said letters were referred to the NP Board for its information and consideration.
- More recently on 11 June 2015, 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.

37.b

**Cases Handled by OLG
(Filed by or against NPC as of December 31, 2015)**

Nature	Number of Cases
Expropriation	84
Land Registration	197
ERC	107
Labor	17
Criminal	6
Administrative	13
Tax Cases	56
Other Civil Cases	91
Just compensation/Ejection/Recovery of Possession/Damages	168
	739

38. TARIFF DEVELOPMENT IN THE YEAR 2015

The following are the developments in Tariff for the Year 2015

CY 2014 BASIC UCME

- On 05 May 2015, the Energy Regulatory Commission (ERC) issued an order for the confirmation of the National Power Corporation’s (NPC) 2014 Universal Charge for Missionary Electrification (UCME). The approved recovery for CY 2014 Basic UCME amounted to **P2.763 billion**, or equivalent to **P0.0454kWh** is in compliance with ERC Decision issued on August 12, 2013 under ERC Case No. 2012-085 RC.

CY 2015

- The ERC Provisional Approval (PA) on ERC Case No. 2014-135 RC effective January 2015 for the CY2015 Basic UCME, retained the approved UCME of P0.0454/kWh until May 2015.
- With the previous approval in the Basic UCME of P0.0454/kWh or P2.763 billion for the last five years (CY2010 to CY 2014), or P230 million per month, the CY2015 UCME was adjusted to P927 million per month or equivalent to P0.1544/kWh (P0.1163/kWh regular UCME and P0.0381/kWh CY2010 True-up) effective June 2015.
- On 17 August 2015, ERC issued an Order for the extension of the PA until revoked or made permanent by the Commission with an equivalent rate of P0.1561/kWh (inclusive of P0.0017/kWh Cash Incentive for Renewable Energy Developer) effective September 2015.

13th GRAM and 13th ICERA

- On 04 December 2015, NPC filed its application for the 13th Generation Rate Adjustment Mechanism (GRAM) and 13th Incremental Currency Exchange Rate Adjustment (ICERA) before the ERC as part of its compliance to the directives of the power rate regulator and docketed under ERC Case Nos. 2015-203 RC and 2015-204 RC, respectively. Adjustments corresponding to these filings covering the billing period January to June 2014 are referred to as Deferred Accounting Adjustments or DAAs which are pass-thru costs in NPC's rates. The proposed recovery amounted to **P1.91Bn** if approved would translate into upward adjustments of rates in Luzon, Visayas and Mindanao grids amounting to P2.0805/kWh, P2.3414/kWh and P1.4762/kWh respectively, or an average increase of **P1.8783/kWh** will also have corresponding reduction in the UCME True-up Recovery for the same year. The proposed recovery for the 13th GRAM and 13 ICERA DAA are spread into twenty-four (24) months and twelve (12) months, respectively.

NEW Subsidized Approved Generation Rate (SAGR)

- NPC completed the ERC public hearing on the Consolidated Petition of the Proposed New Subsidized Approved Generation Rate (SAGR) and UCME for CY 2015 to 2016 under ERC Case No. 2014-135 RC in thirty four (34) areas for Luzon, Visayas and Mindanao.

40. 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 P284,786,588.12 during the year based on the amount reflected in the Sales Account of P2,373,221,567.67

The Corporation has zero-rated/exempt sales amounting to P30,364,257.66 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 claimed are broken down as follows:

Beginning Balance, January 2015	P4,330,750,330.92
Current year's purchases:	
Non-Capital Goods (fuel, materials , equipment & spares)	479,741,669.08
I. Capital Goods	11,456,929.62
II. Services	435,221,978.49
	926,420,577.19
Claims for tax credit/refund and other adjustment	0.00
Ending Balance December 2015	P5,257,170,908.11

Other taxes and licenses pertain to:

Nature	In pesos
Realty Tax	1,298,310.24
	1,298,310.24

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

Nature	In pesos
I. Tax on compensation and benefits	149,728,902.97
II. Creditable withholding taxes	122,688,956.34
III. Final VAT/Final withholding taxes	385,912,522.71
	658,330,382.02

41. INCOME TAX

With the improvement of NPC's financial operations in 2015 its Retained Earnings has finally turned positive at P2,598,243,782 and consequently brought about P1,425,114,457 of income tax expense.